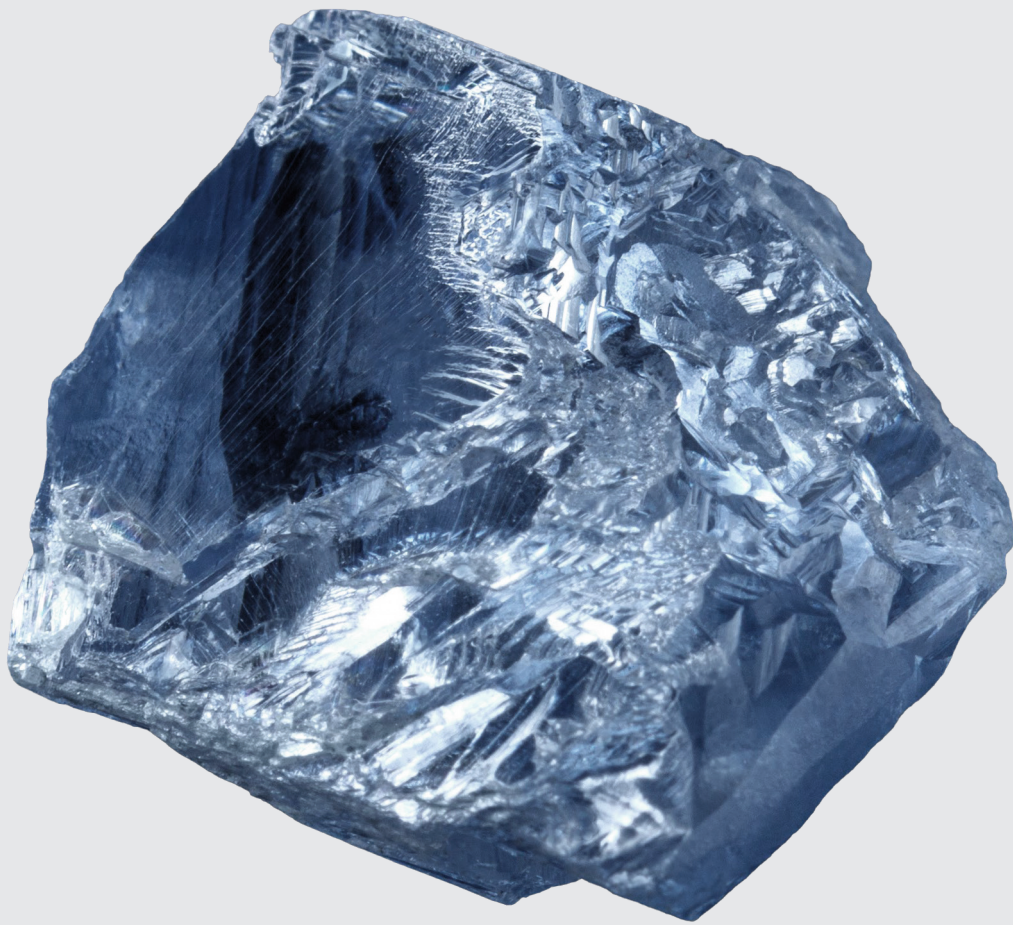




PetraDiamonds



Strength and Resilience

Petra Diamonds Limited
Annual Report and Accounts 2021

Strength and Resilience

Petra Diamonds Limited (“Petra” or the “Company” or the “Group”) is a leading independent diamond mining group and a supplier of gem-quality rough diamonds to the international market from its 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\$337 million loan notes due in 2026 listed on the Global Exchange Market of the Irish Stock Exchange.

Petra's strategy is to focus on value rather than volume production by optimising recoveries from its high-quality asset base in order to maximise their efficiency and profitability. The Group has a significant resource base of ca. 230 million carats, which supports the potential for long-life operations.

The Company strives to conduct its operations to the highest ethical standards and only operates in countries which are members of the Kimberley Process. Petra 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.

Chief Executive Richard Duffy commented on the Company's FY 2021 Results:

“FY 2021 was a watershed year for Petra. Besides the challenges of the COVID-19 pandemic, we completed a capital restructuring which, together with the sale of a number of exceptional blue and white diamonds from the Cullinan mine, served to reduce consolidated net debt by around two thirds to US\$228.2 million. We now have a more stable capital structure, considerably reduced debt obligations and greater liquidity.

“The strong recovery in the diamond market towards the end of the financial year, that has continued into the current quarter, further bolstered our improved financial position. Record production at Cullinan, driven by Project 2022 throughput initiatives, as well as the highest annual contribution to revenue from exceptional diamond sales, resulted in a 65% improvement in revenue to US\$402.3 million and contributed to operational free cashflow of US\$120.1 million for FY 2021. These record recoveries have continued post Year end with the sale of the magnificent 39.34 carat blue diamond for US\$40 million, being the most valuable single diamond ever sold by Petra. The US\$1 million per carat realised for this stone is likely the highest per carat price for a rough diamond ever achieved.

“Although Group production for the Year was negatively impacted by production challenges at both Finsch and Koffiefontein, we are confident that the post Year end re-engineering projects currently underway will lead to improved production and margins at both operations during FY 2022.

“We enter FY 2022 with some momentum from a considerably strengthened balance sheet, ongoing optimisation of our asset base and a positive outlook for the diamond market.”

FY 2021¹ operational and financial highlights^{2, 3}

KPI	Unit	FY 2021	FY 2020	Variance
ROM ore processed	Mt	7.7	7.5	+3%
Total ore processed	Mt	8.1	8.0	+1%
ROM carats produced	Mcts	3.1	3.2	-3%
Total carats produced	Mcts	3.2	3.3	-2%
Revenue	US\$m	402.3	243.3	+65%
Operational capital expenditure	US\$m	22.5	28.6	-21%
Adjusted EBITDA	US\$m	135.4	67.3	+101%
Operational free cashflow	US\$m	120.1	(12.3)	n/a
Net profit (loss) after tax	US\$m	196.6	(223.0)	n/a
Adjusted loss per share – from continuing operations	US\$ cents	(0.46)	(5.04)	n/a
Consolidated net debt	US\$m	228.2	700.3	-67%

1. FY 2021 represents the financial year to 30 June 2021 (the “Year”).

2. Certain alternative performance measures (“APMs”) have been used in this report. See page 203 for an explanation of relevance as well as their definition.

3. Unless stated otherwise, the operational and financial results in this announcement are adjusted to exclude the assets and liabilities of Williamson, which has been reclassified as an asset held for sale as at 30 June 2021, and the operating results of Williamson have been reclassified as a discontinued operation for FY 2020 and FY 2021.

Cover photo

The 2021 Annual Report cover features the 39.34 carat blue diamond from the Cullinan mine in South Africa that sold post Year end for US\$40.18 million, or US\$1.0 million per carat. Further information is set out on page 8.

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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

GROSS GROUP RESOURCES (MCTS)

230.64¹ (-5%)

GROSS GROUP RESERVES (MCTS)

33.33¹ (-14%)

1. Group Resources of 192.78 Mcts and Group Reserves of 29.94 Mcts excluding Williamson.

The careful management of these resources will ensure sustainable, long-life mining operations.

FY 2021 Resource Statement – pages 209 to 211

Establishing a new capital structure

CONSOLIDATED NET DEBT (US\$ MILLION)¹

228.2 (-67%)¹

ADJUSTED MINING AND PROCESSING COSTS (US\$ MILLION)

261.2 (+54%)¹

ADJUSTED EBITDA (US\$ MILLION)

135.4 (+101%)¹

OPERATIONAL FREE CASHFLOW (US\$ MILLION)

120.1 (n/a)¹

1. Excluding Williamson.

The Company completed a recapitalisation of the Group (the "Restructuring") in March 2021, thanks to the continued support of its bondholders, shareholders and its South African lender group. The Restructuring provided Petra with a more stable and sustainable capital structure, significantly reduced financial burdens and greater liquidity. The Group continues to focus on identifying and delivering operational efficiencies across all aspects of the business, particularly via Project 2022 initiatives, and on the effective management of capital expenditure ("Capex"), with the aim of generating free cashflow.

Our Strategy – pages 23 to 25

Financial Review – pages 28 to 33

Prioritising safe and sustainable business practices

LTIFR

0.44 (+52%)¹

TOTAL INJURIES

42 (-7%)¹

MAJOR ENVIRONMENTAL INCIDENTS

0 (0%)¹

SOCIAL SPEND (US\$ MILLION)

0.7 (-50%)¹

1. Including Williamson.

Our people are integral to our business and ensuring a safe workplace is our number one priority. We focus on putting the right actions in place today, which will result in sustainable long-term benefits, rather than focusing on short-term outcomes, to the benefit of all our stakeholders.

ESG and Sustainability – pages 42 to 59

The right team, skills, experience and culture

EMPLOYEES WORLDWIDE

3,517 (-5%)¹

CONTRACTORS WORLDWIDE

1,378 (+4%)¹

BOARD FEMALE DIVERSITY (%)

25 (+13%)^{1,2}

TRAINING AND DEVELOPMENT SPEND (US\$ MILLION)

5.8 (0%)¹

1. Including Williamson.

2. As at the date of this report, this has increased to 36%.

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 of continuous improvement, where Management is empowered to make decisions, employees are motivated and accountable, and collaboration and cooperation with stakeholders are considered imperative.

Our People – pages 49 to 51

Delivering from our portfolio

GROUP PRODUCTION (MCTS)

3.2 (-2%)¹

DIAMOND SALES (MCTS)

3.9 (+51%)¹

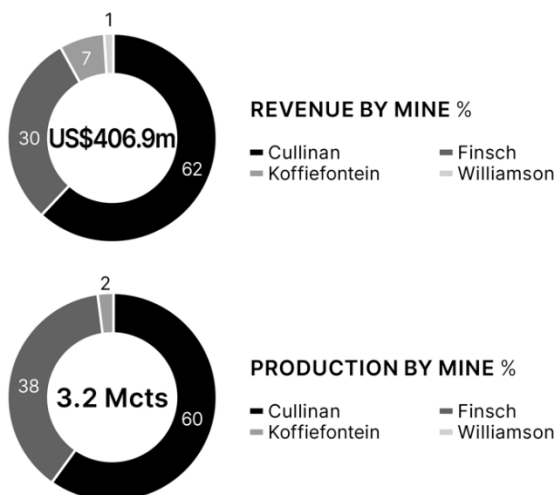
GROUP REVENUE (US\$ MILLION)

402.3 (+65%)¹

1. Excluding Williamson.

Petra has a portfolio incorporating interests in three underground producing mines in South Africa (Cullinan, Finsch and Koffiefontein) and one open pit mine in Tanzania (Williamson, which has been reclassified as an asset held for sale as at 30 June 2021). These operations are some of the most culturally significant diamond mines in the world and are renowned as reliable sources of rare and highly prized coloured diamonds.

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.



While Petra's FY 2021 financial results reflect Williamson as an 'asset held for sale', the above charts above include Williamson's contribution to FY 2021 and FY 2020 gross production and revenue.

Strong market fundamentals

2020 WORLD DIAMOND PRODUCTION (MILLION CARATS)

107.1 (-22%)

2020 WORLD DIAMOND PRODUCTION (US\$ BILLION)

9.2 (-32%)

The diamond market recovered well from the impact of the COVID-19 pandemic due to: control discipline by the major producers; the significant contraction of supply in 2021 (including the closure of the Argyle mine in Australia); capacity returning to the midstream; and a strong resurgence in consumer demand experienced in the key retail markets, notably the US and China, leading to shortages in certain polished goods. Commentators note that for some there is increased consumer disposable income due to lack of spend on competing product categories, such as holidays and experiences, and that natural diamonds remain highly desirable as a way to forge deeper human connections and to celebrate our most important life events.

Our Market – pages 18 to 22

Iconic diamond mines

Cullinan

One of the world's most celebrated diamond mines.

REVENUE (US\$ MILLION)

250.6 (+115%)

PRODUCTION (MCTS)

1.94 (+23%)

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)

123.5 (+22%)

PRODUCTION (MCTS)

1.24 (-25%)

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)

27.9 (+9%)

PRODUCTION (MCTS)

0.06 (-14%)

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. The Board reviewed its strategic options at the mine and it has therefore been reclassified as an asset held for sale as at 30 June 2021.

REVENUE (US\$ MILLION)

4.6 (-91%)

PRODUCTION (MCTS)

0 (-100%)

PRODUCTION PROFILE

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

Operational Review – pages 34 to 39

Chairman's Statement

Moving forward

"This has been a transformative year for Petra. Our strengthened balance sheet and new capital structure, our experienced and diverse Board, together with the commitments and initiatives put in place at all of our operations to address past issues and support our communities, puts Petra in a strong position to grow and develop our world-class asset base to the benefit of all of our stakeholders."

Peter Hill CBE
Non-Executive Chairman

A transformative year

I am privileged to introduce Petra's 2021 Annual Report, my second as Chairman of Petra. FY 2021 has been a transformative year for the Company, during which there have been some notable achievements, as well as a number of operational and other challenges. Again, I have been extremely impressed with and grateful for the efforts of my fellow Board members and all of Petra's employees throughout the Year to achieve these milestones and to address the challenges we have faced.

During FY 2021, COVID-19 related lockdowns and other social and travel restrictions continued to impact our operating environment, but our team has adapted well and is managing the ongoing disruptions without a significant impact on production. The great resilience and dedication of our workforce has therefore allowed for the delivery of strong results for the Year.

FY 2021 saw Adjusted EBITDA rise 101% and Consolidated net debt reduce 67%; both are remarkable achievements. Looking at our operational performance, whilst Cullinan continued to outperform, we faced a number of operational challenges during FY 2021. Production at Finsch was negatively impacted by higher than expected waste ingress and also by the record rainfall experienced in January and February, which also affected mining operations at Koffiefontein. Our Group Technical teams took decisive action to manage these challenges and limit the impact on the operations. The Williamson mine in Tanzania remained on care and maintenance throughout FY 2021 but given the improved diamond pricing environment, we are currently making arrangements to resume production at the mine by the end of H1 FY 2022. The Board reviewed its strategic options at Williamson and the asset has been reclassified as held for sale as at 30 June 2021. We will provide an update to the market on this in due course.

Looking at the diamond market, we were pleased to see improving demand for rough diamonds during the Year, with an overall increase in diamond prices realised by Petra of ca. 9%. This recovery in demand was driven by a contraction of supply versus stronger demand in the key consumer markets of the US and China, supported by low inventories in the midstream.

Our revenue in FY 2021 was bolstered by the sale of the Letlapa Tala Collection of five blue diamonds for US\$40.4 million in November 2020. Blue diamonds are so rare that most people working in the diamond industry have never even seen one. There are no official statistics on their recovery, so it is therefore even more unusual that these spectacular stones were all recovered within the space of one week's production in September 2020. We have continued to recover a number of "Exceptional Stones" (rough diamonds that sell for more than US\$5 million each) from Cullinan, including an exceptional 299 carat Type IIa white gem-quality diamond which was sold for US\$12.18 million in March 2021, and in July 2021 we announced the sale of the exceptional 39.34 carat Type IIb diamond recovered at Cullinan in April 2021 for US\$40.18 million; the highest price Petra has received for a single stone. These recoveries serve as further evidence of the quality of the Cullinan orebody which is well-known for its Exceptional Stones.

Strong production from Cullinan, efficiencies driven by our business improvement programme Project 2022, improved diamond pricing and the sale of Exceptional Stones saw Petra deliver Operational free cashflow of US\$120.1 million in FY 2021, versus an outflow of US\$12.3 million in FY 2020, and Adjusted EBITDA of US\$135.4 million, versus US\$67.3 million in FY 2020.

Successfully achieving a sustainable capital structure

During FY 2020 Petra launched a strategic review, in conjunction with independent advisers, to evaluate the optimal long-term capital structure for the Group. The key aim was to bring Petra's leverage down to a manageable level and to assess all strategic options available to maximise value to stakeholders.

In March 2021, following extensive consultations with the ad hoc group ("AHG") of bondholders of the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022, as well as with the group of lenders in South Africa which provide the Group's first lien bank facilities (the "South African Lender Group"), we completed our capital Restructuring. This was a milestone achievement for Petra and has not only significantly strengthened our balance sheet, but it has also provided us with a more sustainable capital structure which will allow us to now focus on optimising the value of our asset base. Again, I am grateful to the Petra team and our advisers for their hard work in completing the process and under difficult circumstances too.

An unfortunate consequence of the debt-for-equity swap was that existing shareholders were diluted, but we fought hard to ensure that our then existing shareholders retained a share of the equity, allowing them to benefit from an overall improved equity story, with a robust underlying operating business, the recovery in the diamond market and prices, supported by a significantly deleveraged group.

I would like to take this opportunity to both thank our pre-existing shareholders and bondholders for their continued support, and to welcome our new shareholders to the register.

The debt-for-equity swap as part of the Restructuring saw the number of shares in issue at the Company rise to over 9.7 billion, which have traded over the last six months in a range between 1.4 to 1.9p per share. It is the Board's view that the low share price unduly affects investor perception and increases volatility in the Company's share price and the Company is therefore proposing to carry out a share consolidation of one new share for every 50 existing shares in issue.

Strengthening Petra's human rights management and stakeholder engagement

In May 2021, Petra reported on the findings of our Board Sub-Committee, the Tunajali ("we care" in Swahili) Committee (comprising only of independent Non-Executive Directors), in relation to alleged breaches of human rights associated with third-party security operations at the Williamson mine in Tanzania raised by the UK law firm, Leigh Day and the independent NGO, Rights and Accountability In Development ("RAID"). At the same time, we announced that we had reached a settlement, on a no admission of liability basis, in relation to claims brought by Leigh Day. Included in the total settlement figure of £4.3 million (US\$6.1 million), Petra committed funds to invest in programmes dedicated to providing sustainable support to the communities living around the mine. In addition to this settlement figure, the Company has incurred and provided for additional total costs of US\$6.6 million related to this matter in its FY 2021 accounts, the majority of which relate to legal, consultant, investigation and expert fees and which also cover the settlement of the 25 additional claims with Leigh Day.

The Board and Management of both Petra and Williamson Diamonds Limited ("WDL"), the operator of the Williamson mine, took the allegations extremely seriously and an investigation was carried out by a specialist external investigator, in conjunction with the Company's lawyers. The aim of the investigation was to gain a full understanding of what happened, to support the provision of a balanced and fair remedy, in the interest of all parties, and to put in place preventative measures to address the issues identified.

We were greatly saddened and concerned by the findings of the investigation and we all regret the loss of life, the injuries and the mistreatment of illegal diggers that were found to have taken place.

The actions that we have put in place aim to address the shortcomings identified during the investigation, promote greater stakeholder engagement and support, and reduce the risks of future incidents occurring. More detail on our response to this issue can be found on pages 45 and 46.

We acted decisively to hold relevant individuals to account and we have revised our reporting structures to address historical gaps and ensure accountability by enabling the more timely, accurate and transparent reporting of all incursions and incidents. We have put in place a new incident escalation procedure to Petra Diamonds Limited, including fully transparent reporting to the Petra Board, as well as to the Audit and Risk and the Social, Ethics and Diversity ("SED") Committees through two independent reporting lines.

Alongside a number of community development programmes and following the establishment of an initial Community Grievance Mechanism, we are working with Synergy, a specialist external consultant, to oversee the design and implementation of a Tier 2 independent grievance mechanism ("IGM"). The IGM will have the capacity to investigate and resolve complaints through an independent panel of Tanzanian experts applying Tanzanian law and with complainants having access to free and independent advice from local lawyers. It will consider any incidents of potential human rights violations and provide remedy as necessary and will be managed by an independent panel and operated according to the highest international standards, as set out in the United Nations Guiding Principles on Business and Human Rights.

The incidents that occurred at the mine are truly regrettable. While we cannot change the past, I do have confidence that the teams at both Petra and WDL have responded in the right way and to the best of their ability to rectify these issues.

Read more: Our response to allegations of human rights abuse allegations in Tanzania on pages 45 and 46

Developing our Board

FY 2021 has also been a year of change for Petra's Board. Mr Tony Lowrie retired from the Board in November 2020 after nearly nine years' service, and we also announced that Mr Gordon Hamilton will retire at our 2021 AGM in November having served just over nine years. Both have provided a great depth of knowledge and experience in the equities, mining and African markets to the Board and we are all extremely grateful for their significant input and unwavering support during their time on the Board.

Following Mr Lowrie's retirement, the Nomination Committee recommended to the Board that Ms Varda Shine would assume the role of Senior Independent Director. Varda was considered an outstanding appointee given her considerable experience within the diamond industry, as well as the UK public company corporate world, and her expertise in multi-stakeholder engagement.

In March 2021, following the completion of the Restructuring, the appointment of Mr Matthew Glowasky as a non-independent Non-Executive Director ("NED") of the Company became effective; his prospective appointment was initially announced on 22 December 2020. He is a nominee of Monarch Master Funding 2 (Luxembourg) S.a.r.l. ("Monarch"). In addition, post Year end on 1 July 2021, Ms Alexandra Watson and Mr Johannes Bhatt were both appointed as non-independent NEDs of the Company, having been nominated by Franklin Templeton and Monarch respectively. Also on 1 July 2021, Mr Marius Kraemer was nominated by Monarch as its Board Observer; these four appointments were made as provided for in the Nomination Agreement between Petra and the bondholder group.

Also post Year-end, on 1 July 2021, the Company announced the appointment of Ms Deborah Gudgeon as an independent NED ("INED") and Chair-designate of the Audit and Risk Committee.

Chairman's Statement continued

Developing our Board continued

I welcome the new Directors to the Board; together they bring a wealth of experience and skills, complementing those of our existing Directors, and their appointments leave the Board well placed to take the Company forward. Ms Gudgeon will be taking over from Mr Hamilton, who has served as Chair of the Audit and Risk Committee since his appointment in November 2011. I would like to thank Gordon for his outstanding contribution to Petra over the past decade. His extensive audit, mining and Africa experience have proved highly valuable in navigating many challenges and opportunities, and he has worked tirelessly to take the Company forward. He will be much missed.

In terms of our Board Committees, consequent to the appointments mentioned above, Ms Watson has joined the SED and Investment Committees, Mr Glowasky is a member of the Investment Committee and Ms Gudgeon will serve as Chair of the Audit and Risk Committee once Mr Hamilton retires in November 2021. Ms Gudgeon is also a member of the Remuneration, Nomination and Investment Committees. In order to ensure cohesion and transparency in our key Board Committees, all of our iNEDs continue to serve on the Nomination, Audit and Risk, and Remuneration Committees, with the exception of myself as Non-Executive Chairman; I am a member of the Nomination and Investment Committees (as Chair of both).

Read more: Report of the Nomination Committee on pages 105 to 107

Evaluating our Culture

As highlighted by the evolution of the Board alone, the Company has gone through a lot of changes in the last few years. This has given us the opportunity to revisit our Company culture and to explore how our culture should adapt to our changing business model and operating environment. We therefore launched a number of initiatives that we consider to be the building blocks for developing a culture in Petra that is aligned to our values and re-positions the business, which are reported on in more detail in our 2021 ESG and Sustainability Report on pages 38 to 39. The business drivers established by our leadership team as most appropriate for the Company are also set out in the case study on page 7.

While the progression of our culture is an exciting opportunity to apply fresh thinking to our assets and our way of doing things, we acknowledge that change can also be a difficult process. However, it is necessary in order to ensure a sustainable platform for the business and I believe we are making solid progress in this area.

Reinforcing the significance and appeal of natural diamonds

As the impact of the COVID-19 pandemic has continued to impact on consumers, restricting spend on experiences and travel as well as contact with family and loved ones, the appeal of natural diamonds as a symbol of meaningful personal connections and a celebration of our most profound moments and relationships have remained strong themes for consumers. The Natural Diamond Council ("NDC"), of which Petra is a founder member, has continued to reinforce the emotional relevance of diamonds through its "For Moments Like No Other" campaign, which appeals to the values of a new generation of consumers, for whom memorable experiences and emotional connections are important buying considerations. Retailers, most notably in the US and China, have reported strong sales to date in calendar year ("CY") 2021 and, coupled with the efforts of the natural diamond industry to promote the value and sustainability of natural diamonds, we remain confident in the long-term fundamentals for the industry.

Read more: Our Market on pages 18 to 22

Environmental, social and governance ("ESG") and 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.

Climate change management remains an existential threat and continues to grow in importance for our stakeholders. Significant progress was made in terms of the Group's environmental strategy in FY 2021 with the Board approval of the Group's Climate Change Adaptation Strategy, which will assist Petra in staying on top of rapidly changing legislation and in meeting stakeholder expectations.

Petra continues to advance its environmental disclosure and has for the first time this year met all the reporting requirements of the Task Force on Climate-Related Financial Disclosures ("TCFD") – our inaugural TCFD Report can be read on pages 212 and 213. The Company also improved its CDP climate change reporting to the A- category, placing Petra in the leadership category and demonstrating our strong commitment to this area.

We have continued our endeavours to improve both our gender and ethnic diversity during FY 2021, with particular focus on the management level and above. Our Leadership Development Programme ("LDP"), which aims to develop future leaders within the business, forms a key part of this strategy and during the Year 33% of participants were female and 83% were historically disadvantaged South Africans ("HDSAs"). 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.

I'm pleased to report that in September 2020 the Board and SED Committee approved Petra's Diversity and Inclusion Policy which aims 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 include retention policies that are designed to promote diversity. The policy also seeks to ensure that the Company develops a diverse pipeline for succession to top management. The Board now comprises 36% female Directors.

In FY 2021 we also commenced the development of a Petra Diamonds South Africa Employment Equity Plan to align Petra's employment equity targets in South Africa with other sector-specific targets included in the Broad-Based Socio-Economic Empowerment Charter for the Mining Industry published on 27 September 2018 (the "new Mining Charter") (encompassing both race and gender targets), as well as a Group-wide Petra Diamonds Limited Diversity and Inclusion Plan, which will set targets for gender representation across the various levels of the organisation. In addition, recognising that a skilled and motivated team is essential to the delivery of our strategy, we appointed a Human Resource Development Manager and we have continued to invest in the training and development of our workforce.

We have also made significant progress with our stakeholder engagement processes during the Year, and our SED Committee, chaired by Ms Octavia Matloa, has looked to engage with the demands of social, ethical and diversity factors affecting the workforce and local communities – factors that have been significantly impacted by the ongoing COVID-19 pandemic. Furthermore, following the findings of the Tunajali Sub-Committee, the Board has committed to enhance its stakeholder engagement approach and processes. This includes the simplification and clarification of policy and process, the introduction of consistent feedback and grievance mechanisms as well as revised Stakeholder Engagement Plans at all of Petra's operations.

During FY 2021, Petra has also continued with its active programme of community development work, aimed at contributing to the meaningful development of our host communities through educational support, sustainable job creation, skills transfer, enterprise development and infrastructure development.

Read more: ESG and Sustainability on pages 42 to 59 and the Company's 2021 ESG and Sustainability Report at <https://www.petradiamonds.com/investors/results-reports/>

Outlook

With our strengthened capital structure in place, supported by an improved diamond market, we have a solid foundation from which to move forward and to 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 CBE
Non-Executive Chairman
12 October 2021

Case study: Identifying key business drivers to drive culture

Petra has undergone significant change over the last number of years. The Company has completed a major capital investment cycle to develop new mining areas at its operations and upgrade the infrastructure required to support these projects. In addition, it 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, together with a number of other Board and senior management changes. In FY 2021, Petra completed a capital restructure that effectively reset the Company's balance sheet, providing a more sustainable level of debt going forward. The COVID-19 epidemic added to the pressure on the Company and its people and required significant changes to the way we work and interact.

Against the backdrop of these changes, we have embarked on a number of initiatives that we consider to be the building blocks for developing a culture in Petra that is aligned to our values and re-positions the business.

As part of this process, the Executive team carried out a culture workshop in July 2021 to identify the key business drivers informed by both strategic and cultural priorities. These business drivers will guide all Talent Management interventions enabling two very important outcomes, being Leadership and Workforce Performance and Business Impact.

These were identified as follows:

1. Turnaround reputation – transform the organisation's reputation with stakeholders into a positive one. Central to this is communicating and modelling a vision to transform the Company's reputation in a way that motivates others to take action towards that vision, as well as ensuring that our stakeholders' perspective is the driving force behind strategic priorities.
2. Promote an efficiency culture – create and promote systems, processes and decisions that make effective use of organisational resources and enhance operational efficiency. This involves analysing information, generating alternatives and committing to the best day-to-day solutions for the ongoing improvement of operational efficiency.
3. Integrate new operating structures – lead large-scale change to assure the strategic integration of new organisational or team structures. This will include attracting, developing and retaining talented individuals and committing to a long-term strategy for building a revamped organisational structure.
4. Drive organisational creativity – establish clear goals that align a unit's efforts with increased demand for connectivity, interdependency and collaboration, by ensuring synergies between people, processes, technology and strategies to drive the execution of shared business objectives.

Value in action: Let's do it better

Chief Executive's Statement

A watershed year for Petra

"While FY 2021 continued to present a number of challenges, both internal and external, real progress was made in terms of stabilising our balance sheet, further to the completion of the recapitalisation of the Group, and continuing to optimise production at all our assets, particularly the Cullinan mine, set against the backdrop of an improving diamond market."

Richard Duffy
Chief Executive

A resilient business and market

FY 2021 was a watershed year for Petra. Besides the challenges of the COVID-19 pandemic, we completed the capital Restructuring which, together with the sale of a number of exceptional blue and white diamonds from the Cullinan mine, served to reduce consolidated net debt by around two thirds to US\$228.2 million. We now have a more stable capital structure, considerably reduced debt obligations and greater liquidity.

Our most important performance indicator is safety: while the number of injuries experienced during the Year reduced 7% from 45 to 42, it was disappointing that the number of lost-time injuries ("LTIs") increased from 19 to 25, which led the Group lost time injury frequency rate ("LTIFR") to increase from 0.29 in FY 2020 to 0.44 in FY 2021. An evaluation of the incidents has determined that the majority of these were of low severity and behavioural related, and our approach is therefore to use initiatives to drive a change in people's mindsets and to foster greater awareness towards achieving an accident-free workplace.

The impact of COVID-19 on individuals and the economy has increased the levels of stress and impacted on the emotional wellbeing of all our employees. We believe this has contributed to the deterioration in safety performance. This is borne out by an increase in accidents and fatalities across the South African mining sector as a whole since the outbreak of the COVID-19 pandemic, as measured by the Minerals Council South Africa ("Minerals Council SA"). Addressing this issue therefore requires a holistic approach, including training, mentorship, communication and wellbeing initiatives.

The COVID-19 pandemic remains an ongoing business challenge. In South Africa, we have experienced ongoing waves of infections and the disruption to operations is mainly around the necessary quarantine of confirmed or suspected cases amongst our workforce. However, we have the systems and processes in place to manage this without materially impacting production. Our focus now is on assisting the Government with its vaccination drive and we have vaccination stations and campaigns to encourage their uptake available at, or near to, each of our operations. While the vast majority of those who contract the virus only have mild to moderate symptoms, we have very sadly lost 14 employees to the disease as at the date of these results. Our heartfelt condolences go to the loved ones and colleagues of the deceased.

Read more: Workplace Safety on pages 47 and 48

In terms of production, output for the Year decreased 2% to 3,240,312 carats (FY 2020: 3,291,046 carats excluding Williamson), notwithstanding record annual production from Cullinan of 1.94 Mcts. As previously announced, production at Finsch was impacted by unexpected levels of waste ingress during Q2 FY 2021, with subsequent mitigating measures reducing throughput during the second half of the Year. In addition, production at both Finsch and Koffiefontein was impacted by the high level of rainfall during the third quarter. Cullinan's record 4.61 Mt ROM production (FY 2020: 3.97 Mt) was partially offset by these factors, resulting in the Group's ROM tonnages for the Year increasing by 3% to 7.7 Mt (FY 2020: 7.5 Mt excluding Williamson).

Cullinan performed very well for the Year, benefitting from the Project 2022 business improvement throughput initiatives. ROM tonnes increased 16% to 4.61 Mt (FY 2020: 3.97 Mt), and spare capacity in the plant was utilised with a 73% increase in tailings tonnes to 0.45 Mt (FY 2020: 0.26 Mt), leading to an overall record tonnes treated at the operation under Petra stewardship of 5.06 Mt (FY 2020: 4.23 Mt).

The Cullinan mine also affirmed its place as a producer of world-class diamonds, with the recovery of a number of spectacular stones, namely:

- September 2020: The Letlapa Tala collection of five high-quality blue diamonds totalling 85.6 carats were recovered all in the space of one week's production at the mine. The collection was sold as a suite of stones to a partnership between De Beers and Diacore for US\$40.36 million in November 2020.
- January 2021: A 299 carat high-quality white diamond was recovered and subsequently sold to Stargems DMCC for US\$12.18 million in March 2021.
- February 2021: A 11.82 carat high-quality blue diamond was recovered and subsequently sold for US\$9.53 million in April 2021.
- April 2021: An exceptional 39.34 carat blue diamond was recovered and sold post Year end to a partnership between De Beers and Diacore for US\$40.18 million in July 2021, representing a remarkable US\$1.0 million per carat. This was the most valuable diamond sold in Petra's history and is believed to be the most valuable rough stone per carat ever sold (though since not all rough diamond sales are publicly disclosed, this cannot be established with certainty).

The sale of the Letlapa Tala collection, the 299 carat white diamond and the 11.82 carat blue diamond contributed US\$62.0 million in Exceptional Stone sales to revenue for the Year (FY 2020: US\$14.9 million), being the highest contribution in Petra's history. Post Year end, Petra has also sold two further special diamonds from the Cullinan mine, being a 342.92 carat white stone and an 18.30 carat blue stone, into a partnership with Stargems (Pty) Ltd. Petra received an upfront payment of US\$10.0 million for the white stone and US\$3.5 million for the blue stone, as well as retaining a 50% interest in the profit uplift of the polished proceeds of both diamonds, after costs.

The higher revenue for the Year led to Adjusted EBITDA being up 101% to US\$135.4 million (FY 2020: US\$67.3 million) and Operational free cashflow of US\$120.1 million (FY 2020: operational cash outflow of US\$12.3 million). However, overall profitability for the Year was impacted by Depreciation of US\$75.9 million (FY 2020: US\$69.3 million) and Net finance expenses of US\$67.0 million (FY 2020: US\$70.8 million) and the Company therefore recorded an Adjusted loss after tax of US\$16.1 million (FY 2020: US\$54.7 million loss).

Looking ahead to FY 2022, we are guiding production to increase to between 3.3 and 3.6 Mcts, with the South African operations estimated to contribute 3.1 to 3.4 Mcts and Williamson estimated to contribute 0.22 to 0.27 Mcts.

At Williamson, preparations to resume production in H1 FY 2022 continue with the redeployment of employees and contractors, while receiving relevant refresher and safety training, and the recommissioning of plant and equipment. The Board reviewed its strategic options at Williamson and the operation has therefore been reclassified as an asset held for sale as at 30 June 2021.

Recapitalisation of the business

In March 2021, Petra completed the recapitalisation of the Group, thanks to the continued support of its bondholders, shareholders and its South African Lender Group. The completion of the Restructuring, along with the aforementioned sale of Exceptional Stones during the Year, helped the Group's Consolidated net debt, excluding Williamson, reduce by nearly two thirds to US\$228.2 million at 30 June 2021, from US\$700.3 million at 31 December 2020. The key features of the Restructuring are set out on page 32.

The Restructuring has provided Petra with a more stable and sustainable capital structure, significantly reduced financial burdens and greater liquidity, leaving us in a stronger position to focus on optimising the value of our asset base and to deliver growth for all our stakeholders.

Read more: Financial Review on pages 28 to 33

ESG performance

The Company remained highly active across all the different areas of ESG, which are integrated into our strategy and how we manage the business.

In terms of environmental performance, our team continued to focus on the efficient use of water and energy during the Year, as well as responsible waste management across the operations. Our total carbon footprint reduced 16% to 406,059 tCO₂-e (FY 2020: 483,431 tCO₂-e), mainly due to the lower production with Williamson being on care and maintenance, and associated reduction in energy consumption for the Year, positively impacted by our focus on energy efficiency. Our carbon emitted per carat decreased 7% to 0.125 tCO₂-e/ct (FY 2020: 0.134 tCO₂-e/ct) due to the combined effect of the overall decrease in carats produced and associated lower energy use for the Year.

Petra continued to focus on the development of a suitably diverse workforce. The overall gender diversity of the Group increased to 20% in FY 2021 (FY 2020: 19%), which remains above that of the industry average in South Africa, which ranges from 12%–17% depending on the commodity. We were also pleased to improve gender diversity at the higher levels of the business, with an increase in female representation at Board, senior management and management level, and our employee development programmes once again focused on the advancement of women and HDSAs.

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 reached agreement with the National Union of Mineworkers ("NUM") on a new three-year wage agreement for employees in the Paterson A and B Bands at the South African operations. The Company also concluded a three-year wage agreement for employees on the Paterson C-Lower Band with both the NUM and United Association of South Africa ("UASA"). These agreements cover FY 2022 to FY 2024, which should allow for further stability over this timeframe.

Our community programmes remained very active and the Petra Hardship Fund continued to supply aid to address some of the most urgent needs of our local communities in South Africa. We also completed a number of community projects during the Year, including the refurbishment of water pump stations and the completion of electrification of households and informal dwellings in Kgatelopele, near the Finsch mine. A major drive for improved stakeholder relations also saw the number of engagements recorded by the Company increase to 692, with the majority of the increase relating to training sessions for small, medium and micro enterprises, in order to drive enterprise development in our local communities.

Read more: ESG and Sustainability on pages 42 to 59

Addressing the human rights allegations at Williamson

In May 2021, Petra announced the findings of the independent Tunajali Committee, a sub-committee of the Board, into the alleged breaches of human rights at the Williamson mine in Tanzania. Very regrettably, the findings confirmed that past incidents have taken place that resulted in the loss of life, injury and the mistreatment of illegal diggers, within the WDL Special Mining Licence area ("SML"). The allegations and the findings were deeply concerning and saddening for the Board and I'm sure for all our employees. As a Board, our priority has been to try to understand what has happened, to support the provision of a balanced and fair remedy, in the interests of all parties, and to put in place preventative measures to address the issues identified.

Read more: Our response to the human rights abuse allegations in Tanzania on pages 45 and 46

Chief Executive's Statement continued

A resilient diamond market

COVID-19 continued to have a significant impact on the diamond market in FY 2021, with related regulations and other measures to control the spread of the virus continuing to impose restrictions, particularly around the movement of people and international travel.

Petra maintained its flexible sales approach during the Year in order to maximise client attendance at its sales. This meant that we continued to hold rough diamond tenders for the South African goods in Antwerp (having fulfilled our regulatory obligation to offer a portion of goods for sale to the State Diamond Trader and local beneficiation groups in South Africa), rather than in Johannesburg, where travel restrictions have severely limited participation by international diamond buyers. We will continue to review this approach and reinstate sales in South Africa when conditions are right.

Despite the ongoing challenges around COVID-19, overall the market has remained remarkably resilient, which we attribute to a number of factors:

- control discipline by the majors (De Beers and ALROSA), both via production cuts and restriction of supply to the midstream during periods of lower demand;
- the significant contraction of production supply in 2021, including the winding down of the Argyle mine, has served to lower inventories in the pipeline generally and restore a better balance between supply and demand;
- capacity returned to the midstream manufacturing segment in India; and
- strong consumer demand experienced in the key retail markets, notably the US and China, leading to shortages in certain polished goods; commentators note that for some there is increased consumer disposable income due to lack of spend on competing product categories, such as holidays and experiences, and that natural diamonds remain highly desirable as a way to forge deeper human connections and to celebrate our most important life events.

In CY 2020, the global diamond market experienced one of the most severe contractions in supply on record, falling 22% by volume to 107.1 Mcts (2019: 138.2 Mcts). Material reductions in supply came from Australia (due to the closure of the Argyle mine), Russia, Botswana, Canada, the Democratic Republic of Congo and Namibia, due to a combination of production being slowed due to COVID-19, pending exhaustion of resources, mine closures, operations transitioning from open pit to underground and falling alluvial output. Increased volume of output was recorded in South Africa and Zimbabwe.

For CY 2021, various sources forecast that rough supply will increase as mines come back into production, though the increase will be ameliorated by the closure of Argyle which still contributed 11 Mcts to global output in 2020. Bain & Company's 'Optimistic' scenario projects that mines which continue to operate will reach pre-pandemic production levels by 2021-2022 and that global inventories will gradually sell out in a year. Longer term, there are forecast to be few material additions to production over the next decade, with rough diamond supply forecast to remain "almost flat" at 2021 levels over the next ten years, according to Bain & Company, with few new projects coming on line.

In terms of demand, 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 aims to ensure that natural diamonds inspire and excite today's consumer and it has secured rising Hollywood actor Ana de Armas as its global market ambassador. A new global marketing campaign starring Ms de Armas launched in September 2021 to support the market in advance of the key festive retail season and can be viewed at <https://www.naturaldiamonds.com/for-moments-like-no-other/>.

Read more: Our Market on pages 18 to 22

Project 2022

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.

Weekly Project 2022 Results Action Review meetings ("RARs") 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.

The implementation of throughput ideas remains the largest contributor to improving operational cashflow, led by Cullinan's record recovery of 1.94 Mcts in FY 2021. Due to reduced pricing coupled with lower throughput at Finsch, Koffiefontein and Williamson, expectations on the annualised contribution from throughput initiatives were reduced to around US\$50 million in the Company's Q3 FY 2021 Trading Update released in April 2021 and the Company remains confident that it will achieve the annualised contribution of US\$50 million, supported by measures taken to curtail the waste ingress at Finsch.

Initiatives undertaken to drive cost efficiencies are expected to contribute an annualised US\$20 million going into FY 2022, which remains unchanged from previous guidance.

The Project 2022 Organisational Design Review Phase 1 was completed during FY 2021 and will result in updated role descriptions providing for clearer line of site and improved accountability.

Outlook

I continue to be extremely proud of the resilience displayed by our teams in achieving our objectives despite the ongoing uncertainty and disruption caused by COVID-19 to the operating environment.

The medium to long-term outlook for our market and for our business remains positive. The completion of the Company's financial restructuring in FY 2021 showed that we retain significant support from the investment market and has provided enhanced stability for the Company to deliver on its operational plans.

I believe that Petra has high-quality assets, a skilled and motivated workforce, a refreshed Company culture, ongoing optimisation plans and support from our stakeholders. This, set against an improving diamond market, positions the Company well for the years to come.



Richard Duffy

Chief Executive

12 October 2021

Case study: Honouring the scholars in our educational pipeline

Petra believes that improving education standards is one of the most important contributions we can make to socio-economic development in our host countries. Not only will this improve outcomes for our communities, it will also provide for a more skilled and developed pool from which we can hire new recruits for our operations.

The Company's education pipeline includes scholarships provided for promising pupils to ensure that they have the support to continue with higher levels of their schooling.

The advancement of women and historically disadvantaged South Africans is a priority for the education pipeline, especially as it has been proven that educating girls leads to a better future for society as a whole. According to the charity CAMFED, which specialises in this area: *"economic development depends on girls' education: every year spent in school increases a girl's future earnings. With her income, she'll invest in her children's health and education, helping to break the cycle of intergenerational poverty for good."*

In March 2021, the Cullinan mine hosted a welcoming function for 10 pupils from the City of Tshwane Municipality Region 5 and Region 7 who had been awarded a full scholarship. This will cover all of their expenses for the 2021 academic year, including school fees, school uniform, stationery, educational trips and textbooks.

During the event, the Cullinan Human Resource Development team also bid farewell to three 2020 scholarship learners from local schools (Mpumelo Secondary School and Ekangala Secondary School) who had excelled at their studies during the 2020 National Matric exams:

1. Lindiwe Buta achieved three distinctions for Isisizulu, English and Life Orientation (she is now studying a Bachelor of Science General degree at the University of Witwatersrand ("WITS"), which will accredit her with a third year in medicine through the Graduate Entry Medical Programme);
2. Khanyiwile Thuse achieved two distinctions for Mathematics and Drama (she is now studying Chemical Engineering at the University of Cape Town ("UCT")); and
3. Mahlatse Malope achieved four distinctions for Accounting, Mathematics, English and Life Sciences (she is now studying Actuarial Science at UCT).

These three scholars are an excellent example to the 2021 group as they have proven that hard work, dedication and commitment always pays off. During a visit to these learners before their final exams, they expressed how the challenges of Covid-19 restrictions had impacted on their study routines and how they had to stay focused on their dream of being enrolled onto their chosen tertiary institutions.

Cullinan Diamond Mine HR Manager Etheline Britz commented:

"We are incredibly proud of our students who have worked so hard and are now primed to take the next steps on their educational journey. We also welcome our new scholars and are excited to help them to fulfil their potential."

Prior Scholar Lindiwe Buta commented:

"I am so grateful for the opportunity that was given to me by Petra Diamonds. With the globally devastating effects of the COVID-19 pandemic breakout in 2020, one of the many challenges that arose was that the mode of teaching changed completely and I, along with many students around the world, was tasked with adapting to online learning as a primary medium for getting my education. Petra Diamonds was there to not only offer me financial assistance, but to safeguard my emotional and mental health. They came to visit me in person and reminded me of my capabilities. They also reminded me that my background does not define me and their motivation had a huge impact on me."

"With their help, I managed to pass my matric with three distinctions, earning me a spot among the top three students in our school. I am now a student at WITS University, which is currently ranked as the second-best University in South Africa. I have learnt to dream big because the sky is the limit and I will forever be grateful to Petra Diamonds' Cullinan Diamond Mine for such an amazing journey."

Value in action: 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 portfolio.
- Petra focuses on well-defined and understood orebodies 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 a team able to meet and overcome challenges as they arise, as evidenced by the efficient response to operating under COVID-19 restrictions.
- Focus on driving efficiencies via Project 2022 and the re-engineering projects initiated at Finsch and Koffiefontein.

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 its flexible approach to sales in FY 2021, as a result of COVID-19, with more sales than usual taking place in Antwerp due to travel restrictions limiting client access to South Africa.
- Petra's mines, particularly Cullinan, produce world-class diamonds, including very high-quality large white diamonds and incredibly rare blue diamonds.
- Petra evaluates ways to maximise the value of Exceptional Stones, including via dedicated standalone tenders, and on occasion sells such stones, or other high-value gem-quality stones, into partnerships whereby it can receive a portion of the uplift in value from the polished proceeds.

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
- Culture of empowerment
- Skills development
- Itumeleng Petra Diamonds Employee Trust
- Employee wellbeing initiatives

Pages 47 – 51

Customers

- Quality and consistent product offering
- Confirmed provenance and heritage

Page 15

Host Governments/regulators

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

Page 56

Shareholders/noteholders/lenders

- Free cashflow generation
- Future returns to investors

Page 15

Local communities

- Job opportunities and socio-economic upliftment
- Efficient and responsible use of natural resources
- Promoting environmental awareness
- Community health initiatives
- Active stakeholder engagement and independent mechanism for community grievances

Pages 48 – 59

Suppliers

- Opportunities for local businesses and suppliers
- Policy of sustainable local procurement and supplier development

Page 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 2021, the Company continued internal and external stakeholder engagement on material sustainability topics, on a COVID-19-adjusted basis, more information is disclosed on pages 42 and 43.

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
Employees, contractors and unions				
<ul style="list-style-type: none"> Our people are integral to the success of our business. Without a skilled, productive, healthy and safe workforce, Petra would be unable to implement its strategy. 	<ul style="list-style-type: none"> Workplace meetings and internal committees. Employee briefs, publications, notice boards and electronic channels. Whistleblowing hotline. Engagement with union mine forums and trade union representation. Employee engagement with the Board, including annual CEO operations tour and Director sessions with employees. Social media. SMS communications. 	<ul style="list-style-type: none"> Salaries and other benefits: US\$108.4 million. Employee training and development: US\$5.8 million. Graduates of Leadership Development Programme since inception in 2008: 122¹. Opportunities for career progression afforded to HDSAs, including women. 	<ul style="list-style-type: none"> COVID-19 mitigation strategy put in place, including comprehensive Awareness and Response Plan. Implementation of the Group's Diversity and Inclusion Policy to further drive diversity improvements throughout the business. Continued support to develop HDSAs and females in management roles via inclusion in the Company's in-house and externally facilitated employee development programmes. Several change initiatives are underway that intend to provide the building blocks for establishing a culture at Petra that is aligned to our values. Appointment of iNED Ms Matloa as Workforce Engagement Director to improve Board engagement with the workforce. CEO Roadshow took place virtually in June 2021 (attended by the Workforce Engagement Director) so that engagement with the workforce could still take place, despite COVID-19 restrictions. 	48
				50
				49 – 50
				6
				70

1. Figure is lower than previously reported due to the removal of graduate numbers from the Kimberley Ekapa Mining JV, Helam and Sedibeng operations.

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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Customers

<ul style="list-style-type: none"> Our customers buy the diamonds mined at our operations and are therefore the primary source of revenue for the Group. Long-standing relationships with customers based on mutual trust and respect. 	<ul style="list-style-type: none"> Continuous communication with our client base. Open door policy and high level of business transparency. Full certification of our products. Industry advocacy via the NDC. 	<ul style="list-style-type: none"> Conflict-free production: 100%. Diamonds sold: 3.9 Mcts. Access to exceptional and historic diamonds from Cullinan. NDC annual marketing investment: ca. US\$70 million. 	<ul style="list-style-type: none"> 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. Cullinan continued to produce historic stones, including the 39.34 carat blue Cullinan that sold in a special sales tender post Year end for US\$40.18 million, or US\$1.0 million per carat. The NDC invested ca. US\$70 million in consumer marketing in 2019 and 2020 and allocated a similar budget for 2021, 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. 	<p>21</p> <p>8</p> <p>22</p>
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Financial stakeholders (includes shareholders, noteholders, South African Lender Group, analysts and BEE shareholders)

<ul style="list-style-type: none"> Petra has raised financing over a number of years to enable the development of its mines, thanks to support from the equity, fixed income and bank finance markets. Clear, transparent and balanced communications are important to enable a good understanding of our strategy, business model and performance, as well as our industry. 	<ul style="list-style-type: none"> Regular briefings via public announcements, webcasts, presentations and social media. Regular direct engagement via meetings, conferences and site visits. Annual and sustainability reporting. Dedicated investor relations department. 	<p>From FY 2006 to FY 2021, the Company has achieved (inclusive of Williamson but excluding assets disposed of during the 16-year period):</p> <ul style="list-style-type: none"> Total production of 34.6 Mcts. Total revenue of US\$4.4 billion. Operating cashflow (before Capex) of US\$1.5 billion. Capital investment of US\$1.6 billion. <p>However, shareholder returns have been poor further to the Company's leverage levels becoming higher than anticipated and the impact on the Company's share price. The recent Restructuring aims to address the Company's leverage levels.</p>	<ul style="list-style-type: none"> Completion of Restructuring in March 2021, significantly reducing net debt. The Williamson mine remained on care and maintenance during FY 2021 while diamond prices were not at a level to cover the operating costs of the mine. Continued evolution of the Board with the appointment of one new iNED (the Chair-designate for the Audit & Risk Committee) and three non-independent NEDs. Investment Committee created to monitor significant capital and other investments and recommend their adoption to the full Board. 	<p>32</p> <p>39</p> <p>60</p> <p>113</p>
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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
Local communities				
<ul style="list-style-type: none"> The support of our local communities is an important component of our licence to operate. A positive role in the community will ensure a sustainable future for Petra and contribute to a favourable Company culture. 	<ul style="list-style-type: none"> Public participation processes and meetings. Community newsletters and local media partnerships on socio-economic projects. Establishing positive relationships through ongoing engagement with community structures. Social media and radio. Mine specific hotlines, SMS and WhatsApp communications. Mandated public participation processes. Small business support through Enterprise Development. Enterprise Development Resource Centres at South African mines. Whistleblowing hotline. Operational Grievance Mechanisms ("OGMs"). 	<ul style="list-style-type: none"> Social spend: US\$0.7 million. Community training spend: US\$0.3 million. Internal and external stakeholder meetings held regarding mine community development: 161. The Petra Hardship Fund was established in April 2020 to assist distressed host communities during the COVID-19 pandemic. Engagements with Small, Medium and Micro Enterprises ("SMMEs") to provide enterprise development advice and support: 460. SMMEs trained in business skills at Enterprise Development Resource Centres: 307. 	<ul style="list-style-type: none"> During FY 2021, the Petra Hardship fund contributed ZAR4.1 million towards COVID-19 relief in our communities surrounding the South African mines. Review and enhancement of the Group's stakeholder engagement and management policy framework in order to ensure more effective and accountable stakeholder relations. Implementation of comprehensive and standardised Stakeholder Engagement Plans ("SEPs") at all operations. The SEPs are focused on all issues of relevance to key stakeholders of the respective operations, e.g. security, human rights and social development at WDL. The design and implementation of community Tier 1 OGMs at all operations aimed at providing communities with an avenue to raise concerns and/or grievances and allowing mines to address issues including historical or future human rights violations. The design and implementation of a Tier 2 IGM at Williamson, based on the UN Guiding Principles on Business and Human Rights, with input from local stakeholders. Training of all security personnel and contractors on the Voluntary Principles on Security and Human Rights ("VPSHR"). Deployment of a temporary stakeholder engagement expert at Williamson. Launch of community initiatives at Williamson to support the local economy, intended to provide sustainable benefits through income generating projects. Development and launch of a new radio programme "Kwa Pamoja Tunajali" ("Together we care") to provide a key platform for WDL and its communities to engage directly, address concerns collaboratively and to facilitate local information sharing. 	<ul style="list-style-type: none"> 58 57 57 45 – 46 45 – 46 45 57 59 n/a

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"> Support from Governments and regulators is required for our social licence to operate. 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. 	<ul style="list-style-type: none"> Continuous consultation. Scheduled meetings. Membership of Minerals Council SA. Regulatory site visits and audits. Active involvement as members of Government-initiated forums and other consultative structures. 	<ul style="list-style-type: none"> Taxes and royalties: US\$18.6 million. Estimated number of dependents on our direct employees: ca. 49,000 (using the accepted x10 multiplier effect for South Africa and Tanzania). 	<ul style="list-style-type: none"> Partnerships with local authorities to provide assistance with COVID-19 relief programmes to local communities. 	n/a
			<ul style="list-style-type: none"> Engagement with NGO RAID with regards to human rights allegations in Tanzania. 	45
			<ul style="list-style-type: none"> Continued engagement with WDL stakeholders, including the Tanzanian Government (on local, regional and national levels), regarding the human rights allegations settlement, the design and implementation of the IGM to address allegations of severe human rights impacts and restorative justice initiatives. 	45
			<ul style="list-style-type: none"> Continued discussions with the Government of Tanzania on various matters, including in relation to legislative developments, overdue VAT receivables and the blocked diamond parcel in Tanzania. 	85
			<ul style="list-style-type: none"> The Company closely monitors developments around the new Mining Charter in South Africa. 	112

Suppliers

<ul style="list-style-type: none"> Suppliers provide the goods and services necessary to keep our operations running. Dealing with suppliers which share our values is important to Petra in order to ensure the ethical provenance of our diamonds. 	<ul style="list-style-type: none"> Supplier induction process. Supplier days and events. Local Enterprise Development centres. Continuous liaison. Open door policy. Engagement on Company policy and required standards of practice. 	<ul style="list-style-type: none"> South Africa procurement expenditure: US\$150.4 million. Tanzania procurement expenditure: US\$7.6 million. Training sessions provided to SMMEs: 307. 	<ul style="list-style-type: none"> Continued prioritisation of local procurement to encourage economic development and community empowerment. 	56
			<ul style="list-style-type: none"> Enterprise and Supplier Development Programme in place to facilitate the inclusion of local SMMEs into the Company's supply chain. 	56
			<ul style="list-style-type: none"> As part of their procurement processes, our Group companies obtain contractual undertakings 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. 	56
			<ul style="list-style-type: none"> Third-party security contractors at both Group and mine level in Tanzania and South Africa enrolled in VPSHR awareness training. 	45
			<ul style="list-style-type: none"> Training provided for local SMMEs on the Company's eProcure supply chain management system in South Africa to facilitate their ability to access and respond to tenders, thereby improving their participation in the Company's supply chain. 	56

Our Market

World economy knocked by COVID-19

Recovering global economy and consumer confidence

- The world economy was on a fragile footing before the advent of the COVID-19 pandemic in early CY 2020, with global real GDP contracting by -3.3% in the year according to the International Monetary Fund (“IMF”). While a sharp contraction, this outcome was better than previous projections of -4.4%. The GDP contraction in 2020 compared with growth of +2.9% in 2019, which was already slower than the +3.6% recorded in 2018.
- Financial markets, however, performed well in 2020 with the MSCI World Index up 15.9% after a gain of 27.7% the previous year. Emerging markets also saw strong growth with the MSCI EM Index up 18.3% in 2020.
- The IMF termed the 2020 GDP contraction “unprecedented in living memory” but noted “extraordinary policy support prevented even worse economic outcomes”. Prospects remain highly uncertain one year into the pandemic, particularly given new virus variants, but growing vaccine coverage is lifting sentiment. While “high uncertainty” surrounds the outlook due to the path of the pandemic and the success of the global vaccine programme, the IMF projects a rebound in growth to +6% for 2021, moderating to +4.4% for 2022.
- The OECD Consumer Confidence Index, which saw a sharp fall in early 2020 due to the COVID-19 pandemic, rebounded strongly from May to close the year some 2% lower than where it opened, with a further gain to virtually pre-COVID-19 levels by mid-2021. The indices for the US and China largely mirror that of the OECD.

The major diamond consumer markets

- Real GDP contracted 3.5% in the US in 2020, a somewhat better performance that had been initially expected by the IMF, but still compares with growth of +2.2% in 2019. The IMF projects a sharp rebound in US GDP growth to +6.4% in 2021 with a moderated +3.5% in 2022 as the US and world economy bounce back from the COVID-19 shock.
- Growth in China also slowed sharply in 2020 to +2.3%, according to the OECD. This compares with +6.1% in 2019 and +6.6% in 2018. With the rebound from COVID-19, the OECD projects a growth rate of +8.4% in 2021 and a more modest +5.6% in 2022. Retail sales in China have been strong in 2021 so far, with growth of some 30% year-to-date.
- The IMF has India’s 2020 GDP falling 8% in 2020 after growth of +4.2% in 2019. The 2020 contraction was smaller than projected and the IMF forecasts a rebound to +12.5% in 2021 and +6.9% in 2022.

The luxury market

- The overall luxury market, encompassing luxury goods and experiences, shrunk 20 - 22% in 2020 to an estimated EUR1 trillion (on a par with 2015 levels), according to Bain & Company’s Luxury Study, with all segments seeing declines in real terms. In 2021 to date, the luxury segment has seen a recovery, with Q1 growth driven by continued improvements in China and a rebound in the US.
- The outlook for the remainder of 2021 remains uncertain, Bain & Company’s Spring Study 2021 Update suggests, but China and an “unexpected” rebound in the US driven by renewed consumer confidence coupled with economic stimulus and a rapid vaccine rollout have seen spending returning at a “fast pace”. Bain & Company offers two scenarios for 2021 growth with the balance (70% probability) leaning towards full year growth being stifled after the Q1 rebound and full recovery to 2019 levels not likely until 2022.

Why is this relevant?

Global diamond demand growth is highly correlated to global GDP growth and consumer confidence. The rebound in consumer confidence and a recovery in the global economy are positive for diamond demand, but leading commentators such as Bain & Company remain uncertain about the balance of the year given the path of COVID-19 and vaccine rollout progress. 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 & Company, Bloomberg, Boston Consulting Group, De Beers Diamond Insight Report, Financial Times, International Monetary Fund, Kimberley Process Statistics, Organisation for Economic Co-operation and Development.

Diamond market recovers well due to a severe contraction in supply, while demand bounces back

Supply

Supply is forecast to rise again modestly in 2021 but it is then likely to remain flat at these lower levels as a result of the depletion of resources

Supply in 2020¹

- In 2020, the global diamond market experienced one of the most severe contractions in supply on record, falling 22% in carat terms to 107.1 Mcts in 2020 (2019: 138.2 Mcts) largely as a result of COVID-19 and the decline in output from the now closed Argyle mine in Australia. Global output, according to the Kimberley Process data, was valued at US\$9.2 billion (2019: US\$13.6 billion).
- Supply remains significantly below the highest year of diamond production in 2005, when 177 Mcts is considered to have represented 'peak supply'.
- Material reductions in the volume of rough diamond supply came in Russia, Botswana, Australia, Canada, the Democratic Republic of Congo and Namibia, due to a combination of production being slowed or temporarily shut down due to COVID-19, pending exhaustion of resources, mine closures, operations transitioning from open pit to underground and falling alluvial output. Increased volume of output was recorded in South Africa and Zimbabwe.
- During November 2020, Rio Tinto ceased mining at Argyle in Australia after 37 years of operations, with closure and rehabilitation to take five years. Argyle produced 11 Mcts in 2020 against 13 Mcts in 2019.
- The major diamond producers (De Beers and ALROSA) exercised supply control, both via production cuts and restriction of supply to the midstream during periods of lower demand.

1. Source: Kimberley Process Statistics.

Stabilisation of the market in CY 2021

- The impact of COVID-19 on rough diamond supply diminished in 2021 as mines returned to more normal production schedules. Operations in Botswana, Canada, Russia, South Africa and others countries continued with protocols to mitigate the spread of COVID-19, but the impact was less marked than in 2020. Petra's Williamson mine remained on care-and-maintenance with plans for a restart during FY 2022.
- Capacity returned to the midstream manufacturing segment in India, as cutting and polishing factories were able to ramp up operations again.
- The control discipline exercised by the major producers during 2020, along with the winding down of the Argyle mine, served to lower inventories in the pipeline generally and restore a better balance between supply and demand. This enabled diamond miners including Petra to release excess inventory into the market, as supply shortages started to emerge in CY 2021.

Outlook

- For CY 2021, various sources project rough supply to increase as mines come back into production, though the increase will be ameliorated by the closure of Argyle which still accounted for 11 Mcts of global output in 2020. Bain & Company's "Optimistic" scenario projects that mines which continue to operate will reach pre-pandemic production levels by 2021-2022 and that global inventories will gradually sell out in a year.
- Longer term, there are forecast to be few material additions to production over the next decade, with rough diamond supply forecast to remain "almost flat" at 2021-type levels over the next 10 years, according to Bain & Company, with few projects coming on stream.

Petra's strategy

Petra aims to deliver sustainable, long-term production from its portfolio and is focused on optimising its business and operations to maximise its profitability. The Group's mines are based on orebodies which 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.

Our Market continued

Demand

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

Demand in 2020

- The COVID-19 pandemic initially 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. According to the 19th Bain Luxury Study the overall luxury market, which includes luxury and experiences, demand contracted in 2020 by 20 - 22% at current exchange rates to an estimated €1 trillion. This was back at 2015 levels, Bain & Company estimates.
- The market for “Personal Luxury Goods” contracted in 2020 for the first time since 2009, according to Bain & Company, falling 23% at current exchange rates to €217 billion. This is the largest fall since Bain has been tracking the luxury sector.
- Across major markets, China fared the best having been the quickest major economy to gain control of the spread of the COVID-19 virus, allowing for the easing of restrictions, with Bain & Company recording positive growth for the Chinese market up 45% €44 billion. Elsewhere, negative movements were recorded, with Europe down 36% to an estimated €57 billion, the Americas 27% lower at €62 billion, Japan down 24% to €18 billion, and the rest of Asia (including Hong Kong and Macau) 35% lower at €27 billion.
- While all luxury goods categories recoded global declines, Shoes and Jewellery fared better with a 12% decline to €19 billion while Watches and Apparel saw contraction of 30%.

Stabilisation of demand in 2021

- It has been a more positive picture in CY 2021 year-to-date, with strong consumer demand experienced in the key retail markets, notably the US and China as evidenced by the positive results recorded by leading jewellery companies in these regions, leading to shortages in certain polished goods.
- The current robust demand in the key markets of the US and China is expected to remain during the remainder of CY 2021 and into 2022. A recent report by Mastercard SpendingPulse forecast that US jewellery sales in November and December could increase ca. 60% compared to the same period in 2020, which was severely impacted by COVID-19.
- The NDC launched its latest global marketing campaign starring ambassador Ana de Armas in September 2021, as a way to support consumer demand leading into the important festive buying season, which includes Thanksgiving, Christmas, Chinese New Year and Valentine’s Day.
- Commentators note that for some there is increased consumer disposable income due to lack of spend on competing product categories, such as holidays and experiences, and that natural diamonds remain highly desirable as a way to forge deeper human connections and to celebrate our most important life events.

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 continued 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. Bain & Company sees sales of luxury goods gathering pace over the next three years “with the personal luxury goods market returning to 2019 levels by the end of 2022 and early 2023”.
- Drivers of growth are expected to include 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; a sustained upsurge in ‘self-purchasing’, especially by women; growing demand from online channels; and spending increases amongst Millennials and Gen Z.
- Demand is expected to continue to rise, with Bain & Company 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 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 volume¹

Global diamond production by volume¹

Producer	% by volume
ALROSA	28.0%
De Beers	23.4%
Democratic Republic of Congo (predominantly informal sector)	11.9%
Rio Tinto	13.7%
Catoca (Angola) ²	5.2%
Petra	3.0%
Others	14.8%

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

2. Based on Reuters reports.

One of the world's largest diamond resources

Petra has the third-largest resource 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 (Capital Markets Day)	1,064.0	628.0
De Beers (2020 Anglo American Annual Report)	1,276.6	429.7
Petra Diamonds	230.6	33.3
Rio Tinto (2020 Annual Report)	14.6	11.6

Market performance in FY 2021

CY 2020 was very challenging for the rough diamond market because of the impact of the COVID-19 pandemic on all aspects of the market from mining through cutting and polishing to retail sales. Global output and sales were severely constrained in H1 CY 2020 as the mining sector curtailed output. The market for rough diamonds started to recover in Q4 CY 2020 with this trend continuing into the first half of calendar 2021.

Positive sentiment returned to the market as inventories in the midstream were reduced during the pandemic and improving end-market demand resulted in increasing appetite for rough diamonds. Disciplined sales strategies by major producers and improving sentiment helped prices return to at or above pre-pandemic levels during H1 CY 2021. Improving market conditions allowed for major miners to reduce inventories, helped by buoyant demand from the midstream, in part due to shortages in certain categories. The market remains sensitive to further significant outbreaks in COVID-19 globally, but sentiment is positive due to the fact that mined production is likely to remain constrained during CY 2021.

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. With the stabilisation of market conditions in H2 FY 2021, Petra is cautiously confident about the state of rough demand but remains aware of the sensitivity of the market to outbreaks of COVID-19 in production, cutting and polishing and retail centres.

Petra sales and prices

- FY 2021 revenue rose 65% to US\$402.3 million (FY 2020: US\$243.3 million) due to increased sales of 3.93 Mcts (FY 2020: 2.60 Mcts) and the benefit of sales of Exceptional Stones contributing US\$62.0 million (FY 2020: US\$14.9 million), the highest annual contribution to revenue from the sale of Exceptional Stones in Petra's history.
- Despite lower production for the Year, the amount of diamonds sold increased 51% to 3,930,136 carats (FY 2020: 2,598,252 carats) due to the improvement in market conditions and the easing of certain COVID-19 related restrictions which allowed for a higher volume of sales to take place, including the release of inventory held over from the prior year.
- The Company recovered a number of Exceptional Stones from the Cullinan mine in FY 2021 and to date in FY 2022, as set out already on pages 8 to 9. These prices are included in the averages reported for Cullinan in the table below.
- Prices on a like-for-like basis increased ca. 9% compared to prices achieved in FY 2020 and closed the Year at levels above the prices achieved before the COVID-19 pandemic outbreak.

Our Market continued

Market performance in FY 2021 continued

Average diamond prices achieved per operation

Mine	FY 2021 ¹ US\$/ct	FY 2020 ² US\$/ct
Cullinan	111 ²	98 ²
Finsch	77	75
Koffiefontein	419	387

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, which negatively impacted unit prices in FY 2021, further exacerbated by the sale of other low value stock during June 2021.

Outlook

Conditions in the diamond industry have recovered to the extent that rough prices are now, on average, above levels which prevailed before the impact of COVID-19 began. Supply discipline by major producers allied to reduced inventories in the midstream, some shortages and improving demand in the key consumer markets have returned the diamond market to a positive balance. Petra remains alert to potential disruptions from any resurgence in the COVID-19 pandemic but continues to be cautiously confident of robust demand continuing in FY 2022.

Case study: The NDC launches its latest major advertising campaign

Following the launch of their first major global advertising campaign "For Moments Like No Other", the NDC premiered a second global, multi-channel campaign starring the Hollywood actress and NDC's Global Ambassador Ana de Armas in September 2021, timed to support the market in the lead-up to the festive retail buying season.

Adorned in 150 carats of sparkling diamond jewellery in the new "For Moments Like No Other" film, Ana celebrates the past, the present, and the moments that have defined us, the connections that have strengthened us, and the new experiences that await us as the world comes bursting back to life.

We follow the latest Bond Girl as she travels on a dreamy, sun-drenched European holiday in Mallorca, fully embodying "Love Life" as an inspirational call to action and rejoicing in various social settings as natural diamonds help generate new memories. Ana wears jewellery custom made for the campaign by Malyia McNaughton, a participant in the NDC's first ever Emerging Designers Diamond Initiative. The film and campaign also feature men wearing diamond jewellery, reflecting the growing trend for men to wear diamond jewellery in creative, rule-breaking ways.

When interviewed about the campaign, Ana commented, "This campaign makes me want to get out of my shell, and I hope that it inspires viewers to feel and do the same; don't leave what you want to do for the future; be present. If I had known that we would be living through what we've faced over the past 18 months, I'm sure I would've done things differently. But, as we know, it's impossible to know what will happen."

Diamond jewellery sales have seen record-breaking growth as we emerge from the pandemic. Consumers are eager to create new memories, and natural diamonds are synonymous with celebrating life's moments.

The campaign is showcased in an immersive lookbook on a dedicated campaign website on the NDC's website, www.naturaldiamonds.com, which has received over 100 million unique visitors since its launch in June 2020.

Visit the campaign website: www.moments.naturaldiamonds.com

Value in action: Let's take control

Our Strategy

Optimising our portfolio

We are driving the optimisation of our 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, proactive stakeholder engagement, minimising our environmental impact and maximising our societal benefits in order to ensure sustainable operations.

SAFETY LTIFR¹ 0.44 (FY 2020: 0.29)	STAFF TURNOVER¹ 9.6% (FY 2020: 8.1%)
<small>1. Including Williamson</small>	

Performance against FY 2021 objectives

- Safety remained our top priority even though we did not meet our reduction in LTIs target (below expectations)
- An action plan was put in place to address the findings of the Tunajali Committee further to the external investigation into allegations of human rights breaches at the Williamson mine in Tanzania (met expectations)
- The Company's Stakeholder Engagement and Management Policy framework, including implementation and operating procedures, feedback and grievance mechanisms, was reviewed and aligned with international standards at all operations (met expectations)
- Progression of initiatives which aim to develop a culture in Petra that is aligned to our values and repositions the business (met expectations)
- The Group Sustainability Framework was significantly progressed and is on track to be finalised in H1 FY 2022 (below expectations)
- The Petra Climate Change Adaptation Strategy was approved by the Board (met expectations)

Commitments and objectives for FY 2022

- Continued priority placed on the health and safety of our workforce and a positive turnaround in the occurrence of LTIs
- The ongoing mitigation of COVID-19 at all our operations
- The continued roll-out of the actions required to address the human rights abuse allegations at the Williamson mine and to help prevent potential future occurrences
- Aim to build community confidence in the newly established OGMs at each operation via open and transparent engagements in order to achieve the effective and satisfactory resolution of grievances raised
- Finalisation and Board approval of the Group Sustainability Framework

- Finalisation of the Social Impact Assessments for each South African operation to form the basis of a new cycle of Social and Labour Plans ("SLPs")
- Continued implementation of the Petra Climate Change Adaptation Strategy

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
- Regulatory compliance to support our social licence to operate
- Continued development of strong relationships with our stakeholders
- Protect and enhance our environment
- Uphold the high value (both monetary and emotional) 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

- ESG performance measures

Our Strategy continued

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 free cashflow.

TOTAL PRODUCTION (MCTS)¹	OPERATIONAL FREE CASHFLOW (US\$ MILLION)¹
3.2	120.1
(FY 2020: 3.3)	(FY 2020: -12.3)
1. Excluding Williamson	

Performance against FY 2021 objectives

- Record production at Cullinan was offset by lower production at Finsch due to unexpectedly high waste ingress, and excessive rainfall (instances that triggered up to 1 in 200 year events) impacting Finsch and Koffiefontein in Q3; Williamson remained on care and maintenance (met expectations)
- Generation of significant positive operational free cashflow, supported by stronger pricing, sales proceeds from Exceptional Stones and cost efficiencies delivered by Project 2022 (exceeded expectations)
- Successful plant recovery of a series of Exceptional Stones from the Cullinan mine (exceeded expectations)
- Continued evolution of the Board with the appointment of new Non-Executive Directors (met expectations)

Commitments and objectives for FY 2022

- FY 2022 production guidance of 3.3 to 3.6 Mcts (South African operations: 3.1 to 3.4 Mcts and Williamson: 0.22 to 0.27 Mcts)
- Continued review of shift configurations at Cullinan and Finsch to optimise production; continued monitoring and mitigation of impact of waste ingress at Finsch
- Resume production at Williamson in H1 FY 2022
- Successfully progress re-engineering projects at Finsch and Koffiefontein to review and improve the mines' cost bases and operating margins
- Ongoing review of the asset portfolio to ensure all assets are in a position to contribute positive cashflow to the business, including the Board's strategic review of Williamson
- 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
- Profitability
- 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 measure

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 has successfully delivered throughput improvements and other business efficiencies and change initiatives have been put 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)¹ 22.5 (FY 2020: 28.6) 1. Excluding Williamson	WATER EFFICIENCY (M³/T)² 0.56 (FY 2020: 0.97) 2. Including Williamson
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Performance against FY 2021 objectives

- Completion of the Restructuring, thereby providing a more stable and sustainable capital structure for the Group (met expectations)
- Throughput initiatives driven by Project 2022 delivered record throughput at Cullinan of 5.06 Mt and efficiency initiatives contributed to managing the Company's cost base (met expectations)
- Operational Capex of US\$22.5 million was below guidance of ca. US\$28 million, reflecting management's tight fiscal discipline in light of the COVID-19 pandemic and the Restructuring (met expectations)
- Phase 1 of the Organisational Design Review was completed, in order to drive a fit-for-purpose structure to meet Petra's needs (met expectations)
- Total energy consumption (including Williamson) decreased 21% due to lower production for the Year; development of an Energy Management Plan based on the principles of the international ISO 50001 standard at each operation (met expectations)
- 82% of all water used on mine is recycled (met expectations)

Commitments and objectives for FY 2022

- Closely monitor and manage Petra's liquidity risk and maintain tight control over costs and overheads
- Continue to 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
- Successfully progress re-engineering projects at Finsch and Koffiefontein to review and improve the mines' cost bases and operating margins
- Target Group Capex of US\$78 to 92 million (including Williamson)
- Continued focus on water efficiency, waste management, as well as carbon emissions

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
- Energy and water efficiency

Risks

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

Remuneration

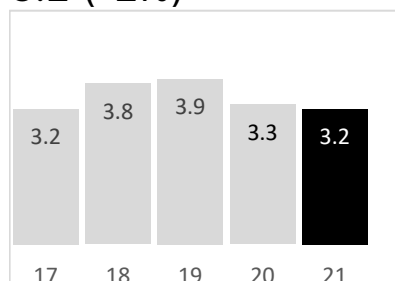
- Safety
- Free cashflow generation
- Profit and cost performance measures
- Capital efficiency
- TSR performance measures

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 and are considered for Executive bonuses and/or long-term incentive outcomes.

ROUGH DIAMOND PRODUCTION¹ (MCTS)

3.2 (-2%)



Performance and targets

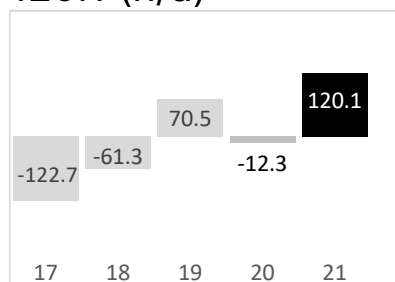
FY 2021 production decreased 2% to 3.2 Mcts notwithstanding record annual production from Cullinan of 1.9 Mcts. This stretch performance was offset by production at Finsch being impacted by unexpected levels of waste ingress and the subsequent mitigating measures reducing throughput. In addition, production at both Finsch and Koffiefontein was impacted by the high level of rainfall in Q3 FY 2021, and the Williamson mine remained on care and maintenance. The Company did not issue guidance for FY 2021 due to ongoing uncertainty around the impact of COVID-19, but guidance of 3.1 – 3.4 Mcts excluding Williamson (3.3 – 3.6 Mcts including Williamson) has been set for FY 2022.

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.

OPERATIONAL FREE CASHFLOW^{1, 2, 4} (US\$ MILLION)

120.1 (n/a)



Performance and targets

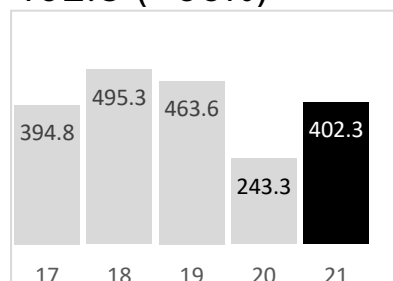
Following an outflow of US\$12.3 million in FY 2020, significant operational free cashflow of US\$120.1 million was generated in FY 2021, reflecting the impact of stronger diamond prices, the contribution of Exceptional Stones and lower mining and processing costs derived from the optimisation of production and cost efficiencies from Project 2022.

Risk management

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

REVENUE¹ (US\$ MILLION)

402.3 (+65%)



Performance and targets

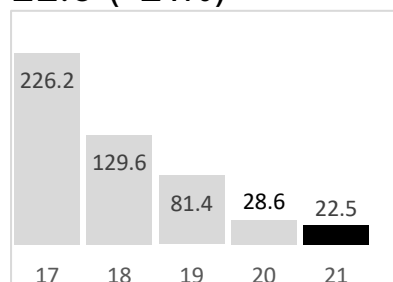
Revenue increased 65% to US\$402.3 million, despite the lower production for the Year, with the increase driven by sales of Exceptional Stones contributing US\$62.0 million (the highest annual contribution to revenues from such sales in Petra's history), as well as a recovery in the diamond market, with pricing on a like-for-like basis increasing ca. 9% during the Year.

Risk management

The key factors affecting revenue growth are delivery on production targets, managing grade volatility and product mix, the recovery of Exceptional Stones, 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.

OPERATIONAL CAPEX^{1, 3} (US\$ MILLION)

22.5 (-21%)



Performance and targets

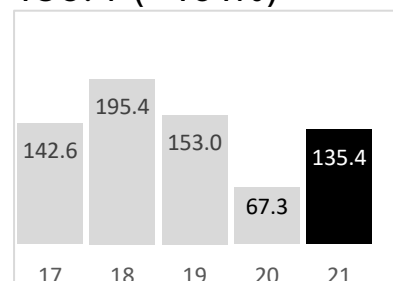
Operational Capex reduced 21% to US\$22.5 million, lower than guidance of ca. US\$28 million, reflecting management's tight fiscal discipline in light of the COVID-19 pandemic and the Restructuring. Capex of US\$78 – 92 million is guided for FY 2022, in part reflecting Capex deferrals following underspend during the last two years. The majority is assigned to Cullinan, attributable to the acceleration of the CC1E project.

Risk management

The Group's annual budgeting process includes detailed Capex requirements per operation and is Board approved. Certain expansion Capex projects (i.e. CC1E at Cullinan, and the new 3-level SLC at Finsch) are due to be tabled for review at the November 2021 Investment Committee meeting. Capex is monitored and cashflow implications continually reviewed.

ADJUSTED EBITDA^{1, 2} (US\$ MILLION)

135.4 (+101%)



Performance and targets

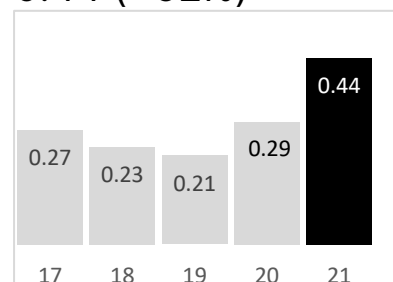
Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, increased 101% to US\$135.4 million, representing an Adjusted EBITDA margin of 34% (FY 2020: 28%), reflecting better overall pricing, including proceeds from Exceptional Stones.

Risk management

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

SAFETY⁴ (GROUP LTIFR)

0.44 (+52%)

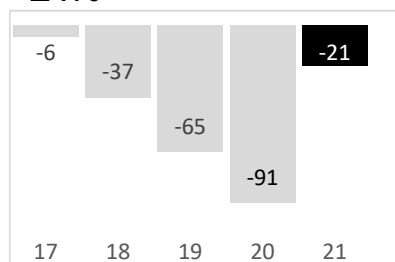


Performance and targets

Group LTIFR for the Year increased to 0.44, which was not in line with our target to achieve a minimum 10% improvement in LTIFR annually. 25 LTIs were recorded in FY 2021 as opposed to 19 in FY 2020, with the majority of accidents found to be behavioural in nature and of low severity. Considerable focus continues to be placed on changing these behaviours, as set out on page 47. The LTIFR calculation was also impacted by a reduction of 1.7 million risk work hours during the Year (15% impact). Total injuries, including those that did not result in a lost shift, reduced by 7%. We continue to target a zero harm working environment.

Risk management

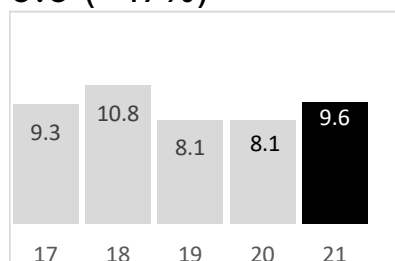
In addition to appropriate risk management processes, Petra has strategies, systems, effective risk-based mitigating controls and training in place to promote a safe working environment.

**TOTAL SHAREHOLDER RETURN
(PERCENTAGE CHANGE)****-21%****Performance and targets**

Total shareholder return decreased by 21%, due to the depreciation of the share price during the Year. Despite the Company's positive performance in FY 2021, with improved revenue, Operational free cashflow, Adjusted EBITDA and a stronger diamond market, the Restructuring served to significantly dilute existing equity investors and precipitated some volatility in the Company's share register, further exacerbated by the larger number of shares in issue following completion of the Restructuring. Further to the debt-for-equity swap as part of the Restructuring, a portion of Petra shareholders are now non-typical equity investors and a large proportion are retail investors, which may see continued volatility in share price performance.

Risk management

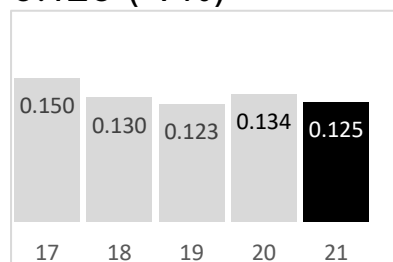
Petra has taken action to address market concerns around its leverage levels. The Company's Restructuring, along with significantly improved sales for the Year, saw consolidated net debt reduce by nearly two thirds. The Company will continue to closely monitor and manage its liquidity risk. Petra will continue to proactively engage with all of its shareholders with the aim of ensuring that the Company's strategy and prospects are well understood.

STAFF TURNOVER⁴ (%)**9.6 (+17%)****Performance and targets**

The Group staff turnover rate increased to 9.6%, with a higher incidence of retirements and non-renewal of fixed-term contracts being the contributing factors, but remains 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

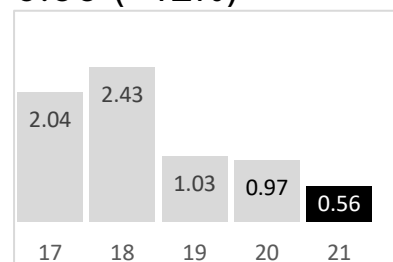
The Group's employment policies and remuneration strategy are designed to attract, incentivise and retain individuals of the right calibre, as well as retain key management for the longer term.

**CARBON EMISSIONS^{4,5}
(tCO₂-e/ct)****0.125 (-7%)****Performance and targets**

The carbon emitted per carat by the Group (Scopes 1 & 2) decreased by 7% due to the combined effect of an overall decrease in carats produced and associated lower energy use for the Year, and the total carbon emitted by the Company (Scopes 1, 2 & 3) decreased by 16% to 406,059 tCO₂-e. Petra aims to maintain the Company's carbon emitted per carat for FY 2022 – 2026, calculated annually, below the FY 2019 base year (Scopes 1, 2 & 3) of 0.124 tCO₂e/ct.

Risk management

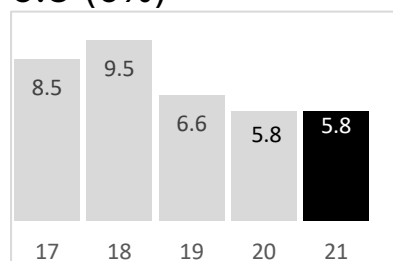
The Group endeavours to continually reduce its reliance on fossil fuel energy sources and to minimise its overall energy usage wherever possible.

**WATER EFFICIENCY⁵
(m³/t)****0.56 (-42%)****Performance and targets**

Petra's total water usage per production tonne decreased 42% to 0.56 m³/t due to the overall lower production for the Year and Williamson, which is the Group's largest user of water, remaining on care and maintenance. Petra is aiming for a 1% improvement in water use efficiency at each operation in FY 2022, measured as 'total water consumption' per tonne (m³/t), based on the three-year average achieved at each mine over the period FY 2019 to FY 2021 (appropriately adjusted to take into account COVID-19 lockdown periods).

Risk management

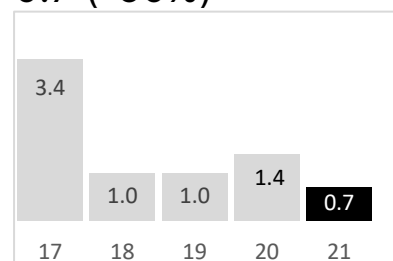
The Group endeavours to continually develop, implement and improve water efficiency measures to reduce the consumption per tonne processed.

TRAINING SPEND⁴ (US\$ MILLION)**5.8 (0%)****Performance and targets**

Our investment in employee training and development decreased 6% in Rand terms but remained flat in Dollar terms at US\$5.8 million, further to the stronger Rand during the Year. The decrease was due to lower training spend at the South African operations due to a smaller workforce and the continued disruption caused by COVID-19 to our training programmes. Petra aims to achieve a training spend target of 5% of annual payroll and this was achieved at the South African operations in FY 2021, though Williamson's performance was impeded by remaining on care and maintenance.

Risk management

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

SOCIAL SPEND⁴ (US\$ MILLION)**0.7 (-50%)****Performance and targets**

Social spend decreased 50%, with only ca. 44% of budgeted spend in South Africa committed due to the continued challenge to get stakeholders to align on suitable community projects, as well as the disruptive impact of the COVID-19 pandemic. Spend in Tanzania remained curtailed to a minimum due to the mine's liquidity constraints and it being on care and maintenance. Petra targets base case spend of 1% of net profit after tax ("NPAT") at asset level, which was not achieved in FY 2021 due to these challenges.

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:

- Figures for FY 2021 and FY 2020 exclude Williamson; figures for prior years include Williamson.
- All APMs used are defined on page 203.
- Excluding capitalised borrowing costs.
- Figures for FY 2017 and 2018 include the Kimberley Ekapa Mining JV operation ("KEM JV"); Petra divested of its stake in KEM JV in December 2018. All figures include Williamson.
- Certain environmental figures for FY 2020 relating to Petra's carbon emissions and water consumption have been restated further to the independent verification of the Company's 2020 GHG Inventory by TikoTech.

Financial Review

A strengthened capital structure

“Despite the continued challenges presented by the ongoing COVID-19 pandemic, in FY 2021 Petra not only generated significant operational free cashflow, but we also successfully completed the recapitalisation of the Group, providing us with a more stable and sustainable capital structure, greatly reduced financial burdens and increased liquidity.”

Jacques Breytenbach
Finance Director

Unless stated otherwise, the financial results in this report are adjusted to exclude the assets and liabilities of Williamson, which has been reclassified as an asset held for sale as at 30 June 2021, and the operating results of Williamson have been reclassified as a discontinued operation for FY 2020 and FY 2021.

Revenue

FY 2021 revenue increased 65% to US\$402.3 million (FY 2020: US\$243.3 million) driven by sales from Exceptional Stones contributing US\$62.0 million during the Year (FY 2020: US\$14.9 million); the highest annual contribution to revenues from the sale of Exceptional Stones in Petra's history. Despite lower production for the Year, the volume of diamonds sold increased 51% to 3,930,136 carats (FY 2020: 2,598,252 carats) due to the improvement in market conditions, with rough diamond pricing realised by Petra increasing ca. 9% for the Year, and the easing of certain COVID-19 related restrictions which allowed for a higher volume of sales to take place, including the release of inventory held over from the prior year.

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 ¹ US\$m	Diamond royalties US\$m	Diamond inventory and stockpile movement US\$m	Group technical, support and marketing costs ² US\$m	Adjusted mining and processing costs US\$m	Depreciation ³ US\$m	Total mining and processing costs (IFRS) US\$m
FY 2021	197.6	2.9	39.1	21.7	261.2	76.0	337.2
FY 2020	191.2	2.6	(42.6)	18.1	169.3	68.9	238.2

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\$0.6 million (FY 2020: US\$0.2 million) and excludes exploration and corporate/administration.

Absolute on-mine cash costs in FY 2021 increased 3.3%, compared to FY 2020, due to:

- the effect of translating ZAR denominated costs at the South African operations at a stronger ZAR/USD exchange rate (1.7% increase);
- inflationary increases, including the impact of electricity and labour costs (6.0% increase);

offset by:

- the variable cost impact of changing production volumes across the South African operations (0.8% decrease); and
- net savings, including Project 2022 initiatives (3.6% decrease).

Diamond inventory and stockpile movements reflect the release of inventories during FY 2021 resulting in a charge of US\$39.1 million, compared to a credit of US\$42.6 million in FY 2020 due to increased levels of stockholding driven by an inability to hold tenders due to COVID-19.

Profit from mining activities

Profit from mining activities increased 90% to US\$142.8 million (FY 2020: US\$75.0 million), mainly due to increased volumes sold, improved diamond pricing and the contributions from Exceptional Stones.

Adjusted corporate overhead – general and administration

Corporate overhead (before costs and fees relating to investigation and settlement of human rights claims, depreciation and share-based payments) increased marginally to US\$7.4 million for the Year (FY 2020: US\$7.2 million), mainly attributable to the ZAR strengthening against the USD in addition to cost curtailment measures introduced during the Year.

During the Year, the Group received payments from the South African Government under the temporary employee relief scheme (“TERS”) of US\$3.5 million (FY 2020: US\$nil). Of the US\$3.5 million TERS payment received, US\$0.3 million was attributable to corporate overheads expenditure and US\$3.2 million was attributable to Mining and processing costs.

Adjusted EBITDA

Adjusted EBITDA, being profit from mining activities less exploration and corporate overhead, increased 101% to US\$135.4 million (FY 2020: US\$67.3 million), representing an Adjusted EBITDA margin of 34% (FY 2020: 28%), reflecting better overall pricing, including proceeds from Exceptional Stones.

Depreciation

Depreciation for the Year increased to US\$75.9 million (FY 2020: US\$69.3 million), mainly due to the strengthening of the ZAR against the USD and increased throughput at Cullinan, partially offset by reduced production at Finsch and Koffiefontein.

Impairment charge

As a result of the impairment reviews carried out at Cullinan, Finsch and Koffiefontein, and the Group’s other receivables during the Year, the Board recognised an overall impairment charge of US\$17.7 million (FY 2020: US\$50.5 million). Further details are provided in note 8.

Asset level impairments at Finsch and Koffiefontein amount to US\$17.3 million (FY 2020: US\$50.9 million at Cullinan, Finsch and Koffiefontein) (representing some 2.4% of the Group’s carrying value of property, plant and equipment of US\$711.8 million (FY 2020: US\$742.7 million) pre-impairment). There were no reversals of prior year impairments for Cullinan.

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 life of mine (“LOM”) plans and the conclusion during the Year of an offset agreement with the BEE partners. Based on the assessment, the Group’s estimated free cashflows indicated a net credit loss reversal totalling US\$5.8 million (30 June 2020: US\$10.9 million expected credit loss provision), comprising of US\$6.1 million provision reversal in respect of Cullinan and Finsch and an additional US\$0.3 million expected credit loss provision in respect of Koffiefontein (30 June 2020: US\$10.9 million provision comprising US\$6.1 million in respect of Cullinan and Finsch, and US\$4.8 million in respect of Koffiefontein) (refer to note 8 in the Financial Statements for further detail).

Net financial income / expense

Net financial income of US\$223.4 million (FY 2020: US\$152.9 million expense) comprises:

- net gain on extinguishment of the Notes of US\$213.3 million (FY2020: US\$nil) comprising a gain of US\$221.0 million attributable to the debt for equity conversion and a loss of US\$7.7 million on the substantial modification of the Notes;
- net unrealised foreign exchange gains of US\$77.1 million (FY 2020: US\$82.1 million losses), driven by significant volatility in the Rand closing the Year at US\$1:ZAR14.27 compared to US\$1:ZAR17.32 at 30 June 2020, and representing (i) the unrealised foreign exchange gains on the foreign currency retranslation of cross border loans considered to be repayable in the foreseeable future, and (ii) unrealised losses on forward exchange contracts (refer to note 9 for further detail); and
- interest received on bank deposits of US\$0.7 million (FY 2020: US\$1.2 million);

offset by:

- the acceleration of unamortised finance costs attributable to the Notes of US\$2.7 million (FY2020: US\$nil);
- interest expense on the Group’s debt and working capital facilities of US\$51.5 million (FY 2020: US\$52.4 million);
- net interest payable on the BEE Partner loans and amortisation of lease liabilities in accordance with IFRS 16 of US\$3.1 million (FY 2020: US\$6.7 million);
- a charge for the unwinding of the present value adjustment for Group rehabilitation costs of US\$4.3 million (FY 2020: US\$4.6 million); and
- net realised foreign exchange losses on settlement of forward exchange contracts of US\$6.1 million (FY 2020: US\$8.3 million).

Financial Review continued

Tax credit/charge

The tax charge of US\$23.0 million (FY 2020: US\$52.5 million credit; reflecting principally the utilisation of certain capital allowances and the impact of the deferred taxation on the impairment charge, predominantly at Cullinan and Finsch, which reduced existing deferred tax liabilities) comprises deferred tax charges of US\$19.7 million relating to utilisation of tax losses as a result of unrealised foreign exchange gains at Cullinan during the Year and US\$3.3 million in respect of other capital allowances, with an income tax charge of US\$0.3 million for the Year (FY 2020: US\$0.6 million).

The Group's current Year effective tax rate of 8.9% (FY 2020: 24.1%) is lower than the South African tax rate of 28% (the Group's primary tax paying jurisdiction) due to the recognition of the gain on extinguishment of the Notes for which no tax consequences are recognised. During the Year, there was a reversal of deductible temporary differences relating to the current Year impairments of property, plant and equipment, reversal of prior year tax losses recognised at Finsch and Cullinan and other reversing deductible temporary differences. There were no taxation adjustments arising from items of other comprehensive income and expense.

Profit on disposal Sekaka Diamonds (Pty) Ltd ("Sekaka")

The profit on disposal of subsidiary of US\$14.7 million relates to the Group's disposal during the Year of its exploration operations in Botswana via the disposal of interests in Sekaka, and is made up of a US\$0.3 million disposal consideration, net profit of US\$1.3 million for the Period 1 July 2020 to the 30 November 2020 disposal date, and the recycling of the foreign currency translation reserve of US\$13.3 million, offset by a net asset disposal amount of US\$0.2 million. Refer to note 36 for the detailed breakdown.

Loss on discontinued operations – Williamson

The Board reviewed its strategic options at Williamson and the asset has therefore been reclassified as an asset held for sale. As a result the assets and liabilities have been classified as held for sale in the Statement of Financial Position in accordance with IFRS 5 and the operating loss of US\$52.1 million relating to the Williamson mine has been disclosed in the Consolidated Income Statement in Loss on discontinued operation (refer to note 37 of the Financial Statements for further detail).

In terms of the IFRS requirements to measure the assets of a disposal group at the lower of carrying amount and fair value less costs to sell, the determination of the fair value is complex and subject to considerable judgement. Based on Management's best estimate of the fair value at the reporting date, the following amounts have been recognised as a result of that reclassification:

- an impairment charge of US\$21.4 million in respect of property, plant and equipment;
- a US\$11.2 million charge attributable to Williamson's net loss for the Year. For comparative purposes, the prior period results for Williamson have been restated, which show a net loss of US\$58.0 million (inclusive of an impairment charge of property, plant and equipment and certain receivables of US\$34.6 million and US\$6.8 million respectively); and
- a US\$19.5 million provision for unsettled and disputed tax claims arising from the ordinary course of business.

Refer to note 37 of the Financial Statements for further detail.

Group loss/profit

The Group's net profit after tax is US\$196.6 million (FY 2020 net loss: US\$223.0 million).

Earnings per share

Basic profit per share from continuing operations of 6.67 US\$ cents was recorded (FY 2020: 15.26 US\$ cents loss per share).

Adjusted loss per share from continuing operations (adjusted for impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary, costs and fees relating to investigation and settlement of human rights claims, net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge) of 0.46 US\$ cents loss was recorded (FY 2020: 5.04 US\$ cents loss (adjusted for impairment charges, taxation credit on impairment charge, net unrealised foreign exchange gains and losses)).

Operational free cashflow

During the Year, operational free cashflow of US\$120.1 million (FY 2020: US\$12.3 million outflow) reflects the impact of stronger diamond prices, the contribution of Exceptional Stones and lower mining and processing costs derived from the optimisation of production and cost efficiencies from Project 2022. This positive cashflow was offset by:

- US\$12.1 million (FY 2020: US\$33.3 million) cash finance expenses net of finance income and realised foreign exchange gains/(losses);
- US\$7.0 million (FY 2020: US\$14.1 million) advances to BEE Partners, largely related to servicing of BEE bank debt prior to the Restructuring, with the advances recoverable against future BEE Partner distributions; and
- restructuring fees settled during the Year of US\$29.9 million (FY 2020: US\$3.8 million net advances paid to advisers).

Cash and diamond debtors

As at 30 June 2021, the Company had cash at bank of US\$163.8 million (30 June 2020: US\$67.6 million). Of these cash balances, US\$147.7 million (30 June 2020: US\$53.6 million) was held as unrestricted cash, US\$15.3 million (30 June 2020: 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) and US\$0.8 million (30 June 2020: US\$0.7 million) was held by Petra's bankers as security for other environmental rehabilitation bonds lodged with the Department of Mineral Resources and Energy ("DMRE") in South Africa.

Diamond debtors at 30 June 2021 were US\$38.3 million (30 June 2020: US\$4.8 million), with the June 2021 tender closing at Year end, and debtors settling shortly thereafter. Both Diamond Debtors and Diamond Inventory for FY 2020 were significantly impacted by the inability to host tenders during Q4 FY 2020 following the initial COVID-19 outbreak.

Diamond inventory

Diamond inventory at 30 June 2021 decreased to US\$45.1 million (30 June 2020: US\$84.1 million) reflecting the release of inventory during the Year.

Loans and borrowings

The Group had loans and borrowings (measured under IFRS) at Year end of US\$430.3 million (30 June 2020: US\$769.0 million), comprised of the US\$327.3 million Notes (includes US\$11.3 million accrued interest and unamortised transaction costs of US\$20.7 million) (30 June 2020: US\$676.9 million), bank loans and borrowings of US\$103.0 million (includes interest of US\$0.1 million and unamortised transaction costs of US\$1.7 million) (30 June 2020: US\$52.1 million). Following the Restructuring completed in March 2021, the Company's guarantees related to the BEE Partner debt facilities were US\$nil (30 June 2020: US\$40.0 million); refer to 'The Restructuring' section on page 32 for further detail. Bank debt facilities undrawn and available to the Group at 30 June 2021 were US\$7.7 million (30 June 2020: US\$nil).

Consolidated net debt at 30 June 2021 was US\$228.2 million (30 June 2020: US\$693.2 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:

- to maintain a 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis; and
- to maintain liquidity requirements, being the aggregate of the undrawn amounts available under the revolving credit facility ("RCF") and consolidated cash and cash equivalents (excluding diamond debtors) not falling below ZAR200 million (US\$14.0 million).

Going concern considerations

During FY 2020, the going concern consideration was dependent on the successful completion of the Restructuring. In March 2021, the Restructuring was successfully completed which resulted in solid progress towards stabilising the balance sheet and cash reserves.

The Group closely monitors and manages its liquidity risk, and cash forecasts are regularly produced and run for different scenarios. 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 a rough diamond tender, 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, the forecasts indicate that the Company will be able to operate within covenants set out in the financing agreements and maintain sufficient liquidity.

However, as detailed above, the first lien covenants were set with limited headroom to the Company's base case. As such, results of the Company's stress testing indicate that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. At the time of possible covenant breaches under these scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring while maintaining adequate liquidity. The forecasts indicate that under the stress-tested scenarios, the Group is not reliant on the facilities.

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, 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. Accordingly, the Board has concluded that the going concern basis in the preparation of the Financial Statements is appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

See 'Going concern' on pages 146 to 148 for further information.

Financial Review continued

BEE loans receivable

As part of the Restructuring, an offset agreement was entered into between the Company and its BEE Partners allowing for the offsetting of the BEE loan receivable against the BEE loan payable, thus resulting in a net BEE loan receivable due from the BEE Partners. BEE loans receivable of US\$46.6 million (FY 2020: US\$137.0 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 repayment of these loans by the mines to the BEE Partners will be from future free cashflows generated by the mining operations.

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 partial net reversal of the expected credit loss provision of US\$5.8 million, following a US\$10.9 million expected credit loss provision being raised against the BEE loans receivable at 30 June 2020. Refer to note 16 for further detail.

During the Year, Petra advanced US\$4.7 million (FY 2020: US\$12.2 million) to facilitate the servicing of capital and interest payments on behalf of the BEE Partners and US\$2.0 million (FY 2020: US\$1.9 million) for distributions to the beneficiaries of the IPDET and shareholders of Kago Diamonds.

Refer to note 16 of the Financial Statements for further detail on BEE loans receivable.

The Restructuring

In March 2020, Petra 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 signed a Lock-Up Agreement on 17 November 2020 with the parties to the Restructuring, which bound each party into supporting the Restructuring on the proposed terms. The Company's shareholders subsequently approved the scheme at a Special General Meeting on 13 January 2021. On 10 March 2021 the Company announced that it had completed the implementation of the Restructuring.

The key features of the Restructuring were:

1. Partial reinstatement of the Notes debt and the contribution by holders of the existing Notes of US\$30.0 million in new money ("New Money"), which took the form of new senior secured second lien notes ("New Notes"). The New Notes of US\$336.7 million (including the New Money and fees paid as part of the transaction in New Notes) have a maturity date of five years from completion, being March 2026. The New Notes are 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 contributed to the New Money were entitled to a greater portion of the New Notes.
2. Conversion of the remainder of the Notes debt into equity, which resulted 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 contributed to the New Money were 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 working capital facility ("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 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 have an interest rate of JIBAR + 5.25% per annum.
4. New governance arrangements, whereby up to four of the largest Noteholders who individually held at least 5% of the shares in Petra at the closing of the Restructuring, had 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 does not have voting rights at Board meetings). Any Board appointments must comply with the UK Listing Rules and the Corporate Governance Code. Two Noteholders elected to exercise their Nomination Rights, being Monarch (via the appointment of Mr Glowasky and Mr Bhatt as non-independent NEDs and via the appointment of Mr Kraemer as Board Observer) and Franklin Templeton (via the appointment of Ms Watson as a non-independent NED).
5. Certain cashflow controls have been introduced.

The full terms of the Restructuring are listed in the prospectus released on 22 December 2020 and further details are provided in note 21 of the Financial Statements.

Other liabilities

Other than trade and other payables of US\$49.1 million (comprising US\$16.8 million trade creditors, US\$5.8 million employee-related accruals and US\$26.5 million other payables) (FY 2020: US\$52.5 million), the remaining liabilities on the balance sheet mainly comprise provisions for rehabilitation liabilities, post-retirement employee-related provisions, provisions for costs and fees relating to investigation and settlement of human rights claims, lease liabilities and deferred tax.

During the Year, the Group's rehabilitation provision increased from US\$45.3 million to US\$57.9 million, mainly attributable to Cullinan's estimated period to decommissioning reducing from 45 years to 25 years, reflecting updated scoping studies for future development outside of its current approved LOM, resulting in an increase of US\$5.8 million in the provision as expected timing of the rehabilitation costs are brought forward.

Capex

Total Group Capex for the Year reduced to US\$23.5 million (FY 2020: US\$28.4 million), comprising:

- US\$16.9 million expansion Capex (FY 2020: US\$21.8 million);
- US\$5.6 million sustaining Capex (FY 2020: US\$6.8 million); and
- corporate/exploration Capex of US\$1.0 million (FY 2020: (US\$0.2 million) net recoupment).

Capex	Unit	FY 2021	FY 2020
Cullinan	US\$m	16.8	16.4
Finsch	US\$m	4.0	8.4
Koffiefontein	US\$m	1.7	3.8
Subtotal – Capex incurred by operations	US\$m	22.5	28.6
Corporate/exploration	US\$m	1.0	(0.2)
Total Group Capex	US\$m	23.5	28.4

Dividend

Distribution covenants were not met for the measurement period to 30 June 2021 and as a result no dividend is declared for FY 2021 (30 June 2020: US\$nil).



Jacques Breytenbach
Finance Director
12 October 2021

Operational Review

Introduction to the Operational Review

In FY 2021 we achieved record production at Cullinan and our Group production results were credible, despite the ongoing challenges associated with COVID-19, the waste ingress at Finsch and the significant rainfall experienced at both Finsch and Koffiefontein during Q3 FY 2021.

Our FY 2021 production decreased 2% to 3,240,312 carats (FY 2020: 3,291,046 carats excluding Williamson), notwithstanding record annual production from Cullinan of 1.94 Mcts. Production at Finsch was impacted by unexpected levels of waste ingress during Q2 FY 2021, with subsequent mitigating measures reducing throughput during the second half of the Year. In addition, production at both Finsch and Koffiefontein was impacted by the high level of rainfall during the third quarter, while the Williamson mine remained on care and maintenance for the duration of the Year.

Protecting our people

The LTIFR for FY 2021 increased to 0.44 (FY 2020: 0.29). The LTIs during the Year were mostly behavioural in nature and of low severity but are nevertheless concerning. A number of remedial actions have been taken, and various behaviour-based intervention programmes launched, which resulted in an improving trend during the Year. The total number of injuries during FY 2021, which includes LTIs, decreased to 42 (FY 2020: 45). Petra continues to target a zero-harm working environment. Read more about our safety performance on page 47.

COVID-19 continues to pose a significant risk to the health and safety of the Group's workforce. Petra has implemented systems and strategies across all its operations aimed at preventing and/or containing the spread of the virus. To date, there have been 766 confirmed cases amongst the Company's workforce and very sadly 14 employees have lost their lives to the disease. Our heartfelt condolences go to the families and friends of the deceased.

More information on the Company's response to the COVID-19 pandemic is available on our website: <https://www.petradiamonds.com/sustainability/health-and-safety/our-response-to-covid-19/>.

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 operational free cashflow over three years, though this has been impeded primarily by the weakness in the diamond market, which also saw Williamson being placed on care and maintenance, 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 2021 we continued to implement initiatives at our operations as part of Project 2022 which have eliminated or mitigated the impact of bottlenecks in the production processes of the various mines. Read more in 'Project 2022 in action' on page 37.

Resources

Petra manages one of the world's largest diamond resources of 230.64 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 2021, the Group's gross diamond resources (inclusive of reserves) decreased 5% to 230.64 Mcts (30 June 2020: 243.51 Mcts), predominantly due to depletions at all mining assets further to ore mined in FY 2021 and the sale of Petra's exploration assets in Botswana to Botswana Diamonds PLC, which has removed the KX36 kimberlite pipe (resource of 8.73 Mcts) from the Resource Statement.

The Group's gross diamond reserves decreased 14% to 33.33 Mcts (30 June 2020: 38.86 Mcts) primarily due to mining depletions, the impact of increased pit scaling and waste ingress on the remaining reserves in the current SLC at Finsch, changes to the mine plan and mining method for the future block at Finsch, and Williamson remaining on care and maintenance with an associated reduction in reserve estimate given the remaining tenure of the SML.

Focus for FY 2022

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 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), thereby mitigating the continued disruption to operations caused by the COVID-19 pandemic. During FY 2021, both Cullinan and Finsch continued to work on a Contops configuration. The Cullinan mine is expected to continue to work under this configuration throughout FY 2022, whilst the continuation of Contops at Finsch will depend on the outcome of the business re-engineering project ("BRE") currently being conducted at the mine.

At Cullinan, the last remaining tonnes from the current CC1 East horizon are expected to be mined out during H1 FY 2022. A project to further develop a sub level cave in the CC1 East area will be the main area of focus for the mine for the medium term, whilst continuing with optimal ore extraction from the fully developed C-Cut Phase 1 block cave.

The key focus at Finsch will be to implement the BRE roadmap to ensure that the mine's working cost is reduced as far as possible, while the mining of material and production from the current blocks continues at budgeted levels. This reduction in working cost coupled with the optimisation of capital expenditure will be key to allow for the continuation of underground development through a three-level sub level cave.

At Koffiefontein, there is also a BRE in progress and the outputs of the project will be implemented at the mine during FY 2022.

Plans are being refined to allow operations to restart at the Williamson mine during H1 FY 2022, with the redeployment of employees and contractors and the recommissioning of plant and equipment.

During FY 2020 and FY 2021 the focus of Project 2022 expanded into two further areas in addition to the initial concentration on throughput. Firstly, it included a sustainable optimisation of the Company's cost structure. 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. This organisational design has now completed and during FY 2022 the operations will transition to the new organisational structure.



Juan Kemp
Chief Technical Officer
12 October 2021

Operational Review continued

Production, sales and Capex summary (excluding Williamson)¹

	Unit	FY 2021	FY 2020	Variance
Sales				
Diamonds sold	Carats	3,930,136	2,598,252	+51%
Revenue	US\$m	402.3	243.3	+65%
Production				
ROM diamonds	Carats	3,057,860	3,155,237	-3%
Tailings diamonds	Carats	182,452	135,809	+34%
Total diamonds	Carats	3,240,312	3,291,046	-2%
Tonnages				
ROM tonnes	Mt	7.7	7.5	+3%
Tailings tonnes	Mt	0.4	0.5	-20%
Total tonnes	Mt	8.1	8.0	+1%
On-mine cash costs	US\$m	197.6	191.2	+3%
Capex				
Expansion	US\$m	16.9	21.8	-23%
Sustaining	US\$m	6.6	6.6	0%
Total	US\$m	23.5	28.4	-17%

1. Williamson results are shown separately on page 208.

Cullinan – South Africa

REVENUE CONTRIBUTION ¹ :	CARAT CONTRIBUTION ¹ :	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
62%	60%	250.6	1.9	111
(FY 2020: 39%)	(FY 2020: 44%)	(+115%)	(+19%)	(+13%)

1. Percentage of gross revenue and production including Williamson.

FY 2021 performance

Cullinan achieved record production in FY 2021 of 1,943,942 carats (FY 2020: 1,578,400 carats) with underground throughput of 4.6 Mt and an average ROM grade of 38.2 cpht (FY 2020: 37.3 cpht).

Production from the C-Cut and CC1 East mining areas increased to ca. 4.6 Mt in FY 2021 (FY 2020: ca. 3.9 Mt). A total of 0.4 Mt of recovery tailings were treated with an average grade of 41.0 cpht.

Cullinan's revenue increased by 115% to US\$250.6 million for the Year (FY 2020: US\$116.5 million), due to a combination of a 91% increase in diamonds sold and a 13% increase in the average price per carat for the Year.

The full range of diamonds was recovered at the Cullinan mine in FY 2021, including a number of Exceptional Stones which contributed to the highest annual contribution to revenues from the sale of Exceptional Stones. These diamonds included the Letlapa Tala Collection of five blue diamonds of high quality and clarity which were sold as a suite of stones for US\$40.36 million, an exceptional 299 carat Type IIa white gem quality diamond recovered in January 2021 and sold for US\$12.8 million in March 2021, and an exceptional 11.82 carat blue diamond that was sold for US\$9.5 million in Q3 FY 2021.

Post Year end, the Company sold the 39.34 carat exceptional Type IIb blue diamond recovered from the Cullinan mine in April 2021 for US\$40.2 million (US\$1.0 million per carat), being the highest price the Company has achieved for a single stone, both in terms of total sales value and per carat. Petra has also recovered and sold two further special diamonds from the Cullinan mine post Year end, being a 342.92 carat white stone and an 18.30 carat blue stone for a total upfront payment of US\$13.5 million, as well as retaining a 50% interest in the profit uplift of the polished proceeds of both diamonds, after costs.

Costs

The on-mine unit cash cost per total tonne treated decreased to ZAR260/t (FY 2020: ZAR270/t), mainly due to increased tonnages offset by inflationary increases.

Capex

FY 2021 Capex of US\$16.8 million was mainly spent on the development of the C-Cut Phase 1 block cave, development to North Crusher 2, and an improved support regime to secure long-term accessibility in the North West Corner of C-Cut Phase 1. Based on the reprioritisation 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 with no adverse impact on expected levels of production. FY 2022 Capex for Cullinan is guided at ca. US\$48-54 million, primarily relating to underground development of the CC1E Phase 2 production areas and certain feasibility studies to be conducted related to shaft infrastructure, as well as fines residue deposit facilities and Stay in Business Capex.

Case study: Project 2022

Project 2022 in action

Project 2022 was initiated in FY2019 as a three-year project for the period FY 2020 to FY 2022 with the objective to improve the financial sustainability and profitability of the Company by increasing its net free cashflow.

The Project 2022 principles are now fully entrenched throughout the Group and business improvement has become part of the DNA of the Company. The Weekly Results Action Review meetings, which were introduced as part of Project 2022 to ensure the successful execution of the project, have been rolled out across the business. The purpose of these weekly meetings is to monitor performance, provide support and resourcing where required, and to ensure accountability for output throughout the different levels and departments in the organisation. In addition, the Company's various incentive and production bonus schemes have been aligned to support and reward the delivery of our Project 2022 targets across the Group. 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.

Cullinan

The Cullinan mine has successfully implemented almost 70% of the initiatives identified during the Project 2022 diagnostic phase. The outstanding initiatives are planned to be completed by the end of FY2022 to ensure that all the benefits are realised. The mine has successfully adopted its new operational model, resulting in improved accountability and visibility of KPIs. Meetings and reviews are action and result driven. It is evident in the improved performance and increased throughput at the mine, that a Continuous Improvement framework has been successfully adopted through organisational design, developing capability, accountability, alignment and maintaining a flow in the ideas pipeline.

In FY 2021 the mining team facilitated a transition plan to replace a contractor with a team that worked in the CC1E block to better stabilise the Contops shift configuration by having it consist only of mine employees. It was forecast that the end of contractor loading would result in a decrease in throughput, however this did not happen, and the transition was successfully implemented and throughput ramped up in Q3 and Q4 FY 2021. Additional initiatives are in place to improve the engineering maintenance strategy on the hoist and ground-handling infrastructure to ensure engineering availability for the improved performance and increased throughput.

With regards to hoisting, a number of initiatives were completed to ensure the mine's hoist capacity is at its optimal performance considering the current infrastructure. The team has successfully achieved a consistent improvement in an increased skip factor, skip cycle times and ultimately the number of skips hoisted per hour.

The progress of the plant ideas pipeline is well in line with the Project 2022 targets. The installation of four additional Bourevestnic X-ray machines in the X-Ray Luminescence ("XRL") plant are in progress, which will increase the capacity of this plant. The XRL plant X-ray machines are used to extract diamonds from the +8mm mill discharge stream, before these larger diamonds are exposed to the rest of the process, thereby reducing the risk of possible diamond damage.

Finsch

With the ideas that started in 2020 well embedded, the COVID-19 impact and waste and water ingress necessitated continued focus on drill and blast performance. This resulted in improved drill rig utilisation and a reduction in unplanned downtime with a resultant improvement in drilled metres and inventory rings. The 78L tip was also upgraded, which led to improved production from this level. The installation of a dewatering system will result in improved road conditions and, in turn, reduced downtime on drilling and loading. In the plant, the idea of treating high density, high grade surface material through the Bulk Sampling Plant has been approved and is in the process of being implemented. The shift configuration in the plant will also be changed in FY 2022 to improve plant utilisation and reduce operating costs.

Koffiefontein

In FY 2021, the focus at Koffiefontein remained on driving the current improvement initiatives to ramp-up availability of less diluted ore to benefit the recovered grade and carats produced. These initiatives include sustaining and stabilising the improved availability and utilisation of the largely refurbished loader and production drill rig fleets above the target of 70%. Implementing the newly completed trackless mobile equipment service bays, which are closer to the production levels, reduced the tramming distance for maintenance, leading to improved turnaround times and therefore benefitting fleet utilisation. Further focus will be placed on improving the quality of drilling, charging and blasting practices, thereby assisting in adherence to the current mine-to-plan methodology and achieving planned grades. Increased tunnel flexibility was also obtained from utilising the newly commissioned rim-loading tunnels.

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 of around US\$20 million, through the following initiatives, the majority of which have been implemented:

- cost reductions at Finsch in the areas of ventilation, water and electricity (ca. US\$7 million);
- reduced corporate and central 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 2021, notwithstanding the negative impact of COVID-19 precautionary measures on production, the positive throughput improvements driven by Project 2022 led to the highest annual run of mine production and carat recovery at Cullinan since Petra took ownership of the mine in 2008. The impact of the waste ingress at Finsch and Williamson being on care and maintenance prevented these mines from reaching their Project 2022 targets for the Year. Despite this setback, it is anticipated that Project 2022 will nevertheless meet its targets for the three-year period to FY 2022, thanks to the outperformance at Cullinan and the reduction in capital spend during the period.

Operational Review continued

Finsch – South Africa

REVENUE CONTRIBUTION ¹ :	CARAT CONTRIBUTION ¹ :	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
30%	38%	123.5	1.2	77
(FY 2020: 34%)	(FY 2020: 46%)	(+22%)	(-25%)	(+3%)

1. Percentage of gross revenue and production including Williamson.

FY 2021 performance

Overall production totalled 1,237,219 carats (FY 2020: 1,643,568 carats), with ROM carat production of 1,237,219 carats (FY 2020: 1,603,678 carats) and an average ROM grade of 53.5 cpht (FY 2020: 59.0 cpht).

The contribution from underground ROM production decreased to 1,237,219 carats (FY 2020: 1,603,678 carats). In H1 FY 2021 ROM volumes mined were impacted by the expiry of the temporary Contops arrangement during September 2020, subsequently reinstated during October 2020 that remained in place until June 2021. In addition, the Finsch mine experienced higher than expected levels of waste ingress in a number of the upper levels of the Block 5 Sub Level Cave, which negatively impact the recovered grade. The Company conducted a detailed exercise to better understand this issue and has put a plan in place to mitigate the impact. This has included a revision to the draw strategy to limit planned draw tonnage, a build-up of inventory rings to allow for increased blasting from March 2021, and a change to the drill and blast designs to optimise ore extraction. This revised plan, along with the 1.2 Mcts mined during FY 2021, contributed to a decline in Finsch Reserves, which reduced from 18.48 Mcts as at 30 June 2020 to 14.81 Mcts as at 30 June 2021.

In the longer term, the Company will also investigate ore mixing programmes to better assist with the prediction of waste ingress. Furthermore, production at the Finsch mine in Q3 FY 2021 was impacted by very high rainfall.

Revenue increased by 22% to US\$123.5 million (FY 2020: US\$101.1 million) due to a combination of higher sales, related to the release of inventory held over from the prior year, and a slightly higher average value per carat of US\$77 (FY 2020: US\$75).

Costs

The on-mine cash unit cost increased to ZAR536/t (FY 2020: ZAR477/t), mainly due to the reduced throughput.

Capex

FY 2021 Capex of US\$4.0 million was mainly spent on infrastructure relating to the Block 5 SLC ground handling system including the third crusher, passes and tips.

FY 2022 Capex is guided at ca. US\$21-25 million, primarily relating to the exploration drilling and feasibility studies associated with the new 3-Level SLC, underground development in 78 Level SLC Phase 2 and Stay in Business Capex.

Koffiefontein – South Africa

REVENUE CONTRIBUTION ¹ :	CARAT CONTRIBUTION ¹ :	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
7%	2%	27.9	0.06	419
(FY 2020: 9%)	(FY 2020: 2%)	(+9%)	(-14%)	(+8%)

1. Percentage of gross revenue and production including Williamson.

FY 2021 performance

ROM production totalled 59,151 carats (FY 2020: 69,077 carats), with ROM tonnage throughput down 15% on FY 2020 impacted by the significant rainfall experienced in Q3 FY 2021; overall carat production decreased by 14% with the average ROM grade remaining broadly flat at 7.8 cpht (FY 2020: 7.7 cpht).

Revenue increased 9% to US\$28.0 million (FY 2020: US\$25.7 million) for the Year, with an 8% increase in the average price per carat.

Costs

The on-mine cash unit cost increased to ZAR651/t (FY 2020: ZAR510/t), mainly due to decreased tonnages.

Capex

FY 2021 Capex of US\$1.7 million was spent on Stay in Business Capex.

FY 2022 Capex is guided at ca. US\$1 - 3 million primarily relating to Stay in Business Capex.

Williamson – Tanzania (held for sale at 30 June 2021)

REVENUE CONTRIBUTION ¹ :	CARAT CONTRIBUTION ¹ :	REVENUE (US\$ MILLION):	PRODUCTION (MCTS):	AVERAGE PRICE PER CARAT (US\$):
1%	0%	4.6	0	150
(FY 2020: 18%)	(FY 2020: 8%)	(-91%)	(-100%)	(-15%)

1. Percentage of gross revenue and production including Williamson.

FY 2021 performance

The Williamson mine was placed on care and maintenance during April 2020 and remained on care and maintenance throughout FY 2021 (FY 2020 production: 298,130 carats).

Revenue decreased 91% to US\$4.6 million (FY 2020: US\$52.5 million), with sales limited to the final parcel recovered prior to the commencement of care and maintenance. Cash on-mine costs, mainly associated with care and maintenance expenses, totalled around US\$12.7 million for the Year.

Preparation is underway to allow operations to restart at the Williamson mine during H1 FY 2022, with an estimated production of 0.22 to 0.27 Mcts for the Year.

The Board reviewed its strategic options at Williamson and the asset has therefore been reclassified as an asset held for sale as at 30 June 2021.

Capex

FY 2021 Capex of US\$0.3 million was spent on Stay in Business Capex.

FY 2022 Capex is guided at ca. US\$8 - 10 million relating to Stay in Business Capex.

Exploration

Petra currently holds 984km² 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, analysis, 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 Petra's risk management and internal control systems, with Board Committees providing an additional level of oversight. A Risk and Assurance function was established in FY 2020, which reviews, analyses and reports on risk on a continuous basis, including monitoring any emerging risks and consolidates key risks on a quarterly basis to the Executive Committee ("Exco"), which is responsible for risk management processes and systems and drives a culture of individual risk owner and employee accountability in implementing these. Internal Audit provides assurance with regards to the effective functioning of the internal control systems. Enhancements to the assurance environment are in the process of being implemented through planning coordinated, assurance activities between Internal Audit, the Risk and Assurance function and Senior Management to align with key risks and to ensure the right level of assurance across Petra.

During FY 2021, the Risk and Assurance function operationalised a new Enterprise Risk Management ("ERM") function, which included a Group Risk and Assurance Policy Statement and Group Risk Policy and Framework. An enterprise-wide and 'bottom-up' risk relevance testing, assessment and aggregation was carried out and integrated into the Group risk register. Further enhancements around the Combined Assurance Plan will be rolled out during FY 2022.

A new risk software system was planned, scoped and implemented. The software system includes an ERM risk solution which became fully operational during FY 2021 and Internal Audit, Combined Assurance and Legal Compliance solutions became operational in Q1 FY 2022. The addition of an ERM risk software system significantly increases risk owners' capacity to add, amend or remove risk, controls or mitigating action plans, whilst allowing continuous Exco visibility, input and tracking of risks and risk movements.

Risk review process

Petra's risk owners, management and Exco, 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 2021. The Board and Exco conducted an in-depth analysis and appraisal of the Group's risk profile shortly after Year end, including a review of emerging risks, with the process supported for the first time by the newly adopted ERM risk software solution. No new principal risks were added, with the COVID-19 pandemic risk being maintained as a principal external risk for a second year running. A risk assessment of ESG matters was included in the risk review through analysis of the operational principal risk categories that encompass ESG matters. This assessment drew on the centralised ERM risk database, further supporting the work 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 based on the likelihood and consequences of such risks materialising and also takes into account any relevant internal or external factors, as well as the existing controls and mitigating actions available. Petra will consider strategic actions in the event that a risk exceeds its appetite. The process of reviewing Petra's risk appetite and tolerance framework remains ongoing and is expected to be completed once all the ERM linked software solutions are fully operational.

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 98 to 104 for the full risk management commentary.

Risk	Risk appetite	Risk rating	Nature of risk	Change in FY 2021
External risks				
1. Diamond price	High	Medium	Long term	Lower – diamond prices recovered during H2 FY 2021 and overall increased ca. 9% during the Year, following the major disruption of the diamond pipeline in FY 2020 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 strengthening in the Rand has the capacity to offset some of the improvement in Petra's realised diamond prices.
3. Country and political	High	High	Long term	No change – risk of political instability remains in South Africa, illustrated by civil unrest shortly after Year end, and certain components of the new Mining Charter remain under review. In Tanzania, the risk of political instability remains high further to the death of the Tanzanian President. Petra is in ongoing dialogue with the Government of Tanzania and local advisers in relation to legislative developments, overdue VAT receivables, settlement negotiations and the blocked parcel of diamonds from Williamson.
4. COVID-19 pandemic (operational impact)	Medium	High	Short to medium term	No change – the impact of the COVID-19 pandemic is ongoing. While the Company's stringent procedures are helping to mitigate the spread of the virus, very sadly 14 employees have lost their lives to the disease or related complications. Petra has commenced a vaccination drive, with vaccination stations and campaigns at each operation in order to encourage their uptake. The mitigating processes Petra has put in place are enabling the Company to manage the pandemic without a significant impact on production and sales.
<i>Diamond market impact included in diamond price risk above</i>				
Operating risks				
5. Mining and production	Medium	Medium	Long term	Higher – positive throughput improvements driven by Project 2022 led to a strong operational performance at Cullinan during FY 2021, offset by work to curtail waste ingress and pit sidewall instability at Finsch, and excessive rainfall impacting production at Finsch and Koffiefontein in Q3 FY 2021. With Williamson in care and maintenance, low production levels at Koffiefontein and lower production at Finsch, there is greater dependency on production at Cullinan.
6. ROM grade and product mix volatility	Medium	Medium	Short term	No change – Cullinan ROM grades were generally in line and slightly above expectation, whilst both Finsch and Koffiefontein were below guidance. Finsch's production was impacted by unexpected waste ingress. The medium to longer term impact on the mine's LOM planning is being reviewed. The mines recovered the full range of diamonds in FY 2021, with a higher recovery of special diamonds at Cullinan.
7. Labour relations	Medium	Medium	Short to medium term	Lower – stable labour relations were experienced during the Year. Post Year end, the Company reached agreement with NUM on a new three-year wage agreement for employees in the Paterson A and B Bands at the South African operations. The Company also concluded a three-year wage agreement for employees on the Paterson C-Lower Band with both NUM and UASA.
Strategic risks				
8. Financing	Medium	Medium	Medium to long term	Lower – progress with Project 2022 initiatives led to an improvement in free cashflow supported by stronger diamond markets during H1 CY 2021, despite the negative impact of the Covid-19 pandemic. Following shareholder, noteholder and regulatory approvals, the capital and debt Restructuring, which was a key focus area for management, was successfully completed and has allowed for a more stable and sustainable capital structure for the business.
9. Licence to operate	Medium	Medium	Long term	No change – 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. In May 2021, Petra announced the findings of the Tunajali Committee into the alleged human rights breaches in Tanzania, as well as setting out the mitigating and preventative actions the Company had taken or was putting in place to address the findings. The Company also reached a settlement, on a no admission of liability basis, in relation to claims of alleged human rights breaches. The risk of illegal mining at Williamson is ongoing.

ESG and Sustainability

Building a resilient and sustainable business

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 result in sustainable benefits, 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 ESG and 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, which is outlined in more detail in our 2021 ESG and Sustainability Report on pages 42 to 59. During FY 2021, internal and external stakeholder engagement on material issues continued, on a COVID-adjusted basis, with no amendments to the material topics themselves.

Performance in FY 2021

The Company has numerous ESG and sustainability objectives in place to drive and measure performance; some examples of key objectives and related outcomes in FY 2021 are detailed below.

Further detail on the Company's ESG and sustainability performance for the Year can be found in the Company's FY 2021 ESG and Sustainability Report.

Material topic	Objectives	Outcomes in FY 2021
Responsible business		
Ethical behaviour	Action to be taken in accordance with the findings of the Tunajali Committee into the human rights abuse allegations in Tanzania	✓ Petra and WDL took decisive actions both pre and post the findings of the Tunajali Committee in order to provide appropriate remedy, as well as aiming to help prevent future incidents
Corporate governance	Develop and roll-out a suite of governance training modules for employees, starting with human rights	✓ First module on human rights implemented and 89% of employees in supervisory and management positions completed this training
	Group Sustainability Framework to be finalised	X This important workstream was progressed but finalisation was impacted by the COVID-19 pandemic, resource availability and the high priority assigned to specific strategic issues such as the human rights allegations in Tanzania
	Hire of a Group General Counsel and Company Secretary	✓ Mr Rupert Rowland-Clark was appointed as Group General Counsel and Company Secretary in June 2021
Safety and occupational health		
Workplace safety	Zero fatalities and 20% reduction in LTIs	X 0 fatalities but a 32% increase in LTIs
	Maintain rigorous application and enforcement of COVID-19 systems	✓ All the South African mines maintained operations in compliance with their regulated Mandatory Codes of Practice
Occupational health	Zero compensated occupational diseases and 100% investigation of occupational hygiene incidents	✓ 0 compensated and 100% incidents investigated
Health and Safety Management system maintenance	Retain ISO 45001:2018 certification	✓ All the South African mines retained ISO certification

Material topic	Objectives	Outcomes in FY 2021
People		
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
	Implementation of the Organisational Design Review, in order to deliver a fit-for-purpose structure to meet Petra's needs	√ Phase 1 has been completed, with role profiles created for the Group and an implementation plan developed. Phase 2 has commenced and includes the introduction of a fit-for-purpose structure aligned to the operational model, which provides clear line of sight and accountability to employees, with a total of 367 distinct jobs with resultant job profiles. As part of the job evaluation process, grading of more than 90% of these positions has been completed to date
Diversity	Make further strides on overall Group transformation, focusing on women and HDSAs	√ The percentage of women increased overall, as well as at Board, Senior Management, Management and employee level √ Our employee development programmes continued to focus on the advancement of women and HDSAs
Environment		
Environmental management	Continued improvement in waste management processes	√ While 15% more waste was generated, this was due to clean up campaigns, mainly at Williamson
	Finalise rehabilitation plans and schedules	√ All mines have up-to-date, signed-off rehabilitation plans and schedules
Water management	Continued implementation of water saving initiatives	√ Percentage of recycled water used by the operations increased from 81% to 82%
Climate change and energy usage	Continued development of Petra's Climate Change Adaptation Strategy with reference to meeting the recommendations and reporting requirements of the TCFD	√ The Group's Climate Change Adaptation Strategy was approved by the Board and Petra has met in full the requirements of the TCFD for the first time this Year
	Improvement in the fuel efficiency of trackless mobile machinery ("TMMs")	√ Improved fuel efficiency in TMMs by 22%
Environmental Management system maintenance	Retain ISO 14001:2015 certification	√ All the South African mines retained ISO certification
Positive impacts		
Stakeholder engagement and management	Implementation of a consistent and effective stakeholder engagement approach across the Group	√ Review and enhancement of the Group's stakeholder engagement and management policy framework in order to ensure more effective and accountable stakeholder relations
Community relations and development	Continued roll-out of community development projects	X A number of projects were completed in South Africa but Petra's social investment spend was below budget due to COVID-19 restrictions as well as the continued inability of stakeholders to agree on suitable local economic development projects
	Conduct training for local SMMEs on Petra's eProcure Portal to improve their access to new procurement opportunities	√ 307 training sessions were held with SMMEs

ESG and Sustainability continued

Responsible business

0

FINES PAID FOR REGULATORY NON-COMPLIANCE

Ethical behaviour and corporate governance

- 100%: production certified as “conflict free”
- 28 tip-offs received by Company whistleblowing hotline

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/>.

Petra’s commitment to ethical behaviour is clearly set out in the Group’s Code of Ethical Conduct, which is reviewed annually by the Board, and we expect all Directors, employees, contractors 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’s approach to managing ESG and sustainability matters has previously been reinforced through the Group HSE Management Framework, though this is now being updated to become the Group Sustainability Framework, which is due for finalisation in H1 FY 2022. Our management approach is also guided by mine-level policies and strategies, covering all key ESG and sustainability areas, as well as internationally recognised standards such as ISO 45001 (health and safety management) and ISO 14001 (environmental management). The Company follows a risk-based operational management approach process aligned with the ISO 31000 Risk Management Guideline, which is based on continual risk identification, risk assessment and instilling awareness into the workplace.

Petra continues to assess its bribery, modern slavery, tax evasion, money laundering and human rights risks and will continue to make improvements to the policies and procedures that address such risks. Petra is in the process of developing and rolling out 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 was human rights and this training took place in FY 2021. Plans are now in place to develop other ethics modules, including whistleblowing, anti-bribery, the Code of Ethical Conduct and diversity and inclusion over the coming years. These training modules will be made available to employees at managerial levels and employees in relevant disciplines such as security, procurement and human resources. Other employees are exposed to these issues through the mandatory general induction process, which has been expanded to include other governance topics. 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 potential bribery. This report provides details of incidents and actions taken. In FY 2021 there were a number of allegations which were investigated and appropriate action was taken (further information is provided in the ‘Whistleblowing procedure’ section immediately below).

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 2021, Petra received 28 reports involving alleged irregularities considered necessary to investigate, relating mostly to fraud around recruitment scams. A further breakdown of the types of tip-offs received can be found in the Company’s 2021 ESG and Sustainability Report in the ‘Responsible business’ section. Of these reports, 26 were resolved and closed and two 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 working environments across the Group are critical to the security of personnel, local communities and assets, as well as to promote and protect human rights.

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 UN Declaration on Human Rights Defenders, the 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 unfair 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;
- respect the rights of human rights defenders and anyone opposing or raising concerns about our activities;
- operate with respect for human rights in post-conflict and weak governance zones;
- where it is within our control to do so, seek to ensure respect for human rights in the deployment of security forces; and
- have consideration for society's most marginalised individuals and groups.

Human rights issues are also 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.

In accordance with the Group's Human Rights Policy Statement, which was recently updated and approved by the Board, Petra has increased awareness of human rights within the workplace by implementing various types of human rights awareness training for the Board, employees (including management), contractors and security personnel.

For management, an eLearning programme was developed to facilitate this training. This is delivered through scheduled sessions in the Computer Based Training Centre or through self-directed remote access (via the eLearning platform). By the end of FY 2021, almost 90% of the targeted group of managers had successfully completed the eLearning module on human rights.

The general induction procedure for all employees and contractors was also amended and enhanced to increase awareness of the impact of human rights in the workplace. We have zero tolerance for child labour, forced labour or discrimination, and we respect the right of our workers to form unions. We are pleased to report that the risk of child labour or forced labour taking place at any of Petra's operations has been mitigated by the Group's rigorous recruitment and pre-employment vetting processes and strict adherence to the relevant local labour legislation. We consider that risks of slavery or human trafficking with regards to our operations or supply chain have also been mitigated by the due diligence processes undertaken by our supply chain management.

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

Although the risk of illegal mining at the Group's underground operations in South Africa is negligibly low, given the defined outline of the mine site areas and the associated security, there is an ongoing risk of illegal artisanal small-scale mining taking place at the Williamson mine in Tanzania. This is due to the large size of the 146 ha orebody together with the alluvial resources included in the 30.6km² SML and the challenges associated with securing such a large perimeter.

In addition, the tailings dumps at Petra's South African operations, due to the nature of these deposits being at surface, mean that they can be more easily targeted.

With regards to South Africa, the prospecting for or extraction of diamonds and the trade in uncut diamonds without the necessary authorisations is illegal, as set out in various pieces of South African legislation, amongst which are the Diamond Act, the MPRDA, the Mine Health and Safety Act and the National Environmental Management Act. Historically, instances of such illegal artisanal mining have been sporadic at the Group's South African operations and have been dealt with by the relevant authorities under the aforementioned legislation.

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 of illegal miners contravening a number of regulations for which the 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, steps are being taken to strengthen management processes, including grievance mechanisms, as set out on pages 45 to 46.

Our response to the human rights abuse allegations in Tanzania

In May 2021, Petra announced the findings of the Tunajali Committee in relation to alleged breaches of human rights at the Williamson mine in Tanzania raised by the UK law firm, Leigh Day and the NGO RAID. The mine is operated by WDL, which is 25% owned by the Government of Tanzania and 75% owned by Petra. Petra acquired its majority interest in WDL in 2009.

Based on the conclusions of the Tunajali Committee, the Company acknowledged that past incidents have taken place that regrettably resulted in the loss of life, injury and the mistreatment of illegal diggers, within the WDL SML. The incidents in question involved WDL's third-party security provider Zenith Security as well as the Tanzanian Police Force ("TPF"). During the investigation, no evidence emerged that WDL personnel were directly involved in these actions.

The Company took immediate precautionary measures to address the concerns raised, ahead of the findings of the investigation and in order to mitigate the risks of future incidents, including the appointment of a new third party security contractor, the training of all security personnel and internal management at WDL on human rights and their commitments in terms of the UN's VPSHR and the launch of a Tier 1 OGM.

Further to the findings of the Tunajali Committee, additional measures were put in place to address issues identified, including the revision of reporting structures to enable the more timely, accurate and transparent reporting of all incursions and incidents, the enhancement of stakeholder engagement at the mine, as well as ongoing work Group-wide.

ESG and Sustainability continued

Responsible business continued

Ethical behaviour and corporate governance continued

Illegal mining and artisanal and small-scale mining ("ASM") continued

Our response to the human rights abuse allegations in Tanzania continued

Having already established the OGM for complaints and grievances related to operational impacts, the Company has continued with the process of the design and implementation of a non-judicial, Tier 2 IGM to address allegations of severe human rights impacts. The IGM will have the capacity to investigate and resolve complaints through an independent panel of Tanzanian experts applying Tanzanian law and with complainants having access to free and independent advice from local lawyers.

A series of engagements with Government Ministries and Agencies, Civil Society and NGOs were conducted in Dodoma and Dar es Salaam, seeking feedback and support on the proposed design of the IGM. The Company has specialist external support from Synergy Global Consulting ("Synergy") in the development of this process. Synergy is a specialist international consultancy with over 20 years' experience working with companies, governments and community-based organisations. Petra and WDL encourage any community member subject to any human rights violations to utilise the IGM, which is expected to be operational by the end of FY 2022.

Further detail on all the measures taken by Petra and WDL to address the findings are set out in the Company's announcement of 12 May 2021 'Findings of the Independent Board Sub Committee' which is available to view along with all other related announcements here: <https://www.petradiamonds.com/our-operations/our-mines/williamson/allegations-of-human-rights-abuses-at-the-williamson-mine/>.

Petra also announced on 12 May 2021 that it had reached a settlement, on a no admission of liability basis, in relation to claims brought in London by Leigh Day, on behalf of the anonymous claimants, in relation to the alleged breaches of human rights, associated with third-party security operations, within the SML.

The agreed total settlement figure announced in May 2021 was £4.3 million (US\$6.1 million), which includes the sum to be distributed to the claimants by Leigh Day, a contribution to the claimants' legal expenses and significant community funds, which Petra has committed to invest in programmes dedicated to providing sustainable support to the communities living around the mine.

The Company also announced that its settlement agreement with Leigh Day included a framework pursuant to which an additional payment will be made by Petra in respect of up to 25 additional potential claimants who came forward in the final stages of the settlement negotiations. A settlement, on a no admission of liability basis, in relation to these 25 additional claims has been reached with Leigh Day.

In addition to the £4.3 million (US\$6.1 million) payment described above, the Company has incurred and provided for additional total costs of US\$6.6 million related to this matter in its FY 2021 accounts, the majority of which relate to legal, consultant, investigation and expert fees and which also cover the settlement of the 25 additional claims with Leigh Day.

Update on illegal mining activity at Williamson

During Q4 FY 2021 (April to June 2021), there were a total of 109 incidents of illegal incursions onto the Williamson SML, resulting in three illegal diggers suffering minor injuries and being provided with treatment at the Mwadui hospital and another local medical facility before being discharged. There was some damage caused to police and contracted security provider vehicles in 5 of the incidents. A total of 18 arrests were made over this three-month period.

During Q1 FY 2022, there were a total of 143 incidents of illegal incursions onto the Williamson mine lease area, resulting in six security officials belonging to the third-party security provider and two belonging to the TPF suffering minor injuries, and in 15 arrests being made.

In terms of the incidents reported above, we believe the contracted security teams and the TPF acted in accordance with the VPSHR. WDL is continuing to engage extensively with local stakeholders, including with surrounding village leaders and community forums, as well as with local and regional Government and police officials, to get their support in order to reduce these incursions.

Workplace safety

0.44

LTIFR

Safety

- Zero fatalities
- 52% deterioration in Group lost time injury frequency rate
- 7% improvement in total injuries
- 100% of staff trained in health and safety standards
- 6,281 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.

Our health and safety strategy relies on improving our ability to proactively identify and prevent harm to our people. 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 cooperation 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 0:10:90 strategy, which targets 0 fatalities, a 10% reduction in total injuries and a 90% achievement of safety KPIs annually. We also aim to achieve a 20% (previously 10%) reduction in LTIs annually.

Although this was not reached during FY 2021, the Group nevertheless achieved a 73% improvement of all measured safety KPIs during the Year, including a 7% improvement in the number of total injuries reducing from 45 in FY 2020 to 42 in FY 2021, and Management therefore considers that on the whole Petra has generally achieved an improvement in its safety performance when compared to FY 2020. However, Petra's number of LTIs increased from 19 in FY 2020 to 25 in FY 2021, with a corresponding increase in LTIFR from 0.29 in FY 2020 to 0.44. This increase in the number of LTIs, although of low severity, is concerning. Remedial action has been put in place as outlined below.

It should be noted that a deterioration in safety performance is a nation-wide issue in South Africa further to the many issues facing the country (such as unemployment and inflation) that have been exacerbated by the uncertainties and added pressure resulting from the COVID-19 pandemic. Set against the statistics for the South African industry as a whole, Petra is performing better than average, particularly given we have maintained fatality-free operations for the fourth year running.

Significant material hazards that resulted in LTIs during the Year related to walking, material handling and driving TMM. Causal triggers indicated that 60% of significant accidents were due to unsafe behaviour and 40% due to unsafe conditions. 16% of all recorded significant accidents were non-work related (walking related slips and trips) caused by a lack of focus on the job at hand, surroundings and complacency. 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.

The impact on performance was addressed Group-wide from Board HSE Committee level, CEO and Exco level to operational levels through increased Management interventions, visible felt leadership and Management walkabouts, safety discipline enforcement, safety over-inspection processes, assessment and further improvement of management system tools, awareness campaigns specifically focused on hand and foot injuries, correct footing awareness, material handling retraining, stop and fix instructions and stop for safety awareness days.

ESG and 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
- 8,132 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 threshold limit of 105 dB(A).

During FY 2021, no NIHL cases were considered for compensation (FY 2020: two). One community acquired tuberculosis ("TB") case was diagnosed in FY 2021 (FY 2020: seven) but it does not meet the criteria for submission to the Medical Bureau for Occupational Diseases in South Africa, 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, 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 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 2021, 551 employees and family members made use of the facility (FY 2020: 92), equating to an employee engagement rate of 14.5% compared to an average mining industry rate of 7.5%. The rise in the number of employees making use of the facility reflects better awareness of the programme amongst our employees, further to an internal communication drive, as well as the aforementioned issues impacting the emotional wellbeing of our workforce (e.g. Wellness Wednesday weekly campaign).

During the Year, 279 people (FY 2020: 231) were diagnosed with Malaria at Williamson, all of whom received treatment.

COVID-19

Following the outbreak of the COVID-19 pandemic Petra immediately established and implemented Group-wide systems and strategies to mitigate the spread of the disease as far as possible in order to protect our employees, contractors and other stakeholders. A detailed overview of our response to COVID-19 is available on our website at: <https://www.petradiamonds.com/sustainability/health-and-safety/our-response-to-covid-19/>.

As at 30 September 2021, the Company was screening 4,251 individuals a day and a total of 2,261 possible cases were referred to medical practitioners to be tested. To date, the total number of employees confirmed COVID-19 positive at the South African operations is 766; of these, so far 748 have recovered in full, six cases are still active and 12 have sadly lost their lives. There have been two confirmed positive cases of COVID-19 at the Williamson mine in Tanzania to date, however COVID-19 statistics in Tanzania are not as reliable as in South Africa. Very sadly, both employees passed away. This brings the total number of those who have tragically lost their lives to COVID-19 or related complications to 14. Our heartfelt condolences go to the family, friends and colleagues of the deceased; support has been offered to their next of kin.

Petra will continue to strive to ensure the health and safety of all its people, with the major strategy now to ensure the maximum uptake of the available COVID-19 vaccines across our workforce.

People

4,895

EMPLOYEES AND CONTRACTORS

Employee development

- 33% female LDP candidates
- 83% HDSA LDP candidates
- 131 employees supported by study assistance scheme in FY 2021

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.

As at 30 June 2021, the total number of people employed by the Group decreased 2% to 4,895 (30 June 2020: 5,019). The number of permanent employees decreased 5% to 3,517 (FY 2020: 3,696). The number of contractors increased 4% to 1,378 (FY 2020: 1,323), mainly due to the services of contractors that have been re-engaged on projects that support production.

We aim to provide education and training opportunities that will help our employees to fulfil their best potential, covering basic literacy and computer skills, career advancement training, safety training and technical training, 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 2021 (FY 2020: US\$5.8 million).

In line with our strategic employee development aims, the training expenditure key focus areas were safety and technical training, management and leadership development, engineering and rock-breaking learnerships, internships, and 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. While the emphasis is on communication effectiveness, i.e. an outcomes-based approach rather than simply measuring the quantity of communication disseminated, 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 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 Cullinan mine's Human Resource Development ("HRD") centre hosted a Career Week in December 2020 with the aim of providing employees with information about the different career progression paths at the mine. Employees explored the choices in creating a career development path, whilst being assisted by the HRD team with advice and practical help related to selecting a specific career option.

Neo Kevin Motheo started his career as a contractor helper in 2015 at Cullinan and was later appointed on a fixed-term contract as a semi-skilled labourer. Neo explained that he is always surrounded by people with information about a certain career, but never received career guidance on how to pursue his desired career as a boilermaker. After he attended the career week, Neo will be registering to complete Mathematics and Physical Science at the Adult Education Development Centre, which will enable him to follow his chosen career path.

Tshepiso Lerebolo joined the Cullinan team in 2017 as a contractor and was later appointed as a permanent worker in the Surface Department. His ambition is also to qualify as a Boilermaker. After attending the Career Week, he felt motivated to register to complete Mathematics and Physical Science, in order to make up his current educational shortfall to qualify.

ESG and Sustainability continued

People continued

Diversity

- 20% women in our workforce
- 39% female interns
- 55% female Management Development Programme (“MDP”) candidates
- 100% HDSA bursary students

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.

Petra is committed to encouraging women and HDSAs (a category that includes women) in mining at all levels of the business. 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.

Diversity and Inclusion Policy

Petra has introduced a Diversity and Inclusion Policy that clearly outlines our approach to diversity, with the aim of realising our strategic objectives and future success. To achieve this, it is critical that our human capital across all levels of the organisation reflects all aspects of diversity to add value to the business.

Petra strives to attract and retain a diverse range of human capital varying in, but not limited to, race, gender, ethnicity, physical ability, skills, education, age, experience and socio-economic background. The positive outcomes from this will be the attraction and retention of top talent, strengthening of employee satisfaction and motivation and the avoidance of “groupthink” - thereby improving decision making, better understanding customer needs in diverse markets and the Company better reflecting the societies in which it operates.

The purpose of the Diversity and Inclusion Policy is to encourage leadership at all levels across the organisation to think broadly about diversity in its different forms and to ensure that our appointments and succession planning practices, including retention, are designed to support diversity. At the same time, we believe that effective management of diversity through this Policy will result in a diverse succession pipeline within the Company.

The core principles around which this Policy is built are:

- equality of opportunities and treatment for all;
- non-discrimination in the course of hiring, career advancement, allocation of responsibilities, professional training, performance management and remuneration of employees;
- respect for personal rights and equality, transparent organisational procedures and other equity at the workplace and in the management structure;
- contribution to the development, motivation and application of various ideas, skills and talents of employees, which are representative of all the factors of diversity mentioned above, to improve competitiveness, performance and the efficiency of our employees;
- leveraging the strengths of different race, gender, age and other groups in order to achieve the greatest impact while pursuing Petra’s strategic development plans; and
- establishment of a working environment in which employees are able to voice their opinions and speak up if they feel they, or their colleagues, are not being treated fairly or are being excluded in any way due to their inherent differences.

The Diversity and Inclusion Policy sets out a number of steps towards the achievement of its objectives:

- setting of policy and goals – given the above, ensuring that diversity and inclusion are established as clear policies of Petra;
- fostering of a diverse and inclusive culture;
- making diversity visible through engagement with stakeholders;
- continually assessing and developing workforce skills and nurturing the talent pipeline;
- providing education and training on diversity in and to leadership, with clear accountabilities and responsibilities assigned to the Board, the Exco and the Operational Management Committees respectively; and
- recruiting with diversity in mind.

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 39% of our interns, 36% of our engineering learnerships, 44% of our mining learnerships, 75% of our bursars, 55% of employees attending the MDP and 33% attending the LDP in FY 2021 were female.

The Company also has a Women in Leadership Programme in place, which was attended by 12 female participants in FY 2021. 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 2021)

Petra's focus on encouraging women in mining saw improvements in the percentage of women throughout the Group, at Management, Senior Management and at Board level during the Year.

	Men		Women		Total
	FY 2021	FY 2020	FY 2021	FY 2020	
Board	75%	78%	25%¹	22%	8
Senior Management	82%	89%	18%	11%	33
Management	76%	78%	24%	22%	172
Employees (excluding management)	81%	81%	19%	19%	3,310
Total	80%	81%	20%	19%	3,523 ²

1. As at 30 June 2021; the percentage of women on Petra's Board increased to 36% from 1 July 2021, following the appointments of Mr Bhatt, Ms Gudgeon and Ms Watson, and will increase further to 40% when Mr Hamilton steps down from the Board at the conclusion of the FY 2021 AGM.

2. This figure differs from the total employee figure of 3,517 for the Year, as it includes the six Non-Executive Directors (as at 30 June 2021) who are not employees of the Company.

Petra will expand its reporting on wider employee diversity, as well as gender diversity, in its 2022 Annual Report.

Labour relations

Stable labour relations are essential to our productivity and the delivery of our strategy. We therefore place great importance on this area of the business, which is impacted by Company culture, leadership, our employee share trust, fair remuneration and effective internal communications.

We believe that effective and transparent dialogue is the key to our labour relations management and we are therefore focused on continuing to communicate openly with our employees, trade unions and local community representatives in order to resolve concerns as and when they arise.

Organised labour is engaged at two levels: at operational and at Group level. At the operational level, we engage labour via the Mine Negotiating Forum ("MNF") and at Future Forums, where people issues, safety and mine performance and efficiency-related projects are discussed. At Group level, engagement is carried out via the Central Negotiating Forum ("CNF"), where salaries, conditions of employment and other substantive matters are discussed.

In addition to mandatory engagements directed by statutory laws, we hold annual relationship-building sessions with all recognised trade unions at our operations in South Africa in order to improve relationships. The sessions focus on reviewing and rebuilding relationships between parties, as well as setting objectives and agreeing on action plans to restore or strengthen them. Independent facilitators oversee the process to ensure fairness.

Petra did not experience any instances of industrial action in FY 2021. In October 2020, the Company announced that it had reached agreement on a new one-year wage agreement for employees in the Paterson A and B Bands at the South African operations with the National Union of Mineworkers ("NUM") covering FY 2021. Post Year end, the Company announced that it had reached agreement with NUM on a new three-year wage agreement for employees in the Paterson A and B Bands at the South African operations. The Company also concluded a three-year wage agreement for employees on the Paterson C-Lower Band with both NUM and UASA.

ESG and Sustainability continued

Environment

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MAJOR OR HIGH ENVIRONMENTAL INCIDENTS REPORTED FOR ELEVEN CONSECUTIVE YEARS

Environmental management

- A- Petra's score for the 2020 CDP Climate Change Submission
- 45% of waste recycled
- 6,981 ha 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 primary focus is to embed environmental management across our operations as a value rather than a regulatory requirement. We wish to demonstrate to our employees, communities, investors 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 ("EMS") 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.

Confidence in our data collection is important and Petra's GHG Inventory is verified annually by TikoTech. Certain environmental figures for FY 2020 relating to Petra's energy usage, carbon emissions and water consumption have been restated further to the independent verification of the Company's 2020 GHG Inventory by TikoTech; these restatements are not considered to be material.

Risk identification, analysis and management

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' or 'high' environmental incidents recorded at the Group's operations for the past eleven years.

The Company is consistently striving to improve waste management according to the internationally recognised hierarchy of waste management and disposal and sets annual objectives and KPIs to drive continual improvement. The overall volume of waste generated increased by 15% to 6,335t (FY 2020: 5,483t) and the amount of combined waste (business and hazardous) sent to landfill increased by 14%. The reason for the increases was due to clean-up campaigns, particularly at Williamson, which remained on care and maintenance in FY 2021, where the mine's waste generated increased by 21% and contributed 47% of Petra's total waste generated for the Year. A continuous drive to identify and remove reusable and recyclable items from the waste stream resulted in 45% of all waste being recycled (383t more than in FY 2020).

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 6,981 ha equate to 56% of the total area owned and managed by Petra. While there is currently no standard available to certify biodiversity management, Petra has considered the nine principles laid out in the Best Practice Guidelines provided by the Endangered Wildlife Trust of South Africa and is aware of the upstream and downstream impacts on biodiversity in terms of chemical management, reduction of waste to landfill as well as reducing the inflow of raw water in the process. These principles have been embedded into Petra's environmental management systems and therefore the development of a standalone Biodiversity Management Standard was not considered necessary.

Petra has implemented 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. The environmental impact from Petra's mining activities is not expected to last long after the cessation of operations. This is due to our strategic approach and commitment to our values at each step of the mining value chain. Each project is planned with the end of mine in mind, creating the potential to reduce double handling of mining waste and manage impacts timeously. Special measures are put in place to address residual and latent impacts. Previously, specialist studies identified a number of uncertainties, especially relating to final land use and post closure latent impact. This information gap has been reduced by updating technical rehabilitation plans and compiling closure risk assessments.

Case study: Protecting biodiversity at Cullinan

During a site inspection in April 2021 of Number 7 dam at the Cullinan mine, an African Rock Python was discovered by Thompson Zitha, the Cullinan Plant Foreman, and his crew.

The on-mine snake handler, Jaen Thomson, was called to capture the magnificent creature and release it to a place of safety. Extra care was taken to handle the python as she was gravid (pregnant), in order to ensure that she was not overexerted, as well as to ensure the safety of both handlers and bystanders.

The python measured 3.5 metres and was estimated to weigh 20-25 kilograms.

The African Rock Python is Africa's largest snake and the females can grow up to 5 meters long, whereas the males only reach 4.25 meters. The Cullinan mining area is home to mice, frogs, monkeys, lizards and geckos, as well as guineafowl and other small ground-living bird species that are the perfect feast for pythons.

Water management

- 0.56m³/t total water usage per tonne
- 82% 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).

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 'greywater harvesting'.

Total clean water, which includes total raw water plus potable water consumed for mining-related activities, used by our operations decreased in FY 2021 by 78% to 2,031,934 m³ (FY 2020: 9,218,119 m³), mainly due to water saving initiatives, the constrained production due to the COVID-19 pandemic and Williamson, which is the Group's largest water user, being placed under care and maintenance.

Our total water usage per production tonne decreased by 42% to 0.56 m³/t (FY 2020: 0.97 m³/t). This overall improvement in efficiency was due to restricted production under COVID-19 regulations and Williamson still being under care and maintenance. Petra is aiming for a 1% improvement in water use efficiency in FY 2022 for each individual mine, based on their three-year average achieved over FY 2019 to FY 2021 (with the exclusion of periods affected by COVID-19 restrictions).

Petra prides itself on the level of water recycling achieved. All new projects are designed to be able to substitute either potable or raw water with re-used/recycled water from various sources. Besides internal recycling, most operations also utilise treated effluent from municipal wastewater treatment facilities. The percentage of recycled water used by our operations has remained above 80% for the past two years.

Climate change and energy usage

- 22% improvement in fuel efficiency of TMMs
- 47% decrease in Scope 1 direct carbon emissions from our operations
- 14% decrease in Scope 2 indirect carbon emissions from our operations

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 (activities, products and services) of the mining operations.

The second approach is to complete climate change vulnerability assessments at each operation and at Group level. The vulnerability assessment evaluates acute, chronic, transitional, financial, legal and reputational risks and opportunities, evaluated for two scenarios (low carbon emission future; high carbon emission future) over three mining phases (operational, decommissioning and post closure). The first complete set of evaluated climate change vulnerabilities was prepared in FY 2021.

ESG and Sustainability continued

Environment continued

Climate change and energy usage continued

Climate change context

Our business needs to be able to adapt to the changing circumstances as can be expected from predicted climate change models. In this context, adaptation means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage it can cause or taking advantage of opportunities that may arise.

According to research, Africa is likely to experience changes in climate earlier than other regions and therefore adaptation measures are urgently required on the continent. The climate across the Southern African Development Community ("SADC") region is highly diverse and driven by a range of distinct climatic systems. Evidence shows that the SADC region has already experienced an increasing frequency of hot days and decreasing frequency of extremely cold days. Such increases will also be associated with drastic increases in the number of heatwave days and very hot days, with potentially devastating impacts on agriculture, water security, biodiversity and human health.

The potential financial impacts of climate change that have been identified by Petra include:

- increased insurance costs;
- production losses;
- the loss of tailings dams due to heavy rain events;
- the cost incurred to decontaminate affected areas downstream of our operations in the event of containment facility failures;
- the need to redesign and upgrade facilities to increase freeboard levels, as well as additional holding capacity, in preparation of dry spells; and
- additional healthcare for employees as higher temperatures are linked to the spread of communicable diseases.

Petra Climate Change Adaptation 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 and its plans to reduce the vulnerabilities and maximise 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.

The climate change scenario analysis for each operation was completed in FY 2020. 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) was completed in FY 2021. This will be followed by Phase 4 (implementation of adaptation action plans), scheduled to start in FY 2022, and Phase 5 (ongoing monitoring) thereafter.

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

Petra considers that for the first time it has met all 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. In terms of the disclosure requirements, Petra's inaugural TCFD Report is available on pages 212 and 213. It should also be noted that during FY 2021 the Company completed submissions of the CDP climate change questionnaire, which has been updated to include the recommendations of the TCFD. Therefore, Petra considers that its 2020 and 2021 CDP submissions also provide all the disclosures required in relation to TCFD recommendations.

Performance in FY 2021

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 15% of total cash on-mine costs in FY 2021 (FY 2020: 13%).

However, it is recognised that non-renewable energy sources are finite and therefore likely to become increasingly scarce over time, as confirmed in the first round of our Climate Change Vulnerability Assessment in FY 2021. 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 recently developed an Energy Management Plan, based on the principles of the international ISO 50001 standard. Accordingly, each operation has its own specific management plan – focusing at this stage on electricity – and Energy Management Policy.

Petra's total energy consumption for FY 2021 decreased by 21% to 1.5 million gigajoules (FY 2020: 1.9 million gigajoules). This reflects energy use from non-renewable resources, which include diesel consumption in TMMs, diesel consumption for electricity generation, and overall electricity consumption. The main reason for the decrease was the scaling back of operations in response to the ongoing COVID-19 pandemic and Williamson remaining on care and maintenance.

In FY 2021, the Group's total carbon footprint (Scopes 1, 2 and 3) reduced 16% to 406,059 tCO₂-e (FY 2020: 483,431 tCO₂-e), mainly due to the lower production and associated energy consumption for the Year.

The direct carbon emissions linked to our operations (Scope 1) decreased by 47% to 14,695 tCO₂-e (FY 2020: 27,797 tCO₂-e), mainly due to the aforementioned decrease in energy consumption for the Year. The Group's indirect emissions (Scope 2) decreased by 14% to 388,152 tCO₂-e (FY 2020: 451,800 tCO₂-e), due to the 17% decrease in electricity consumption. Scope 3 emissions decreased by 18% to 3,213 tCO₂-e (FY 2020: 3,834 tCO₂-e) due to limited business travel as a consequence of the COVID-19 restrictions. The following activities are included into Petra's carbon footprint calculation:

Scope 1	Scope 2	Scope 3
Fuel consumed for electricity generation	Electricity purchased from Eskom (South Africa)	Waste disposal
Fuel consumed by trackless mobile machines	Electricity purchased from Tanesco (Tanzania)	Water pumping (potable)
LPG	Electricity consumption of the London office (UK)	Paper consumption
Business travel (Company jet)		Business travel: <ul style="list-style-type: none"> • Commercial airlines • Chartered flights • Car rental
Fugitive emissions (R22 gas is separately reported on)		Employee commute
Process emissions: water treatment (domestic effluent)		Scrap metal for recycling

Petra uses the GHG Protocol on the reporting of greenhouse gas emissions as well as Intergovernmental Panel on Climate Change ("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. Please see Petra's annual GHG Emissions Report, which is available to view under the section 'Climate Change' on our website at <https://www.petradiamonds.com/sustainability/environment/>.

ESG and Sustainability continued

Positive impacts

US\$108.4 million

SPEND ON SALARIES AND BENEFITS

Generating economic benefit

- US\$18.6 million paid in taxes and royalties
- US\$158.0 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 standard contractual undertakings 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 legislative and regulatory requirements 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.

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\$150.4 million with South African suppliers and US\$7.6 million with Tanzanian suppliers in FY 2021.

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 also allows for the funding of loans to SMMEs to assist with the growth and development of their businesses. To date, the ESD Community Fund has provided 340 loans to local SMMEs for a total of US\$2.7 million in approved funding.

Stakeholder engagement and management

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MEETINGS HELD WITH INTERNAL AND EXTERNAL STAKEHOLDERS

Community stakeholder engagement

The ever-increasing influence that stakeholders, especially local communities, have on the operations of all companies – and in particular mining companies – is a global reality. This is particularly evident in developing countries, such as the jurisdictions in which Petra's operations are situated. Pressures on development, employment and social service delivery by both governments and corporates, which are often regarded as the only other role players that are in a position to make a tangible contribution, have been exacerbated by the impacts of the COVID-19 pandemic. This necessitates a continued focus on effective engagement with stakeholders in our social environment and a more integrated approach that is better suited to the changing operational environment.

Stakeholder engagement and management ("SEM") has been a significant focus of the Group since 2013, but the efforts to improve on methodology and processes followed, in the light of ever-changing circumstances, is ongoing. During the past Year, a major focus was placed on finalising and standardising policies and processes, in order to ensure more effective and accountable stakeholder relations.

The need to review the Group's SEM policy framework was expedited by the results of the findings of the external investigation into the allegations of human rights abuses at the Williamson mine in Tanzania, which highlighted a number of areas to improve our approach and processes. These enhancements included simplification and clarification of policy and process, as well as the introduction of consistent feedback and grievance mechanisms and revised SEPs, with the emphasis on the effective execution of engagements, at all operations by Year end.

Stakeholders and engagements are being identified, captured, profiled, scheduled and managed using a Stakeholder Relations Management ("SRM") software system. Work on the improvement of the system continues, as it is considered an essential tool to provide an accurate overall picture of our ongoing stakeholder relationships. In addition, training of key officials in the principles of effective stakeholder engagement and management continues, albeit that not all intended officials could attend the training during the Year, primarily due to vacancies, and the impact of the COVID-19 pandemic on training provision.

Ongoing engagement of our stakeholders is the most critical part of our SEM process. Whilst the COVID-19 restrictions placed on face-to-face meetings and forums – which continued where possible – had a significant impact on such engagement, a variety of suitable channels and media, including printed, broadcast and social media, were used in order to continue constructive engagement with our stakeholders. Petra's social media accounts, especially Facebook, continue to play an increasingly important role in this, but quarterly community newsletters produced and distributed to the communities by the respective operations still play a key part in keeping communities informed of operational issues that affect them. Although these newsletters are generally well received by communities, their success largely depends on the prevalent social issues that affect the respective communities' relationship with the operations.

Engagement in FY 2021

South Africa

Petra recorded 658 instances of stakeholder engagement in South Africa in FY 2021. This is a substantial increase which reflects the major drive Petra had to increase its visibility and engagements with its stakeholders, as well as improved processes and accuracy in reporting said engagements. The increase also reflects a significant focus on the area of local enterprise development, including 307 individual training sessions for local SMMEs.

Tanzania

WDL recorded 34 stakeholder engagements in FY 2021. This was a lower level of engagement than usual due to the mine being on care and maintenance for the Year, as well as due to the COVID-19 pandemic which impacted activities and gatherings. WDL embarked on efforts to increase engagements beginning in Q2 FY 2021 through well-attended community Town Hall Meetings, with the objective of sharing information with leaders and the communities regarding the business environment during the pandemic and updating the communities on the mine's care and maintenance status.

Stakeholder engagement also focused on raising awareness in the surrounding communities and with Government leaders prior to the launch of WDL's revised OGM. The culmination of these efforts led to the successful launch and implementation of this revised OGM, including the opening of a dedicated grievance office and desk at the entrance to the mine site.

Furthermore, a temporary stakeholder engagement expert was deployed at WDL until the end of September 2021 to assist WDL to improve collaboration and create value for both the mine and its stakeholders. The temporary role entailed supporting the mine leadership in their engagement with local communities and other stakeholders, including the provision of high-quality and responsive information for stakeholders, and developing innovative approaches to engagement. WDL is currently in the process of appointing a permanent Social Performance Manager that will continue and build on the work of the stakeholder engagement expert.

ESG and Sustainability continued

Positive impacts continued

Stakeholder engagement and management continued

Responding to issues

One of the deficiencies identified, and highlighted by the allegations of human rights abuses at the Williamson mine, was the absence of effective and standardised feedback and a formal grievance mechanism that stakeholders could use to raise their concerns and issues. Albeit that various mechanisms were used to invite feedback and grievances from stakeholders, it was found that the processes and responses followed were not consistently applied or recorded. To address this, a generic Feedback and Grievance Procedure has been introduced to standardise the handling of any stakeholder feedback and concerns raised.

One of the actions taken proactively to address deficiencies identified at Williamson was to develop an updated OGM and an IGM process for WDL with the support of Synergy. Given the similarity between principles and processes outlined in this document and the generic Feedback and Grievance Procedure mentioned above, a decision was taken to apply the principles outlined in them and introduce a Standard Operating Procedure ("SOP"), to be customised for and adopted as an OGM at the South African operations as well. This was completed by Year end, as well as campaigns to inform communities of these OGMs and to encourage them to make use of them.

Going forward, the focus will be to build community confidence in these OGMs by open and transparent engagement, and effective and satisfactory feedback and / or resolution of grievances raised.

Community relations and development

- US\$0.7 million social investment
- US\$0.3 million community training spend
- US\$2.7 million loan funding approved to local SMMEs since inception of the Enterprise and Supplier Development Programme

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 ("CSI"), the Petra Foundation, the Petra Hardship Fund and discretionary sponsorships.

Current LED projects include:

- the refurbishment of pump stations in Daniëlsskuil which was completed in partnership with Kgatelopele Municipality and the Department of Water and Sanitation in the Northern Cape;
- the construction and installation of public lighting in partnership with Eskom and Kgatelopele municipality, which included the installation of streetlights and six high mast lights to help combat crime; and
- the completion of electrification of households and upgrading of bulk infrastructure (excluding substation), which involved the supply and construction of MV/LV Distribution networks to informal dwellings in Kgatelopele, complete with house connections.

CSI spend is discretionary and each of our operations has an established CSI Committee to approve and oversee the roll-out of the projects. Current projects tend to focus on supporting local education and include the provision of nutritionally sound food for local primary schools, the donation of an administrative office to the Smart Start Early Childhood Development Centre in Kgatelopele local Municipality, the 'adopt-a-school' project (whereby improvement projects can be funded for under-privileged schools) and the provision of resources for the Matric Awards to the Department of Education in order to create a better learning environment for students entering university.

Our Group social spend in FY 2021 decreased 50% to US\$0.7 million (FY 2020: US\$1.4 million). Only ca. 44% of budgeted spend was committed in South Africa in FY 2021 due to the continued challenge to get stakeholders to align on suitable LED projects, which hinders the implementation of larger projects in the community, as well as due to the disruptive impact of the COVID-19 pandemic. The operations are continuously engaging with local authorities and representatives to identify suitable projects, but community stakeholders must first come to a consensus on their desired projects.

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 2021, Petra supported 12 full-time bursary students, 100% of whom were HDSA and 75% female, and awarded scholarships to 41 learners, 100% of whom were HDSA and 80% female.

Williamson's Corporate Social Responsibility Plan, which is informed by the mine's SEP, concentrated on the following areas for contribution and support during FY 2021:

- supporting Kishapu District and Shinyanga Region at large by providing fuel in order to complete important official Government duties and operations;
- facilitating timber planks to be used in the construction of the first ever Kishapu Girls District Secondary School in Mwadui;
- the provision of building material in the form of aggregate, a water bowser, fuel and 50 bags of cement to aid in the construction of a classroom in Mwadui Lohumbo; and
- a donation to Mwadui Football Club to participate in the Tanzanian Premier League, representing the Shinyanga Region.

Once the mine is out of care and maintenance, a formal CSR plan will be developed for implementation in FY 2022.

Restorative Justice in Tanzania

As part of the actions taken in response to the findings of the Tunajali Committee into the alleged breaches of human rights at the Williamson mine (read more on pages 45 and 46), Petra has committed funds to community initiatives that aim to provide sustainable benefits through income generating projects. Shortly after Year end, PDL paid in excess of £1 million into an escrow account to fund the restorative programmes and Synergy was appointed to manage these funds. They will work closely with the communities and local NGOs on the formulation and implementation of the programmes identified as part of the settlement agreement.

These projects include:

- feasibility studies into a formalised artisanal tailings project at Williamson and an agri-business project and the implementation of these projects, based on the outcomes of these studies;
- the establishment of enhanced community clinical and medical support;
- managed access to parts of the SML, to collect firewood and graze animals; and
- the launch of a gender-based violence ("GBV") campaign to support community capacity to counter GBV and provide support to victims of GBV.

For all restorative projects listed above, PDL and WDL will work with the surrounding communities and specialist external consultants and local NGOs to investigate the feasibility and, where feasible, to support the design and implementation of these projects. Where projects are deemed not feasible or not applicable to the needs of the surrounding communities, alternative projects will be identified and implemented with the approval and participation of all relevant parties.

Chairman's Introduction to Governance

“During FY 2021 we have looked to further enhance our Board strategy, structure, diversity and culture. Our aim is that by embedding these essential components at the very heart of the Company, we can deliver optimal corporate governance.”

Peter Hill CBE
Non-Executive Chairman

Dear shareholder,

This Year, we have continued to strive for strong and effective corporate governance which we believe to be essential to the long-term success of the Company. Since becoming Chairman, I have been impressed by Petra's high standards in this area, which are led by the Board from the top down, and pleased that the Company has accomplished the requirements of the UK Corporate Governance Code 2018 (the “Code”).

However, during FY 2021 we have looked to further enhance our Board strategy, structure and culture. Our aim being that by embedding these essential components at the very heart of the Company, we can look to deliver optimal corporate governance.

Governance highlights for FY 2021 are as follows:

Board evolution and succession planning

Over recent years we have embarked on a significant evolution of the leadership team at Petra – notably with the appointment of Mr Duffy as Chief Executive in April 2019 and myself as Non-executive Chairman in March 2020. We have also implemented broader Board changes in line with the Code, particularly with regard to those iNEDs that had fulfilled their nine-year tenure. As such, Dr Pat Bartlett stepped down at the end of FY 2020, followed by Mr Tony Lowrie in November 2020 – the latter being succeeded by Ms Varda Shine stepping up to the role of Senior Independent Director on his departure. Following the completion of the Restructuring on 10 March 2021, Mr Matthew Glowasky was appointed as a non-independent NED, having been nominated by Monarch in accordance with the Nomination Agreement between it and the Company. The Company also announced during the Year that Mr Gordon Hamilton will retire from the Board and as Chair of the Audit and Risk Committee at the conclusion of the FY 2021 Annual General Meeting.

In FY 2021, the Nomination Committee set out to identify a successor to Mr Hamilton. On 1 July 2021 we were pleased to welcome Ms. Deborah Gudgeon to the Board as an iNED, with the Nomination Committee recommending that she assumes Mr Hamilton's role as Chair of the Audit and Risk Committee when he steps down in November 2021.

In addition to Ms. Gudgeon, we also welcomed Ms Alex Watson and Mr Johannes Bhatt as non-independent NEDs post Year end, who were nominated by Franklin Templeton and Monarch respectively. Monarch also exercised their right under the Nomination Agreement to appoint Mr. Marius Kraemer as their Board Observer with effect from 1 July 2021.

As a result of the change in Board composition, there were a number of changes to the make-up of the Board Committees. Particular attention was paid to ensuring that the Nomination, Audit and Risk and Remuneration Committees only comprise iNEDs, which we believe brings greater cohesion and transparency to these Board Committees.

Following the closing of the Restructuring, the Board also formed an advisory Investment Committee, chaired by myself and which includes the aforementioned Directors nominated by the Noteholders (shareholders), as well as Mr Duffy, Mr Breytenbach, Mr Hamilton, Mr Pryor and Ms Gudgeon, in order to monitor significant capital and other investments and recommend their adoption to the full Board.

Board strategy, process and performance

The COVID-19 pandemic has caused considerable disruption to Petra's business and the previously established 'normal' way of doing things and I would like to applaud the Board and broader team for embracing last year's “Adapt to Thrive” approach. The Group has had to adapt to a considerably different operating and market environment, not only with regards to ensuring a COVID-19 secure work environment but also with the onset of remote working. The impact of this, in addition to the challenges in the broader business environment and the additional application of time and consideration needed to implement the Restructuring, meant that the Board had to remain highly flexible with regards to strategy. The frequency of virtual Board, Committee and sub-committee meetings remained high during the Year in order to stay on top of and respond appropriately to a fluctuating business and operating environment, as well as to oversee the multi-stakeholder engagement process required to establish an improved capital structure for the business, the latter of which was achieved in March 2021.

In May 2021, the Company reported the findings of the Tunajali Committee. This Board Sub-Committee, which was composed entirely of iNEDs, was formed to investigate the alleged breaches of human rights at the Williamson mine in Tanzania raised by the UK law firm, Leigh Day, and the NGO, RAID. The Board took these allegations extremely seriously and sought to carry out a full assessment of the allegations through an external investigation, with the aim of understanding what happened, supporting the provision of a balanced and fair remedy, in the interest of all parties, and putting in place preventative measures to address the issues identified. A number of actions have been taken to address the past shortcomings identified during the investigation and these include changes to the reporting structures at both PDL and WDL to address historical gaps and ensure accountability, enabling the more timely, accurate and transparent reporting of all incursions and incidents. The revisions entail a new incident escalation procedure to PDL, including fully transparent reporting to the PDL Board, as well as to the Audit and Risk and SED Committees through two independent reporting lines. In addition, Petra appointed a Group General Counsel and Company Secretary in June 2021 to oversee governance, compliance and ethics in the business, providing further oversight of Petra's activities and operations.

The Board has continued to perform in alignment with the most recent externally facilitated Board evaluation, which confirmed our ability to operate well and make progress across areas identified for improvement. Unfortunately, however, given the continued restrictions imposed on travel and face-to-face contact driven by the Covid-19 pandemic, we have been unable to resume those items that included NEDs having in-person meetings, physical mine visits and engagement to the extent that we had hoped. To counter this, we have extended our efforts in providing virtual tours and meetings and continued to focus on developing and enhancing Board dynamics.

Culture and values

At the heart of all successful business operations is a culture and set of values that all stakeholders carry with them in what they give and take to and from the Company. On joining Petra, I was impressed by the Company's overriding commitment to safety and care for the environment, a 'can-do' spirit and an open and collaborative way of working.

As noted previously, however, given the considerable evolution of the business over recent years, during FY 2021 we made it our focus to re-evaluate the culture of the Group. The Company has therefore launched a number of initiatives that we consider to be the building blocks for developing a culture in Petra that is aligned to our values and re-positions the business – read more on pages 6 to 7 in this report and on pages 38 to 39 in our 2021 ESG and Sustainability Report.

Diversity

We remain committed to improving diversity levels throughout the workforce, Management team and Board – noting the benefits a broad mix of expertise, skills and diversity can bring to our performance. In FY 2020, the Board and SED Committee approved the Diversity and Inclusion Policy which aims 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 are inclusive of retention policies that are designed to promote diversity. The policy also seeks to ensure that the Company develops a diverse pipeline for succession to top, senior 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.

During FY 2021, Management also commenced the development of a Petra Diamonds South Africa Employment Equity Plan. It is intended that this will align the Company's employment equity targets in South Africa with other sector-specific targets included in the new Mining Charter (encompassing both gender and ethnicity targets), as well as a Group-wide Petra Diamonds Limited Diversity and Inclusion Plan, which will set targets for gender representation across the various levels of the organisation. Petra will expand its reporting on wider employee diversity, as well as gender diversity, in its 2022 Annual Report.

The overall gender diversity of the Company improved in FY 2021, with women representing 20% of our workforce, up from 19% in FY 2020. I was also pleased to note the improvements in terms of women in managerial positions, particularly with our first female production manager who was hired at Finsch on 1 June 2021. We believe our various employee development programmes, such as our Leadership Development Programme and the Women in Leadership Programme, are integral to such progress (read more on page 51). The percentage of women on our Board was 25% during the Year, and increased to 36% following the appointments of Ms Gudgeon, Ms Watson and Mr Bhatt on 1 July 2021. Following the retirement of Mr Hamilton on 12 November 2021, this percentage will be 40%.

Governance updates

In July 2018, the Code was published and applied to accounting periods commencing on or after 1 January 2019. As at the date of this report, the Board considers that Petra is in full compliance with the Code's provisions – read more on page 66.

In June 2021, Mr Rupert Rowland-Clark was appointed as Group General Counsel and Company Secretary to, *inter alia*, oversee governance, compliance and ethics in the business. Mr Rowland-Clark is a qualified Solicitor with over 20 years' legal and executive experience, most recently as General Counsel of international oil and gas exploration company Tullow Oil PLC, where he provided strategic, operational and commercial advice to the board, executive team and senior management, and before that as a merger and acquisitions lawyer at a leading global law firm, where he worked on a broad range of transactions across multiple sectors and jurisdictions.

Other important governance developments for the Group during the Year were the roll-out of a human rights awareness campaign, targeting stakeholders at all levels, the update of the Company Human Rights Policy Statement and the implementation of a Human Rights Defenders Policy.

Stakeholder engagement and feedback

Positive relationships, involving consistent two-way communication avenues with all of our stakeholders, are essential to the long-term success of our business. As a Board, we receive feedback on the views and priorities of our key stakeholder groups, as set out on pages 14 to 17, and stakeholder views are considered when making strategic decisions. An important example of this was the implementation of the Restructuring of the Group that was completed on 10 March 2020, which had to be acceptable to and coordinated between the Company, our Noteholders, our South African Lender Group, our BEE Partners and our shareholders. Our aim was to ensure the best outcome possible in the current business environment and given the Company's then financial position, to secure stability of operations and the balance sheet, thereby also benefitting our workforce, host countries and local communities, as well as our customer base.

We continually look to improve and strengthen our stakeholder engagement processes and are pleased to have made significant progress this Year with the Company's SED Committee, chaired by Ms Matloa, which has looked to engage with the demands of social, ethical and diversity factors affecting the workforce and local communities – factors that have been significantly impacted by the ongoing COVID-19 pandemic. Furthermore, in light of the unfortunate and regrettable alleged breaches of human rights arising from the security operations at the Williamson mine in Tanzania (see pages 45 and 46), the Board has committed to enhance its stakeholder engagement approach and processes. This includes the simplification and clarification of relevant policies and processes, the establishment of consistent feedback and grievance mechanisms, as well as revised Stakeholder Engagement Plans.

Should any stakeholder like to speak to me or Ms 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 214 for contact details).

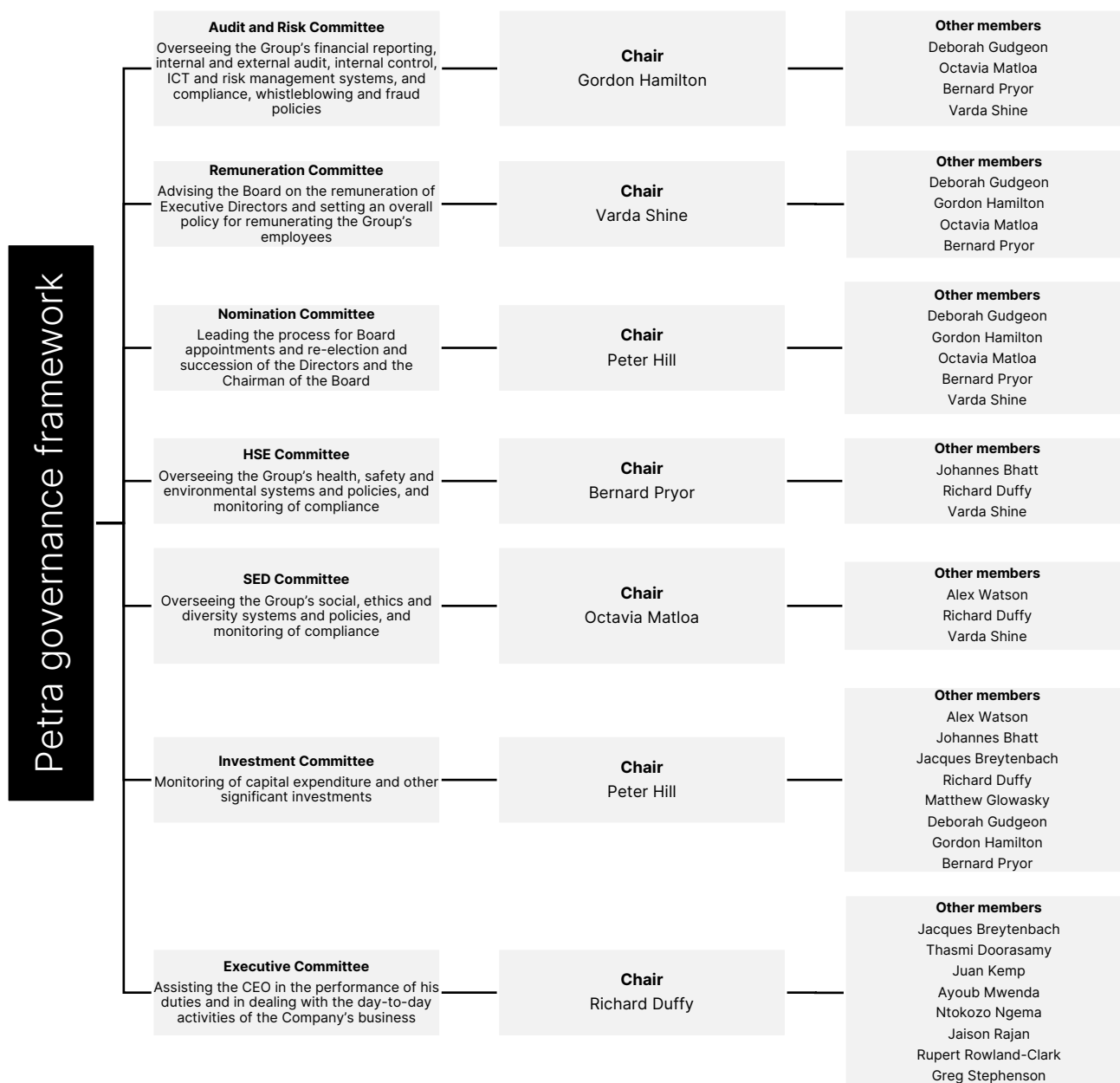


Peter Hill CBE
Non-Executive Chairman
12 October 2021

Chairman’s Introduction to Governance continued

Petra governance framework

(as at 12 October 2021)



Board of Directors (as at the date of this report)

1. Peter Hill, CBE (N) (I)

Non-Executive Chairman

Appointment date January 2020 and as Chairman 31 March 2021.

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 Minerals and Consolidated 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 and non-executive director for a number of UK PLCs and UK government organisations.

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 2021

Nil shares (30 June 2020: Nil shares).

2. Richard Duffy H S I (E)

Chief Executive

Appointment date April 2019.

Qualifications B. Com degree – WITS University, 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 more than 30 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 Aren Energy (Pty) Ltd, Director of the Natural Diamond Council.

Interest in the Company as at 30 June 2021

240,000 shares (30 June 2020: 240,000 shares).

3. Jacques Breytenbach I 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 financial and management accounting and reporting, business

development, 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 2021

243,750 shares (30 June 2020: 243,750 shares).

4. Varda Shine (R) A N H S

Senior Independent Non-Executive Director

Appointment date January 2019.

Qualifications MsC Executive coaching (Hult/Ashridge), Business and management courses at Technicon (Israel), Templeton College, Oxford, Cranfield and INSEAD.

Skills Ms Shine is a non-executive director, a CEO’s executive mentor and a diamond industry expert adviser, with significant experience and knowledge of stakeholders across the supply chain and a track record of delivering record sales and profits.

Experience Ms Shine has 30 years of experience in the diamond industry, including eight years as the De Beers Trading Company CEO (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 2021

Nil shares (30 June 2020: nil shares).

5. Gordon Hamilton (A) N R I

Independent Non-Executive Director

Appointment date November 2011; will retire in November 2021.

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 2021

247,000 shares (30 June 2020: 247,000 shares).

Board of Directors continued

(as at 30 June 2021)

6. Octavia Matloa 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 17 years of corporate experience of which 13 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** none.**Interest in the Company as at 30 June 2021**

Nil shares (30 June 2020: nil shares).

7. Bernard Pryor (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 2021**

Nil shares (30 June 2020: nil shares).

8. Matt Glowasky I**Non-Executive Director****Appointment date** March 2021.**Qualifications** BSE/BA, Finance, International Studies and French.**Skills** Mr Glowasky's skillset includes significant experience in investing in fixed income and equities. He has also served on the boards of several listed and non-listed companies.**Experience** Over five years directorial experience in UK companies in the health and social care sector.**External appointments** Director of Stanton Lodge Limited, Cedarhurst Lodge (Spring) Limited, Stanshawes Care Home Limited, Blackwell Vale Limited, Saintfield Lodge (Spring) Limited, Edgewater Lodge (Spring) Limited, Willoughby Grange Limited, Hollyblue Healthcare (Norton Lees) Limited, St Georges Hall and Lodge Limited, Norton Lees Hall and Lodge Limited, Hollyblue (Finance 2) Limited, Butterfly (Finance) Limited, Hollyblue Healthcare (Red Hill) Limited, Hollyblue Healthcare (Finance) Limited, Hollyblue Healthcare (Millbrow) Limited, Hollyblue Healthcare (Alphacare) Limited, Hollyblue Healthcare (Voyage Care)

Limited, Hollyblue Healthcare (Arden) Limited, Hollyblue Healthcare (Stirling) Limited, Hollyblue Healthcare (Gisburne Park) Limited, Hollyblue Healthcare (Carrick Glen) Limited, Hollyblue Healthcare (Ulster) Limited, Hollyblue Healthcare (Spring) Limited, Hollyblue Healthcare (Amore) Limited, Hollyblue Healthcare (London) Limited, Aspenframe Limited, Windmill Hills Care Home Limited, Papillon Care Limited, Eagle View Care Home Limited, Express Care (Guest Services) Limited, Mariposa Care Limited, Primrose Care Home Limited, System Cycle Limited, Sovereign Guest Services Limited and Crossco (1333) Limited.

Interest in the Company as at 30 June 2021

Nil shares (30 June 2020: N/A).

9. Deborah Gudgeon* A R N I**Independent Non-Executive Director****Appointment date** July 2021.**Qualifications** Chartered Accountant – ICAEW.**Skills** Ms Gudgeon is a Chartered Accountant with a diverse skillset, including corporate finance, restructuring and debt management, performance improvement and auditing.**Experience** Ms Gudgeon has 30 years' corporate experience. Following her qualification as a Chartered Accountant she spent eight years as Finance Executive with the Africa-focused mining and trading group Lonrho plc, and then held positions with Deloitte, BDO and Gazelle Corporate Finance. She has also served as an independent non-executive director and audit committee chair at both Acacia Mining plc and Highland Gold plc.**External appointments** board member and committee chair of EVRAZ plc; senior adviser of Penfida Limited.**Interest in the Company as at 30 June 2021**

Nil shares (30 June 2020: N/A).

10. Alexandra Watson* S I**Non-Independent Non-Executive Director****Appointment date** July 2021.**Qualifications** BA Com Hons, University of Cape Town and a Chartered Accountant (SA). She is also Emeritus Professor of Accounting at the University of Cape Town.**Skills** Ms Watson is an experienced non-executive director and chartered accountant and has a wide skill-set encompassing corporate governance, financial and other forms of corporate reporting, investment, broad business and financial experience.**Experience** Ms. Watson has 28 years of experience in corporate governance, accounting and reporting and has held Board positions for listed companies for nearly 20 years. She is a former Chair of the Accounting Practices Committee of the South African Institute of Chartered Accountants and is currently Chair of the South African Financial Reporting Investigations Panel. She was a board member, and in 2019 was Vice-Chair of the Amsterdam-based Global Reporting Initiative and is a board member and member of the Audit, Finance and Investment Committees of WWF-SA. She was previously a Professor of Accounting at the University of Cape Town.**External appointments** Ms Watson is chairperson of Coronation Fund Managers in South Africa and is independent non-executive director and chair of the Audit and Risk Committee of Steinhoff International Holdings N.V.**Interest in the Company as at 30 June 2021**

Nil shares (30 June 2020: N/A).

11. Johannes Bhatt* H, I

Non-Independent Non-Executive Director

Appointment date July 2021.

Qualifications MA Business Administration and Economics, Universities of Augsburg and Stuttgart.

Skills Mr Bhatt has a broad skill-set encompassing, amongst others, corporate finance, treasury and sustainability within the international mining industry.

Experience Mr. Bhatt has many years of experience in the mining and commodity industries. Prior to his current roles, he was a non-executive board member of Stemcor Global Holdings, a leading steel trading company, having previously been with Scholz Holding GmbH, an international metals recycling group for ten years, latterly as Chief Financial Officer. His earlier career was with Deutsche Bank AG and Voith AG.

External appointments Mr Bhatt is currently Managing Director of Incomet Capital GmbH, an investment company within the mining sector, and a board member of Zangezur Copper Molybdenum Combine, formerly part of the Cronimet Mining Group.

Interest in the Company as at 30 June 2021

Nil shares (30 June 2020: N/A).

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

I Investment Committee

E Executive Committee ("Exco")

() Chair

Board changes in FY 2021

Mr Glowasky was appointed to the Board and a member of the Nomination Committee, the SED Committee and the Investment Committee on 10 March 2021, though he stepped down from the Nomination and SED Committees on 1 July 2021.

Mr Lowrie was Senior Independent Director up to 17 November 2020, upon which date he retired from the Board. Ms Shine was appointed Senior Independent Director in succession to Mr Lowrie with effect from the same date.

*Post Year End Board changes

Ms Gudgeon was appointed to the Board and as the Audit and Risk Committee Chair Designate and a member of the Nomination Committee, the Remuneration Committee and the Investment Committee with effect from 1 July 2021.

Ms Watson was appointed to the Board and as a member of the SED Committee and the Investment Committee with effect from 1 July 2021.

Mr Bhatt was appointed to the Board and as a member of the HSE Committee and the Investment Committee with effect from 1 July 2021.

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 Code. At the time the Code came into force on 1 July 2018, which applied to accounting periods beginning on or after 1 January 2019, there were some areas of non-compliance. However:

1. Although Mr Hamilton has served nine years as an iNED of Petra, a length of tenure that could impair his independence according to the Code, the Board considered that he remains independent as he continued to demonstrate integrity and independence in judgement, character and action, thereby justifying its recommendation that shareholders support his re-election at last year’s AGM. Mr Hamilton will now be stepping down from the Board at the conclusion of this year’s AGM and will be succeeded by Ms Gudgeon as Chair of the Audit and Risk Committee.

2. During the Year, Ms Matloa, Chair of the SED Committee was appointed as the designated iNED to engage with the workforce. The travel and other restrictions imposed as a result of the COVID-19 pandemic curtailed any significant engagement throughout FY 2021, although Ms Matloa did attend CEO roadshow meetings with the workforce from 22-24 June 2021, which were held at each of the mines and at the Group’s head office in Johannesburg, with virtual access for those affected by COVID-19 restrictions. Once these restrictions are fully lifted, a programme for engagement with the workforce will be finalised and implemented.

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

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 (supported by the Investment Committee)
- 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 12 October 2021)

9/11	2/11	9/11	11/11	8/11	2/11	10/11
MINING INDUSTRY	GEOLOGY	CAPITAL MARKETS	FINANCE	AUDIT	DIAMOND MARKETING	AFRICA

Board time in FY 2021¹

Strategy and risk	20%
Corporate and finance	40%
Operations and projects	12%
Governance, social, ethics and diversity	20%
Health, safety and environment	8%

1. This split of Board time is an estimate only and is calculated using the Board meeting agendas and rough time split allocated to each item in advance.

Corporate Governance Statement continued

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, thereby playing an important part in assessing and advising on the appropriate composition of the Board and its skill-set and also chairs the Investment Committee.

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 Exco;
- 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, and is also a member of the Investment Committee.

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 NEDs

Mr Hamilton, Ms Shine, Ms Matloa, Mr Pryor, Ms Gudgeon, Mr Glowasky, Ms Watson and Mr Bhatt:

- 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 a breadth of skills and experience to Board Committees and, in the case of iNEDs, independence.

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 always been possible during FY 2021 due to COVID-19 travel restrictions and have therefore 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 Chair of the relevant Committee) 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.

Corporate Governance Statement continued

How our Board operates continued**Board and Committee meetings continued**

FY 2021 Board calendar

	Board meetings 17 held	Audit and Risk Committee 6 held	Remuneration Committee 6 held	Nomination Committee 5 held	HSE Committee 6 held	SED Committee 6 held	Investment Committee ¹ 1 held	Annual General Meeting 1 held
Peter Hill	17	N/A	N/A	5	N/A	N/A	1	1
Richard Duffy	17	N/A	N/A	N/A	6	6	1	1
Jacques Breytenbach	17	N/A	N/A	N/A	N/A	N/A	1	1
Varda Shine ²	17	6	6	5	6	6	N/A	1
Gordon Hamilton	17	6	6	4	N/A	N/A	1	1
Octavia Matloa ³	15	6	6	5	N/A	6	N/A	0
Bernard Pryor ⁴	15	6	6	5	6	N/A	N/A	1
Matt Glowasky ⁵	4	N/A	N/A	1	N/A	1	1	N/A
Tony Lowrie ⁶	10	1	3	2	N/A	N/A	N/A	N/A

1. The Investment Committee was constituted with effect from 10 March 2021.

2. Ms Shine assumed the role of Senior Independent Director on 17 November 2020.

3. Ms Matloa was not required to attend the 25 February 2021 Board meeting and was unable to attend the 29 April 2021 Board meeting due to it being called at short notice and conflicting with prior commitments.

4. Mr Pryor was unable to attend the 13 January 2021 Board meeting due to a prior commitment and was not required to attend the 25 February 2021 Board meeting.

5. Mr Glowasky was appointed to the Board and as a member of the SED Committee, Nomination Committee and Investment Committee on 10 March 2021, stepping down from the SED Committee and Nomination Committee on 1 July 2021.

6. 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 NEDs 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.

However, due to COVID-19 travel restrictions no site visits could be undertaken by the NEDs during the Year, although the Executive Directors visited the operations as part of their day-to-day business when possible.

A tour of the South African operations for the full Board is planned for May 2022, subject to COVID-19 travel restrictions.

Employee engagement

During the Year, Ms Matloa, Chair of the SED Committee, was appointed by the Board 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, the Company's 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 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 with face-to-face meetings and physical site visits restricted, however virtual tours, such as that of the CEO roadshow, were carried out to ensure that workforce engagement was maintained as far as possible. Ms Matloa attended the CEO roadshow meetings with the workforce and reported back to the Board her observations from those engagements which were generally positive, with any areas of concern duly considered.

Tenure of Directors¹

0–3 years	73%
4–9 years	18%
10–22 years	9%²

Board composition¹

Executive Directors	18.2%
Independent Non-Executive Directors	54.5%
Non-Independent Non-Executive Directors	27.3%

Directors' nationality¹

South African	4/11
British	5
American	1
German	1

Directors' gender¹

Female	36%³
Male	64%

Percentage of Petra shares held¹

Directors	0.0075%
Other	99.9925%

1. All statistics as at 12 October 2021.

2. The percentage of Directors with tenure of 10–22 years will reduce to 0 when Mr Hamilton steps down from the Board at the conclusion of the 2021 AGM.

3. The percentage of women on Petra's Board will increase to 40% when Mr Hamilton steps down from the Board at the conclusion of the 2021 AGM.

Why our Board is effective**Director commitment**

The Directors' biographies and duties can be found on pages 63 to 65. 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 Non-Executive Chairman 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 NEDs 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.

Corporate Governance Statement continued

Why our Board is effective continued

Assessment of Director independence

Upon his appointment on 1 January 2020 and at the time of assuming the role of Non-Executive Chairman on 31 March 2020, Mr Hill was considered to be independent, in accordance with the Code.

In last year's Annual Report, the Board noted that Mr Hamilton had served nine years as an iNED as at November 2020, but that it was intended that he should remain with the Company as an 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 2021 AGM. While the Code notes that serving over nine years could impair a non-executive director's independence, the Board considered that Mr Hamilton continued to demonstrate integrity and independence in judgement, character and action, thereby justifying its recommendation that shareholders support his re-election at last year's AGM.

The Board also considers Ms Shine, Ms Matloa and Mr Pryor to be independent in accordance with the Code. Post Year end, Ms Gudgeon was appointed to the Board and is considered to be independent in accordance with the Code. All iNEDs are independent of any relationship listed in the provisions of the Code. None of the iNEDs received any fees from the Company in FY 2021 other than their contractual iNED fees, as set out on page 124 of the Directors' Remuneration Report.

Mr Glowasky and Mr Bhatt, having been nominated by Monarch in accordance with the Nomination Agreement between it and the Company, are not considered to be independent in accordance with the Code. Similarly, Ms Watson, having been nominated by Franklin Templeton Investment Management Limited, in accordance with the Nomination Agreement between it and the Company, is not considered to be independent in accordance with the Code.

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 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 105 to 107.

Director induction, information, training and development needs

Detailed knowledge of the specialist world of diamonds (including diamond marketing), the global mining industry, international capital markets, applicable UK legislation/LSE regulation, 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.

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 Report, ESG and Sustainability Report, 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.

Case Study: New Directors' induction

Strategy in action

Work responsibly

Upon appointment, Mr Glowasky, Mr Bhatt, Ms Gudgeon and Ms Watson each underwent the Company's induction programme, which was led by the Group's Corporate Communications team 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.

The 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;
- dedicated teach-in sessions on (1) the Group's operations, (2) the diamond market and the Group's sales process and (3) legal and regulatory responsibilities for directors of companies incorporated in Bermuda with a premium listing on the Main Market of the London Stock Exchange; and
- an introduction to the Group's key advisers.

In addition, the induction programme usually includes a tour of the South African operations and corporate office in Johannesburg but due to travel restrictions as a result of the COVID-19 pandemic, it has not been possible for this to take place. However, a tour of the South African operations is planned in May 2022 for the full Board.

Values in action

Let's do it right

Let's take control

Peter Hill, Chairman, commented:

"I would like to welcome Matthew, Johannes, Deborah and Alex to the Board of Petra; together they bring a wealth of experience, complementing those of our existing Directors, and their appointments leave the Board well placed to take the company forward. We remain committed to improving diversity levels from top down, noting the benefits a broad mix of expertise, skills and diversity can bring to our performance, and look forward to their varied contributions to our strategic outlook and decision-making processes."

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.

During the Year, the Board received formal training by an independent external adviser on (1) legal and regulatory responsibilities for Directors in respect of the Restructuring and (2) the VPSHR.

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.

Corporate Governance Statement continued

Why our Board is effective continued**Director induction, information, training and development needs continued**Case Study – Board Training in FY 2021**Continuing Obligations Training**

As part of its commitment to high standards of Corporate Governance, during FY 2021 a Directors' teach-in was hosted in order to assist the Directors in understanding of their responsibilities and duties as a director of a company incorporated in Bermuda with a premium listing on the Main Market of the London Stock Exchange.

This was of particular importance given the Restructuring and a significant amount of time was spent covering various topics, including, amongst others, responsibilities for the contents of the combined circular and prospectus in the Restructuring and ongoing responsibilities under the Bermuda Companies Act 1981, the UK Market Abuse Regulation and the UKLA's Listing Rules. The Board also refreshed their understanding of the UK Corporate Governance Code 2018.

Voluntary Principles Security and Human Rights training

One of the actions taken by the Company to address the shortcomings identified by the Tunajali Committee in relation to the alleged breaches of human rights at the Williamson mine in Tanzania was a VPSHR awareness campaign, targeting PDL and WDL Executives and Senior Managers, as well as the entire security teams at both Group and mine level in Tanzania and South Africa.

At Director level, the Board members attended a dedicated training session in June 2021, which included:

- Background on the VPSHR
- What companies should do under VPSHR in terms of:
 - Policy and commitment
 - Risk assessment
 - Addressing Incidents
 - Use of private and public security
 - Engagement and awareness
 - Monitoring, reporting and continuous improvement

The training considered both short-term actions as well as long-term challenges and was hosted by Synergy, an independent specialist international consulting company with over 20 years' experience working with companies, governments and community-based organisations. The consultancy has been appointed to provide specialist external support in the development of processes involved in relation to the community and remedial programmes following the allegations of human rights breaches at Williamson.

Strategy in action

Work responsibly

Values in action

Let's do it right

Let's do it better

Evaluation of the Board's performance

Board evaluation

In August 2020, 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 the Year.

The evaluation of the performance of the then new Chairman was undertaken by Mr Lowrie, the Senior Independent 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.

The results of this Board evaluation were reported on in the FY 2020 Annual Report and the key themes and how they were addressed in FY 2021 are repeated below. Due to the significant recent changes to the composition of the Board and its committees, it has been decided to hold a new external Board evaluation in H1 FY 2022, in order to gauge how the newly enlarged Board is operating and to identify areas for improvement and development. The results of the new external evaluation will be reported on in the Company's FY 2022 Annual Report.

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

- First, the composition of the Board was further developed. Dr Bartlett, iNED, retired on 30 June 2020 after serving nine years. He remains a Technical Consultant to the Board, Audit and Risk Committee, HSE Committee and Management given his world-class expertise in kimberlite geology and block and sub-level caving. Mr Lowrie retired on 17 November 2020, after serving nearly nine years and the Senior Independent Director role was 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. Consequently, Ms Gudgeon was appointed as an iNED and Audit and Risk Committee Chair Designate on 1 July 2021 and will work closely with Mr Hamilton until the FY 2021 AGM in order to succeed him at that time as Chair of the Audit and Risk Committee. Together with the three Director appointments made in FY 2019 (new Chief Executive and two new iNEDs) the appointment of a new Chairman of the Board in FY 2020, and the appointments of Mr Glowasky (in FY 2021), Mr Bhatt and Ms Watson (both in FY 2022), the Board has been considerably refreshed.
- Second, 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.
- Third, 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 the lockdowns and other restrictions imposed on people by the COVID-19 pandemic.

This meant that Board members were unable to meet face-to-face 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 challenging, particularly as the frequency of Board, Committee and sub-committee meetings increased significantly during Q4 FY 2020 and throughout FY 2021, as the Company went through a period of intense discussions with its financial stakeholders in order to achieve the consensus required to complete the Restructuring. The intensity of this period is evident in the number of Board meetings during the Year increasing to 17 (FY 2020: nine).

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 following areas of improvement and development were identified for FY 2021; however, it should be noted that the aspiration to resume more personal contact remained severely impaired throughout most of the Year 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 lockdowns and COVID-19 restrictions. In-person Board and Committee meetings resumed in May 2021 as far as possible and will continue where feasible;
- the resumption of Directors visiting mines, facilities and offices, which were suspended during lockdown, to re-familiarise themselves with the grassroots of the business. Visits by the NEDs were not possible during FY 2021. However, a tour of the South African operations is planned for the full Board in May 2022;
- Directors re-engaging with managers and the workforce, having understandably become more distant from the Company's workforce during lockdown; this was carried out as far as possible and where restrictions remained in place virtual CEO and employee tours were organised;
- 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 caused by the 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 Restructuring.

Corporate Governance Statement continued

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 2021	Progress in FY 2021	Objectives for FY 2022
Strategy and operations		
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 0.44 (FY 2020: 0.29), the number of total injuries, including those that did not result in a lost shift, reduced by 7% to 42.	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 2022, will remain closely monitored by the Board and the HSE Committee, as Petra strives to reach its objective of a zero harm workplace.
Regular monitoring to assess the implementation and delivery of Project 2022 initiatives at all operations, despite the disruptions caused by the COVID-19 pandemic.	Project 2022 is mainly driven by throughput initiatives and the elimination or mitigation of bottlenecks in production processes, which led to Cullinan recording its highest level of production under Petra stewardship; however, Finsch and Koffiefontein recorded lower than anticipated production for the Year (read more in the Operational Review on pages 34 to 39). The Project 2022 focus during the Year also included the sustainable optimisation of the Company's cost structure.	Regular monitoring to assess the ongoing impact of Project 2022 and the Organisational Design Review on the operating margins of the business, as well as monitoring of the re-engineering projects initiated at Finsch and Koffiefontein.
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.	Following the strategic review in conjunction with a set of independent advisers, in order to evaluate an optimal long-term capital structure for the Group, the Restructuring (the key terms of which are set out on page 32) was deemed by the Board and its advisers to offer the best value to all stakeholders. The Williamson mine continued on care and maintenance 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 exploration assets in Botswana.	Re-engagement on long-term strategy which had understandably been more short-term focused in FY 2020 and FY 2021 due to the pressures caused by the COVID-19 pandemic and the Company's Restructuring.

Objectives for FY 2021	Progress in FY 2021	Objectives for FY 2022
Strategy and operations continued		
<p>Continue to improve the mechanisms by which the Board receives feedback from the Company's broad range of stakeholders.</p> <p>Implementation of clear and formal systems to facilitate Board/workforce engagement.</p>	<p>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.</p> <p>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.</p> <p>A new Head of Human Resources was appointed to facilitate communication between management and the Board.</p> <p>Review and overhaul of the Group's stakeholder engagement and management policy framework in order to ensure more effective and accountable stakeholder relations, as well as the implementation of an OGM with a Standard Operating Procedure customised and introduced at each operation.</p>	<p>To continue to monitor the progress and impact of the stakeholder engagement, grievance mechanisms and remedial actions taken at the Williamson mine, and Group-wide, following the findings and recommendations of the Tunajali Committee in FY 2021.</p> <p>To report the progress of the aforementioned items to provide greater openness and awareness to all stakeholders and their associated communities.</p> <p>To reinstate more regular Director site visits (with a site visit planned for May 2022, subject to COVID-19 travel restrictions), to afford the opportunity for direct engagement with a range of stakeholders, including employees at different levels within the Group.</p>
<p>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.</p>	<p>The Organisational Design Review continued, as well as an ongoing evaluation of the Company's corporate culture. Information on these processes was presented to and considered by the Board.</p> <p>Certain change initiatives are considered important tools to assist in re-establishing a culture within Petra that is aligned to its values – read more in our 2021 ESG and Sustainability Report pages 38 to 39.</p> <p>When making any decisions the Company purpose, culture and reputation are kept in mind by the Board.</p>	<p>Implementation of the items identified in the Organisational Design Review – including updated role descriptions to provide clearer line of site and improved accountability.</p> <p>Implementation of the business' reconsideration of the purpose, vision, values and culture of the Group, taking into account stakeholder interests and views. In this regard, the Exco has identified a set of key business drivers to be focused on to deliver the purpose and vision and will now look to embed these across the Group in FY 2022.</p>
Board composition		
<p>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.</p> <p>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.</p> <p>Ongoing consideration of succession planning, both for the Board and the other Senior Management structures.</p>	<p>Ms Shine was appointed Senior Independent Director upon the retirement of Mr Lowrie on 17 November 2020.</p> <p>Ms. Gudgeon was appointed as an iNED on 1 July 2021 with the aim of succeeding as 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.</p> <p>The appointment of Mr Glowasky on 10 March 2021 and the appointments of Mr. Bhatt and Ms Watson as NEDs post Year end.</p> <p>The formation of the Investment Committee to assist the Board with the monitoring of significant capital and other investments.</p> <p>Implementation commenced of the Group's Diversity and Inclusion Policy.</p>	<p>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.</p> <p>Ongoing consideration of succession planning, both for the Board and the other Senior Management structures, bearing in mind diversity.</p>

Corporate Governance Statement continued

Board strategy and performance continued

Objectives for FY 2021	Progress in FY 2021	Objectives for FY 2022
Risk management		
<p>Planning to commence on the next three-year Internal Audit Plan cycle, which is expected to make significant progression due to the input of the Company's ERM and Combined Assurance function, which will enhance the Company's already well-established risk management processes.</p>	<p>The Internal Audit Plan for FY 2021 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.</p> <p>The ERM and Combined Assurance function carried out an enterprise-wide and 'bottom-up' risk relevance testing, assessment and aggregation which was then integrated into the Group's risk register.</p>	<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's ongoing collaboration with the Company's ERM and Combined Assurance and continual assessment of changes to the Group's risk register.</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>A new ERM and Combined Assurance Plan was operationalised, which included a Group Risk and Assurance Policy Statement and Group Risk Policy and Framework. The Company's ERM and Combined Assurance function reviews and reports on key risks on a quarterly basis to the Exco. This includes the Group's risk register which includes a 'bottom up' Group-wide review and the development of specific risks.</p>	<p>The new ERM and Combined Assurance Plan Quarterly reporting to the Exco and the Board will continue.</p> <p>Continued review of effectiveness of the COVID-19 pandemic response across the Group including, amongst other things, evaluating the Company's emergency response policies and procedures, as well as assessing and mitigating the impact of the pandemic on the health and wellness of the Company's employees.</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>The Company's COVID-19 response was monitored and considered to be effective.</p>	<p>Continue to monitor the implementation of initiatives taken in order to redress and reduce risks of alleged human rights incidents in the future.</p>
<p>Review of the effectiveness of the COVID- 19 pandemic response across the Group as a way of evaluating the Company's emergency response procedures.</p>	<p>The Tunajali Committee presented its findings further to the external investigation into the allegations of human rights abuses in Tanzania to the Board. This resulted in the implementation of remedial actions and an agreement was reached with claimants, on a no admission of liability basis.</p>	
<p>Monitoring of the external investigation into the allegations of human rights abuses in Tanzania. The outcome of the investigation will inform how the matter proceeds thereafter.</p>		

Objectives for FY 2021	Progress in FY 2021	Objectives for FY 2022
Board process		
Hold an internal Board evaluation process in FY 2021, with an external evaluation to occur at least once every three years.	An external Board evaluation process was carried out in FY 2021 by independent consultant Donata Denny. An overview of the results is included on page 75. Given the significant changes to Board composition recently, the Company considers it appropriate to carry out a new external Board evaluation in H1 FY 2022, the results of which will be reported in the Company's FY 2022 Annual Report.	An external Board evaluation process will be repeated in FY 2022, given the changes to Board composition.
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.	Board training was provided for the onboarding of new Directors. Training sessions for the Board on Continuing Obligations and VPSHR were carried out virtually – read more on page 74.	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.
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.	The Board was provided with regular operating, market and liquidity updates.	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.
Arrange at least one annual visit for the full Board to the Group's operations.	A full Board visit was not undertaken in FY 2021, 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 2021 as set out on page 70, as well as the initiation of virtual tours, such as that of the CEO roadshow which was attended by and reported on by Ms Matloa.	A tour of the South African operations is planned for the full Board in May 2022, subject to COVID-19 travel restrictions.

Corporate Governance Statement continued

IR strategy

Investor relations (“IR”) calendar for FY 2021		
July	FY 2020 Trading Update	Publication
October	Q1 FY 2021 Trading Update	Investor/analyst conference call
November	FY 2020 Results	Publication
	Annual and Sustainability Reports published	Report publication
December	Annual General Meeting	Virtual meeting
January	Special General Meeting	Virtual meeting
	H1 FY 2021 Trading Update	Publication
February	H1 FY 2021 Interim Results	Investor/analyst presentation and webcast
	Investor roadshow	Virtual Investor one-on-one meetings
	Participation in industry investor conference, Tanzania	Virtual Conference
March	Participation in industry investor conferences	Virtual conferences
	Completion of Restructuring	Publication
April	Q3 FY 2021 Trading Update	Investor/analyst conference calls
May	Participation in industry investor conference	Virtual conference
June	Participation in industry investor conference	Virtual conference

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, 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 ESG 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/. 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 also normally hosts one formal investor/analyst site visit per year, with additional smaller ad hoc visits arranged as required or requested. These are due to be reinstated once it is considered safe to do so in relation to the COVID-19 pandemic. 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 2021 shareholder engagement

During FY 2021, the Company's Chief Executive and corporate communications team held 126 virtual one-on-one and group investor meetings. In addition, the team offered to meet via conference call with all of the active managers within the Group's top 20 shareholders following the Restructuring and the Q4 Trading Update.

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

- Petra's operational performance, particularly with regard to Cullinan's outperformance and progress with regards to waste ingress and excess water owing to heavy rainfall at Finsch;
- Petra's business efficiency programme, Project 2022, and its ability to meet its targets;
- Petra's balance sheet and capital structure following the Restructuring. The Company's ability to generate free cashflow and to meet its debt facility covenants and its liabilities as they fall due (read more on pages 28 to 33);
- the outlook for the diamond market and expectations with regards to Petra's diamond sales and pricing (read more on pages 18 to 22);
- the Company's response and actions taken following the allegations of human rights abuses at Williamson (read more on pages 45 and 46);
- the impact of COVID-19 on the Company's operations and the diamond market (read more on pages 18 to 22);
- the blocked Williamson parcel and VAT receivables in Tanzania, the ongoing discussions with the Government and how this will impact the reopening of the mine following it being placed on care and maintenance on 9 April 2020 (read more on page 85);
- the volatility of the ZAR: USD exchange rate and the impact on Petra's financial position (read more on page 99);
- laboratory-grown gem diamonds and how these affect the market for natural diamonds (read more on page 98); and
- the Company's next steps following the conclusion of the Restructuring.

Reporting

Petra's objective with regards to external reporting (via its Annual Report and ESG 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 ESG and sustainability, having produced detailed standalone Sustainability Reports for the last ten years.

Corporate Governance Statement continued

Annual General Meeting (“AGM”)

The FY 2020 AGM was held as a closed meeting due to the restrictions imposed as a result of the COVID-19 pandemic but shareholders were given the opportunity to participate remotely and vote electronically.

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	0.001	9,079
2	Approve Directors’ Remuneration Report	99.98	0.02	0.001	9,010
3	Approve Directors’ Remuneration Policy	99.98	0.02	0.001	9,010
4	Re-appointment of BDO LLP as auditors	99.99	0.01	0.001	9,079
5	Authority to fix the remuneration of the auditors	99.99	0.01	0.001	9,010
6	Re-election of Mr Duffy	99.98	0.02	0.001	9,079
7	Re-election of Mr Breytenbach	99.98	0.02	0.001	9,079
8	Re-election of Ms Shine	99.98	0.02	0.001	9,079
9	Re-election of Mr Hamilton	99.98	0.02	0.001	9,010
10	Re-election of Ms Matloa	99.98	0.02	0.001	9,079
11	Re-election of Mr Pryor	99.98	0.02	0.001	9,079
12	Election of Mr Hill	99.98	0.02	0.001	9,079
13	Approval of increase in authorised capital	99.98	0.02	0.001	9,079
14	Authority to allot relevant securities	99.98	0.02	0.001	9,010
15	Disapplication of pre-emption provisions	99.98	0.02	0.001	9,079

Report of the Audit and Risk Committee

Members of the Audit and Risk Committee¹

Gordon Hamilton (Chair), iNED

Varda Shine, iNED²

Octavia Matloa, iNED

Bernard Pryor, iNED

Deborah Gudgeon, iNED³

1. As at 12 October 2021; Mr Lowrie was a member of the Audit and Risk Committee until he retired from the Board on 17 November 2020.

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

3. Ms Gudgeon joined the Committee post Year end on 1 July 2021.

Audit and Risk Committee Terms of Reference <https://petradiamonds.com/about-us/corporate-governance/board-committees>

Quote from the Chair:

“The Restructuring was a major step forward in placing Petra on a more sustainable financial footing and thereby mitigated a material uncertainty from the Company’s outlook. More recently, the Committee has given careful consideration to the Group’s liquidity forecast, the treatment of Williamson as an asset held for sale, impairment testing and the ongoing assessment of the Group’s viability. After ten years in my role as Chair of the Committee, I will be shortly stepping down and I would like to welcome Ms Gudgeon as the Chair-designate, who brings a wealth of relevant experience to the benefit of the Committee.”

The Audit and Risk Committee (“the Committee”) continued to focus on its key objectives set for FY 2021 of:

- assessing the Group’s ability to navigate the challenges brought about by COVID-19, as well as the finalisation of the capital Restructuring during FY 2021;
- 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 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, including the operationalisation of the new ERM and Combined Assurance Plan;
- 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 Chair), 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 Chair 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 capital structure, debt Restructuring, banking covenants, going concern and the Viability Statement

Despite facing a number of challenges during FY 2021, improvements in market conditions and the easing of certain COVID-19 restrictions resulted in an increase in demand for rough diamonds, specifically during H2. This allowed for a higher volume of diamond sales to be generated by the Group, which further benefitted from a ca. 9% increase in diamond prices on a like-for-like basis when compared to FY 2020. In addition, the Company recovered and sold a number of Exceptional Stones from Cullinan during FY 2021, yielding a total of US\$62.0 million in sales revenues.

During 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 Restructuring entailed a debt-for-equity swap which impacted the Group's equity shareholders and was thus subject to shareholder approval by way of voting at a Special General Meeting; this approval was obtained in January 2021.

The Restructuring completed in March 2021 and significantly reduced the Company's gross debt from US\$817.5 million directly before the Restructuring to US\$450.1 million immediately thereafter, with some US\$10.3 million (ZAR160 million) remaining undrawn and available to the Group.

Loan notes reduced from US\$713.7 million (US\$650 million capital plus accrued interest of ca. US\$63.7 million to date of settlement) to US\$336.7 million, while debt owed under the Group's banking facilities saw an additional US\$10.3 million (ZAR160 million) RCF being made available to the Group, increasing these facilities to ZAR560 million, while the previous ZAR500 million WCF and the ZAR683 million BEE guarantee facilities were refinanced and replaced by a ZAR1,200 billion amortising term loan.

The Committee was kept fully apprised of and reviewed the proposed Restructuring, liquidity and cashflow forecast positions, including potential forecast covenant breaches (related to its first lien bank debt facilities), as well as Management's engagements with the AHG and the South African Lender Group. The Committee noted that the first lien covenants were set with limited headroom to the Company's base case and as such, results of the stress testing indicated that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. The Committee noted that at the time of any covenant breach in June 2022 and December 2022 under such scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring and maintain adequate liquidity. The forecasts indicate that under the sensitivity scenarios, the Group is not reliant on the facilities. Refer to the going concern note to the Financial Statements on page 146. The Committee also carefully considered the projections to FY 2026 which informed the Board's assessment of the Group's viability for this period; refer to the Viability Statement on pages 96 and 97. The Committee regularly discussed these issues and the Restructuring and potential de-leveraging 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 accounting treatment of the loan notes, debt-for-equity conversion, South African lender facilities, transaction costs and assumptions relating to the substantial modification assessment of the Restructuring under IFRS 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. Market conditions in the global rough diamond market, the ongoing impact of the COVID-19 pandemic, volatility of and variability in product mix are all factors impacting the rough diamond prices achieved by Petra during the Year. Given the impact of the strengthening South African Rand, specifically in the period leading up to Year end, Management also considered the impact of ZAR:USD movements on the business, coupled with the unexpectedly high waste-ingress experienced at Finsch toward the middle of FY 2021, and identified there to be indicators of impairment, which required the carrying out of tests for each mine based on the underlying LOM models. Improving diamond prices as well as the higher incidence of Exceptional Stones at Cullinan also prompted Management to consider any possible reversals of prior impairments.

The review required Management to use its judgement and make assumptions with regards to production rates, operating costs, cost savings incorporated into the long term forecasts, Capex, classification of Williamson as an asset held for sale and its recoverable value, and the Group's reserves and resources, coupled with a robust discussion on diamond pricing in light of the positive trends in the diamond market witnessed more recently 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. An impairment of US\$15.1 million (FY 2020: US\$27.6 million) was recognised at Finsch and an impairment of US\$2.2 million (FY 2020: US\$11.7 million) at Koffiefontein. No impairment charge was recognised at Cullinan, nor was any impairment's reversal deemed appropriate in the current Year.

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.

Williamson held for sale and impairment considerations

The Board reviewed its strategic options around the Williamson operation during FY 2021. The Williamson mine has remained on care and maintenance since April 2020; however, the Company is currently taking steps to resume production, given the improvement in market conditions over recent months. This strategic review gave rise to key considerations around the reclassification of Williamson as an asset held for sale on the Group's balance sheet, amounts relating to unsettled and disputed tax claims and unpaid taxes, and the measurement of the Williamson assets at the lower of carrying value and the recoverable amount for impairment.

The Committee assessed the requirements and criteria under IFRS 5, the carrying value of the assets and fair value less costs to sell for impairment. An impairment of US\$21.4 million was recognised, based on the best available information at the present time, to reduce assets of Williamson to equal the fair value less costs to sell on the recognition of Williamson as held for sale. Consideration was given to Management's assumptions in respect of a provision amounting to US\$19.5 million raised for unsettled and disputed tax claims. Discussions with the external auditors were held pertaining to the assessments to ensure the appropriate external reporting and disclosure on the Group's balance sheet at Year end.

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 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 of 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 Committee held frequent discussions with Management on VAT receivables at Williamson throughout the Year, wherein updates concerning feedback on engagements with the GoT were provided. Consideration of refunds received towards the end of FY 2021, in-country legal advice as to the VAT legislative changes in July 2020 amending the categorisation of raw minerals (which had previously applied for the period 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, taking into account the US\$10.0 million of VAT refunds received in two separate payments during FY 2021 relating to VAT due pre-July 2017, 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. It was noted that the disputed VAT balance of US\$26.9 million relating to the period July 2017 to June 2020 was written down to US\$nil. The provision of US\$28.8 million (FY 2020: US\$29.6 million) is appropriately disclosed under asset held for sale in the Group's balance sheet at Year-end.

Recoverability of BEE loans receivable

The BEE partners hold non-controlling interests in Cullinan, Finsch and Koffiefontein. In determining the extent to which expected credit losses may apply, the Group assessed the agreement entered into, during March 2021, between the Group and its BEE partners with respect to the offset of the gross receivable and payable balances and the future free cashflows expected to be generated by the mining operations, based on the current LOM plans.

Subsequent to the offset agreement, the Group held BEE loan receivables of US\$52.4 million (before recognising expected credit losses or reversals under IFRS 9) due from its BEE partners, as set out in note 16, which are repayable out of the future free 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 reversal of US\$5.8 million with a provision of US\$5.1 million remaining which is specifically attributable to the Koffiefontein portion of the expected credit loss provision, 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 offset of the gross receivable and gross payable, together with the expected credit loss reversal 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 anonymous individuals in relation to alleged breaches of human rights at the Williamson mine, arising from the mine's security operations.

The Committee takes these allegations extremely seriously. A sub-committee of the Board, the Tunajali Committee which was formed entirely of independent Non-Executive Directors, was established. The Tunajali Committee initiated an investigation, which was carried out by a specialist external adviser in conjunction with specialist human rights lawyers advising the Tunajali Committee and the Group, for the purposes of responding to the allegations and was responsible for overseeing this investigation and reporting back regularly to the Board.

The Company took immediate precautionary measures to address the concerns raised, ahead of the findings of the investigation and in order to mitigate the risks of future incidents, including the appointment of a new third-party security contractor, the training of all security personnel and internal management at WDL on human rights and their obligations in terms of the VPSHR and the launch of an OGM.

Report of the Audit and Risk Committee continued

Other matters considered by the Committee continued

Litigation at Williamson continued

On 12 May 2021, the Group announced the findings of the Tunajali Committee's investigation and the measures that had been or will be put in place to address the issues identified, including the revision of reporting structures to enable the more timely, accurate and transparent reporting of all incursions and incidents, the enhancement of stakeholder engagement at the mine (as well as ongoing work Group-wide), and the establishment of a non-judicial IGM to investigate and resolve allegations of human rights breaches.

Petra also announced on 12 May 2021 that it had reached a settlement, on a no admission of liability basis, in relation to claims brought in London by Leigh Day on behalf of 71 anonymous claimants in relation to alleged breaches of human rights, associated with third-party security operations, at the Williamson mine.

The agreed total settlement figure announced in May 2021 was £4.3 million (US\$6.1 million), which includes the sum to be distributed to the claimants by Leigh Day, a contribution to the claimants' legal expenses and funds which Petra has committed to invest in programmes dedicated to providing sustainable support to the communities living around the mine. The Company also announced that its settlement agreement with Leigh Day included a framework pursuant to which an additional payment will be made by Petra in respect of up to 25 additional potential claimants who came forward in the final stages of the settlement negotiations. A settlement, on a no admission of liability basis, in relation to these 25 additional claims has been reached with Leigh Day.

In addition to the £4.3 million (US\$6.1 million) payment described above, the Company has incurred and provided for additional total costs of US\$6.6 million related to this matter in its FY 2021 accounts, the majority of which relate to legal, consultant, investigation and expert fees and which also cover the settlement of the 25 additional claims with Leigh Day.

Based on discussions with Management, their assessment of the investigation report of the findings, the settlement agreement with Leigh Day and the assumptions used for incurring and providing for additional costs relating to the claims raised at Year end, the Committee agrees with Management that the provision raised is sufficient and that the disclosures made are appropriate.

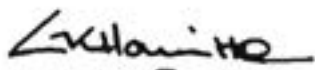
The Committee's responsibility towards risk management

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 Risk and Assurance function operationalising the new ERM and Combined Assurance Plan, which included a Group Risk and Assurance Policy Statement and Group Risk Policy and Framework. An enterprise-wide and 'bottom-up' risk relevance testing, assessment and aggregation was also carried out and integrated into the Group Risk Register.

The revised ERM approach has not materially amended the Group's principal risks as disclosed on pages 40 and 41.

Committee composition

In November 2020, Mr Lowrie stepped down from the Board and as a member of the Committee. I would like to thank Tony for his exceptional contribution to Petra and the Committee over the years. In July 2021, we welcomed Ms Gudgeon to the Committee and she will shortly be taking over from me as Chair following the 2021 AGM. Deborah is a highly experienced non-executive director and audit committee chair, as well as having extensive experience working for companies in both Africa and the resources industry. She therefore has a high level of understanding of the risks and opportunities faced by such businesses and her background will be greatly relevant to Petra and the Committee.



Gordon Hamilton
Audit and Risk Committee Chair
12 October 2021

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 Chair 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 63).

Ms Gudgeon, who will succeed Mr Hamilton as Chair following the 2021 AGM in November 2021, joined the Committee post Year end and she likewise fulfils the requirements of the Code with regards to the required level of financial and audit experience. Ms Gudgeon qualified as a chartered accountant with PwC before going on to hold a range of roles at Deloitte, BDO and within industry. More recently, she has extensive experience as a non-executive director and chair of the audit committees of Highland Gold Mining Limited and Acacia Mining plc, and she currently holds the role of chair of the audit committee for FTSE 100 natural resources and industrial group Evraz plc.

In terms of the other 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 FY 2020, at which point he stepped down from the Board. However, he remained available to the Company for the duration of FY 2021 as a Technical Consultant. Mr Lowrie brought 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 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 of 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 72 and 73), 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 2021.

Committee meetings

Six meetings were held in FY 2021 and the Committee invited the Group Chairman, the Executive Directors, members of Senior Management (including the Exco members, the Group Risk and Assurance Manager and the Group Security 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 regularly without Management present to discuss significant audit and accounting matters, together with relevant financial reporting and governance developments. Audit Committee members were afforded the opportunity to meet with the auditors without the Executive Directors.

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 Chair 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 regularly held online meetings with the Finance Director 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.

Site visits to the Group's various operations were unable to be arranged for Committee members during the Year due to the COVID-19 pandemic travel restrictions. Online discussions enabled 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.

Report of the Audit and Risk Committee continued

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 2021.

Role	Activities in FY 2021	Outcomes
<p>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.</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>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.</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 2021 Annual Report are set out on pages 90 to 94.</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>To ensure that Petra's risk management systems, internal financial controls and other internal controls are effective.</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, Exco members, the Group Internal Audit Manager and other members of the Senior Management team 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 2021 included presentations by BDO LLP regarding the results of the FY 2020 audit, the interim review for H1 FY 2021 and the FY 2021 Audit and Risk Committee Planning Report, with a presentation by BDO LLP of the results of the FY 2021 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 and the Risk and Assurance function.</p>

Role	Activities in FY 2021	Outcomes
To ensure the Internal Audit function is adequately resourced and effective and is supported by the Committee in its role.	The Internal Audit Charter was reviewed, having been approved by the Committee in FY 2019. The Committee continued to assess the effectiveness of Internal Audit during the Year and to review progress against the Internal Audit Plan approved by the Committee.	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.
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.	<p>In advance of the FY 2021 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 ESG and Sustainability Report.</p> <p>During the Year, the Committee reviewed non-audit fees and independence considerations in respect of BDO LLP's 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 ascertained that BDO LLP continue to be independent and 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>
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.		
To give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the UK Listing Rules.	The Committee received adequate timely information, briefings and training on all relevant regulatory updates and developments. The Chairman of the Committee met regularly without Management present 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.
To review the adequacy of the Company's whistleblowing system, its fraud detection procedures and the systems and controls in place for bribery prevention.	<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 2021 Petra received 28 reports involving alleged irregularities considered necessary to investigate, relating mostly to fraud involving recruitment scams, procurement irregularities, non-compliance of procedures, theft and corruption. Of the 39 reports in total under review, including eleven brought forward from the previous year, 37 were resolved and closed, with most of these found to be unsubstantiated, while appropriate actions were instituted where warranted; two remain under investigation. Further information is included in the Company's 2021 ESG and Sustainability Report on page 20.

Report of the Audit and Risk Committee continued

Significant issues considered by the Committee in FY 2021

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 131 to 140.

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 2021 external audit.

Significant matters considered

Our response to these matters

Capital structure, going concern, debt Restructuring, banking covenants and viability statement

Notwithstanding the Restructuring undertaken during FY 2021, the Committee continued to focus on going concern, liquidity and covenant compliance coupled with facility availability, especially taking into account the uncertainty around potential future COVID-19 pandemic impacts.

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 2022. However, the Group's forecasts remain sensitive to both trading conditions and the potential impact of COVID-19; however, there are sufficient funds available to settle the South African lender facilities.

Management forecasts to FY 2026 contained with the viability statement indicate on a base case scenario that there will be a part-settlement of the US\$336 million loan notes due in 2026 ("Loan Notes").

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, carried out a detailed and robust review of the impact of COVID-19 on assumptions pertaining to a disruption to operations at its South African mines, as well as considered the potential impact of other unforeseen disruptions such as labour stoppages and flood events, a sustained decline in rough diamond prices of 5%, a sustained 5% strengthening in the forecast South African exchange rate against the US Dollar and an increase in operating costs.

The Committee members considered the results under the base case scenario, noting that the continued availability of the South African banking facilities was crucial to the assessment. The Committee noted the forecasts indicate that the Company will be able to operate within covenants set out in accordance with the Restructuring agreements 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. The results of the stress testing indicated that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. The Committee noted that at the time of any covenant breach in June 2022 and December 2022 under such scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring and maintain adequate liquidity. At the time of any covenant breach in June 2022 and December 2022 under such scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring and maintain adequate liquidity. The forecasts indicate that under the sensitivity scenarios, the Group is not reliant on the facilities. The Company has also commenced with steps towards renegotiating available banking facilities and associated covenants to address the risk of a breach occurring.

Having considered the cashflow forecast, risks and sensitivity analysis, the Committee was satisfied with Management's forecast and judgement that the going concern basis of preparation remained appropriate.

The Committee reviewed the assumptions in the viability base case, as well as individual stress tested scenarios, considering the expected remaining LOMs of both Cullinan and Finsch, coupled with expected levels of cashflow generation available to part-settle the Loan Notes or within a reasonable timeframe after maturity. The Committee reviewed the stretched downside scenario, which incorporates a combination of production disruptions, price and foreign exchange stressors, noting that liquidity is projected to be tight with little or no capital repayment of the existing Loan Notes in March 2026. In such a downside scenario, the willingness of Noteholders at the time of the possible refinancing on or before maturity, as well as the terms and conditions of such a refinance, may make a refinancing of the Loan Notes prohibitive. This may see the Company having to resort to an equity raise or asset sales should a refinancing be unsuccessful. A successful equity raise would be dependent upon feasibility studies to access the deeper levels of the orebodies at both Cullinan and Finsch and extending the LOMs beyond 2030.

Having considered the assumptions and projections of the Group's viability for the five-year period to FY 2026 and the possibility of an equity raise in the future, the Committee was satisfied 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.

The Committee assessed the disclosures in the Annual Report and Financial Statements in respect of going concern, viability and covenant compliance and concluded that they were appropriate. Refer to note 1.1 on pages 146 to 148 for further details.

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 2020/21 on the back of the sustainability of the recovery in the diamond market, the impact of any future COVID-19 lockdowns and volatility in the ZAR/US Dollar exchange rate.

At Finsch and Koffiefontein, impairment indicators were identified and impairment charges of US\$15.1 million and US\$2.2 million respectively were recognised.

No impairment indicators were identified at Cullinan and no reversal of previous impairments were deemed appropriate.

Impairment considerations relating to Williamson are discussed below.

The impairment tests include significant estimates and judgements and therefore represented a key focus for the Committee, as covered in note 8 on pages 151 to 154.

The current market conditions in the global rough diamond market, the ongoing impact of the COVID-19 pandemic, volatility of and variability in product mix are all factors impacting the rough diamond prices achieved by Petra during the Year, and the impact of the strengthening South African Rand, specifically in the period leading up to Year-end, coupled with the unexpectedly high waste-ingress experienced at Finsch toward the middle of FY 2021, were all key indicators to be considered by the Committee in assessing the carrying value of the mining assets.

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, 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 pre COVID-19 diamond prices. 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. The revised Koffiefontein mining plan with reduced Capex resulting in a shorter remaining LOM assumption is still appropriate. However, the strengthening of the ZAR against the US Dollar, unexpected waste-ingress at Finsch impacting recovery grades and Koffiefontein's underperformance to previous mining plans compared to earlier assumptions resulted in the Finsch and Koffiefontein 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.

Williamson held for sale and impairment considerations

The carrying values of the mining assets at Williamson and the accounting treatment was a key focus area for the Committee in FY 2021 on the back of the Board's decision to review its strategic options at Williamson.

Williamson was recognised as an asset held for sale under IFRS 5 as a result of the Board's review of its strategic options around Williamson.

At Williamson, impairment indicators were identified and impairment charges of US\$21.4 million were recognised representing the difference between the Williamson assets measured at the lower of their carrying amount and fair value less costs to sell. In determining the fair value used to calculate the appropriate write down, consideration of the best available information at the present time.

The impairment tests include significant estimates and judgements and therefore represented a key focus for the Committee, as covered in note 37 on pages 201 and 202.

The Committee critically reviewed the key criteria required under IFRS 5 to classify the Williamson operation as an asset held for sale. For this to be the case, all of the following criteria have been met: Management must have committed to a plan to sell; the operation must be available for sale; an active search for a buyer is in place; and a transaction is highly probable within 12 months of classifying as held for sale.

The Committee reviewed the impairment assumptions around the impairment charge in respect of the Williamson assets. Under IFRS 5, the Group is required to measure a non-current asset classified as held for sale at the lower of its carrying values and the recoverable amount (fair value less costs to sell). The Committee reviewed the carrying value of the Williamson assets and challenged Management's assumptions and judgement around the fair value used to calculate the write down. The Committee also considered current discussions with vendors, the latest LOM plan assessment and the best available information at the present time in assessing the fair value arrived at by Management.

The Committee gave consideration to Management's assumptions in respect of a provision amounting to US\$19.5 million raised for unsettled and disputed tax claims.

Based on its enquiries and assessment the Committee was of the opinion that the Williamson operation met the criteria under IFRS 5 to be classified as an asset held for sale and that the determination of the recoverable amount was appropriate. The Committee further reviewed the relevant disclosure in the Financial Statements to ensure compliance with reporting standards.

Report of the Audit and Risk Committee continued

Significant issues considered by the Committee in FY 2021 continued

Significant matters considered

Our response to these matters

Tanzanian legislative environment

At Williamson, ongoing risks arising from legislative changes and political uncertainties, alongside the remaining uncertainty around the recovery of VAT receivables and the continued confinement of the blocked diamond parcel (due for export in FY 2018) continued to represent a significant area of focus for the Committee in FY 2021.

The Committee reviewed updates to 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. Consideration of the Board's review of its strategic options at Williamson was taken into account.

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 for 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 on 17 June 2020. The Committee considered the impact of the legislation change on VAT receivables pre-July 2017 and VAT receivables post 1 July 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 also noted that a total of US\$10 million in VAT refunds was received during FY 2021 relating to the pre-July 2017 VAT.

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, the forecast for production to re-commence in FY 2022 and ongoing discussions with GoT were reviewed by the Committee.

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

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 settlement agreement entered into with Leigh Day in respect of the claims.

The agreed total settlement figure of £4.3 million (US\$6.1 million) includes the sum to be distributed to the claimants by Leigh Day, a contribution to the claimants' legal expenses and funds which Petra has committed to invest in programmes dedicated to providing sustainable support to the communities living around the mine. The Company also announced that its settlement agreement with Leigh Day included a framework pursuant to which an additional payment will be made by Petra in respect of up to 25 additional potential claimants who came forward in the final stages of the settlement negotiations. A settlement, on a no admission of liability basis, in relation to these 25 additional claims has been reached with Leigh Day.

In addition to the aforementioned £4.3 million (US\$6.1 million) payment, the Company also incurred and provided for additional total costs of US\$6.6 million related to this matter in its FY 2021 accounts, the majority of which relate to legal, consultant, investigation and expert fees and which also cover the settlement of the 25 additional claims with Leigh Day.

The Committee reviewed the claims letter received from Leigh Day and noted its content and alleged claims. Responses by Management during the Year to Leigh Day were also reviewed. The responses to RAID were also reviewed and included setting out the proactive measures taken to strengthen human rights management at Williamson.

The reports of external advisers, appointed to assist with the in-depth investigation, working with the legal team, and legal substance of the claims, and the establishment of the Tunajali Committee comprising of iNEDs (including the Chair of the Audit and Risk Committee) to oversee the investigation, was noted and reviewed by the Committee.

The Committee held calls with the advisers and the Chair of the Tunajali Committee to understand the scope of the work and also the terms and conditions of the settlement agreement and the costs relating to the matter. The discussions held with both the Tunajali Committee and advisers confirmed that the settlement terms and settlement amounts reached with Leigh Day were appropriate.

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

Given the successful completion of the Group's Restructuring, the offsetting of the BEE receivables against the BEE payables and the cashflows of the underlying operating mines, the Committee considered the recoverability of the BEE loans a key issue.

The Group's expected credit loss reversal for the BEE loans receivable amounted to US\$5.8 million, comprising US\$5.8 million for Cullinan and Finsch and US\$nil in respect 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 2021 impairment testing under different pricing scenarios.

The Committee considered Management's assumptions in the impairment models around pricing, discount rates, the market outlook, foreign exchange rates against current and forward rates, and the basis for production and cost forecasts. Taking into account the agreement entered into with the BEE partners allowing for the successful offsetting of the BEE loans receivable against the BEE loans payable, such approach was deemed appropriate and Management's assumptions used in the impairment models were considered appropriate.

The Committee also noted no adjustment was appropriate in respect of Koffiefontein due to the shorter LOM and decreasing future cashflows available, and agreed with Management that the full amount in respect of BEE loans receivable related to Koffiefontein should remain provided for.

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

Report of the Audit and Risk Committee continued

Significant issues considered by the Committee in FY 2021 continued

Significant matters considered

Our response to these matters

Accounting treatment of the Restructuring

The successful completion of the Group's debt Restructuring gave rise to accounting considerations regarding the accounting treatment for the debt-for-equity swap, the accounting treatment of unamortised costs, including the accounting treatment of transaction costs and accrued interest associated with the New Notes.

The Restructuring comprised two major components: 1) the debt-for-equity swap of US\$415.0 million, involving the issue of 8.9 billion shares with a market value of US\$194.0 million, and the respective gain of US\$213.3 million realised on extinguishment of the notes and 2) the extinguishment of the remaining notes through the issue of New Notes for a value of US\$295.0 million, the issue of US\$30.0 million of New Notes in the form of New Money, and US\$11.7 million of transaction costs capitalised to the New Notes.

The Committee reviewed the final Restructuring agreements and assessed whether the transactions and amounts had been appropriately reflected in the accounting treatment. The Committee reviewed the agreement terms and the share price at transaction date to assess accuracy of the gain on extinguishment of the notes. The Committee agreed with Management's assessment and deemed the gain on extinguishment to be appropriate.

The Committee assessed Management's treatment of the costs relating to the Restructuring, including the allocation of the costs between equity, the Notes and the first lien facilities.

The Committee considered Management's approach based on the information presented, to be appropriate and reviewed the disclosure in the Annual Report and Accounts for compliance with reporting standards.

Each of these areas, also represented key audit matters or otherwise areas of audit focus 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 Williamson as an asset held for sale 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 2021 by the Group's auditors.

Auditors' remuneration US\$ million	FY 2021	FY 2020
Audit services ¹	1.0	0.9
Audit-related assurance services ²	0.1	0.1
Non-audit related services ³	0.4	—
Total	1.5	1.0

- Audit services are in respect of audit fees for the Group.
- Audit-related services are in respect of the interim review of US\$0.1 million (FY 2020: US\$0.1 million) and specific agreed upon procedures in relation to the ESG and 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 2020: US\$5.0k).
- Non-audit related services comprised fees in respect of the Company's Restructuring transaction of US\$0.4 million (FY 2020: US\$nil).

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 ESG and 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. Non-audit services were provided by BDO LLP during the Year as the Reporting Accountant as part of the Restructuring process. 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\$0.4 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.

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 2021 Internal Audit Plan was approved by the Committee, as aligned to the previously approved three-year Internal Audit Plan strategy (i.e. FY 2019 to FY 2021), presented to the Committee and approved during September 2020.

The Group's Risk Management function

During the Year, the Risk and Assurance function operationalised the new Enterprise and Risk Management ("ERM") and Combined Assurance Plan, which included the Group Risk and Assurance Policy Statement and the Group Risk Policy and Framework. An enterprise-wide and 'bottom-up' risk relevance testing, assessment and aggregation was also carried out and integrated into the Group Risk Register.

In FY 2021, the Risk and Assurance function also led Petra's risk owners, Management and Exco through a review and update of the Group's principal risks with reference to the Group's internal risk registers. The Board, the Committee and Exco conducted an in-depth analysis and appraisal of the Group's risk profile shortly after Year end, including a review of emerging risks, with the process supported for the first time by the newly adopted ERM risk software solution. No new principal risks were added, with the COVID-19 pandemic risk being maintained as a principal external risk for a second year running.

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 2021, 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 currently the most relevant time period for this assessment is a five-year period ending June 2026, reflecting the amortising profile of the restructured first lien bank debt, the terms of the recently completed Restructuring with specific reference to the March 2026 maturity date of the Loan Notes, and the potential impact of the principal risks that could affect the viability of the Group. The Board extended the assessment period from three to five years following the successful Restructuring of the Group's first and second lien debt during the Year. 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 Executive Directors 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 liquidity and the covenants related to the Group's banking facilities, restructured Loan Notes and their maturity date, and the principal risks of the Group.

Capital Restructuring

The Restructuring completed in March 2021 and significantly reduced the Company's gross debt from US\$817.5 million directly before the Restructuring to US\$450.1 million thereafter, with US\$10.3 million (ZAR160 million) of facilities remaining undrawn and available to the Group.

Loan Notes reduced from US\$713.7 million maturing 1 May 2022 (US\$650 million capital plus accrued interest of ca. US\$63.7 million to date of settlement) to US\$336.7 million maturing in March 2026. Debt owed under the Group's banking facilities saw an additional US\$10.3 million (ZAR160 million) RCF being made available to the Group, increasing the amortising revolving credit facilities to ZAR560 million, while the previous ZAR500 million WCF and the ZAR683 million BEE guarantee facilities were refinanced and replaced by a ZAR1.2 billion amortising Term Loan. The agreed amortisation profile will see the first lien debt repaid in full by March 2024.

Impact of COVID-19

While the COVID-19 pandemic remains an ongoing challenge, the Company's comprehensive systems and processes in place are allowing for the South African mining operations to continue without a material impact on production. In order to further protect its workforce, the Company is now working to support the Government's mass vaccination drive by making vaccine stations available at, or nearby, each of its operations and running campaigns to raise awareness of the benefits of vaccination to encourage their uptake.

While international travel remains subject to changing levels of restrictions, the diamond sales market in Antwerp has remained open, with the Belgian Government designating the diamond industry as an industry of strategic importance. Petra is therefore holding rough diamond tenders for its South African goods in Antwerp, having fulfilled its regulatory obligation to offer a portion of goods for sale to the State Diamond Trader and local beneficiation groups in South Africa, and this is working well in terms of providing access to the majority of the Company's client base. Petra may continue to hold its sales tenders in Antwerp should ongoing COVID-19 restrictions continue to make travel to South Africa problematic for international buyers.

Improved diamond sales

Despite the severe impact of the COVID-19 pandemic on the diamond market in FY 2020, which experienced a major halt or slowdown of activity across the pipeline and caused the rough diamond pricing realised by Petra to fall ca. 18% during the Year, improvements in market conditions and the easing of certain COVID-19 restrictions resulted in an increase in demand for rough diamonds in FY 2021, specifically during H2. This allowed for a higher volume of diamond sales to be generated by the Group, which further benefitted from a ca. 9% increase in diamond prices on a like-for-like basis when compared to FY 2020.

In addition, the Company recovered and sold a number of Exceptional Stones during FY 2021 from Cullinan, yielding a total of US\$62.0 million in sales revenues. Post Year end, another three special stones were sold, being a 39.3 carat blue diamond yielding US\$40.18 million in July 2021, and a 342.9 carat white diamond and an 18.3 carat blue diamond which collectively sold for US\$13.5 million, while the Company retained a 50% interest in the profits, after costs, of both these stones.

These factors, coupled with the successful completion of the capital Restructuring, supported by the Group's tight control of Capex, operating costs and corporate overhead, resulted in solid progress towards stabilising the Group's balance sheet and strengthening cash reserves to the date of this report.

South African operations

Cullinan performed well during FY 2021, delivering record throughput supported by Project 2022 initiatives. It is expected that Cullinan will continue to perform at these levels in the future. Finsch was impacted by unexpected levels of waste ingress, reducing both throughput and grades recovered at the mine. The longer-term impact of the waste ingress has been assessed through geological simulations, with results informing revised LOM planning models and cashflow projections. Short-term disruptions were also experienced after unusually heavy rainfalls hampered operations at both Finsch and Koffiefontein during Q3 FY 2021.

Project 2022 initiatives are expected to continue to support both production and cost efficiencies during the review period across the South African operations with an appropriately conservative level of these initiatives built into the projections.

Williamson mine, Tanzania

The Williamson mine remained on care and maintenance in FY 2021, but the improvement in the diamond market during the Year has allowed the mine's operator, WDL, to commence preparations to resume production in H1 FY 2022, as pricing is gauged to now be at a level at which the mine can operate economically. As previously announced, the Board has reviewed its strategic options at Williamson and it has therefore been reclassified as an asset held for sale.

The mine's own liquidity position, bolstered by US\$10 million in VAT refunds during Q4 FY 2021, coupled with support from the local mining contractor in the form of deferred payment terms, should see it reach commercial production levels during H1 FY 2022, with the first sale of goods projected to be in Q2 FY 2022, and working capital funding from Petra limited to US\$6 million during this start-up period.

In addition, the Group remains in discussions with the GoT around various issues including, inter alia, the sharing of economic benefit, the recoverability of additional VAT receivables and the potential release of the blocked diamond parcel. Williamson's liquidity position is reliant on its ability to generate cash through operations; and/or its ability to reach agreement with the GoT allowing the proceeds of the blocked diamond parcel to be received by Williamson and around potential recoupment of the balance of VAT receivables; and/or its ability to procure funding via borrowings from local financial institutions.

Notwithstanding receiving approval from the GoT to proceed with arranging a US\$25 million WCF from a local Tanzanian bank, while pledging its own assets as security, the mine has not yet been able to secure such funding. Earlier discussions with a local bank for a possible WCF were not successful given the mine was still on care and maintenance. The Tanzanian banks suggested that they may consider advancing a facility post restart of operations, although this remains uncertain. 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.

Petra is only allocating Stay in Business Capex to the operation in its plans covering the review period, rather than additional expansion Capex.

Risks and stress tests

For the purpose of assessing the Group's viability, the Board focused its attention on the 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 'Principal Risks and Uncertainties' and 'Risk Management' sections of this report set out on pages 40 to 41 and 98 to 104 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. Specific consideration was given to the potential impact of COVID-19 on the business, specifically considering potential production disruptions and adverse impacts on diamond pricing. The scenarios tested considered the Group's revenue, underlying EBITDA, cashflows, covenant ratios, as well as the impact on facility availability over the five-year period excluding repayment of the Loan Notes (refer below) and included:

- an unforeseen disruption to operations at its South African mines due to either COVID-19 restrictions, labour stoppages, flood events, or otherwise;
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period;
- a sustained 5% strengthening in the forecast South African Rand exchange rate against the US Dollar throughout the forecast period; and
- an increase in forecast operating cost.

Under the base case, as well as identified upside cases, the forecasts indicate that the Company will be able to operate within the covenants set out in the respective financing agreements while in all stressed tested scenarios, as well as a combination of these scenarios ("downside scenario"), maintain sufficient liquidity throughout the period. However, the Company's base case and individual stress tested scenarios indicate the Loan Notes will only be partially settled at maturity date, as further expanded on below.

As also highlighted in the going concern note on page 146, possible covenant breaches associated with the South African banking facilities may occur under certain stress tested scenarios in the bi-annual measurement periods from June 2022 to December 2023 before being fully settled shortly thereafter, given the agreed amortisation profile associated with these facilities. At the time of these possible covenant breaches, projected cash balances under these scenarios exceed outstanding debt under the first lien facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring and maintain adequate liquidity. The forecasts indicate that, even under the stressed case scenarios, the Group is not reliant on these facilities. The Company has also commenced with steps towards renegotiating available first lien banking facilities and associated covenants to address the risk of a breach occurring.

The Loan Notes repayment profile comprises cash interest coupons payable from June 2023 and thereafter semi-annually in arrears on 31 December and 30 June respectively; and a final capital repayment in March 2026. The Company's base case, as well as individual stress tested scenarios, indicate that it would be able to part-settle the Loan Notes at maturity with an expectation that it would be able to refinance and settle the remaining outstanding capital balance within a reasonable timeframe thereafter, considering the expected remaining LOMs of both Cullinan and Finsch, coupled with expected levels of cashflow generation. In a stretched downside scenario, which incorporates a combination of production disruptions, price and foreign exchange stressors, liquidity is projected to be tight with little or no capital repayment of the existing Loan Notes in March 2026. In such a downside scenario, the willingness of Noteholders at the time of the possible refinancing on or before maturity, as well as the terms and conditions of such a refinance, may make a refinancing of the Loan Notes prohibitive. This may see the Company having to resort to an equity raise or asset sales should a refinancing be unsuccessful. A successful equity raise would be dependent upon feasibility studies to access the deeper levels of the orebodies at both Cullinan and Finsch and extending the LOMs beyond 2030.

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.

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, 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.

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, including emerging risks, within their realm of responsibilities.

External risks

1. Rough diamond prices

Long term

Risk change in FY 2021

Lower

Strategic objectives

Consistent delivery

KPIs

Revenue; Profitability; Operational free cashflow; TSR

Responsibility

Exco

Description and impact

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.

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.

Whilst the long-term fundamentals of the diamond market remain positive, some volatility in rough diamond pricing may be experienced.

Mitigation

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.

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 advertising campaigns across multiple digital channels.

The Company continues to monitor LGD developments. Disclosure and detection remain key; equipment exists which can detect LGDs with 100% accuracy.

The diversified nature of the Group's production profile 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.

FY 2021 risk developments and management

After the severe impact of the COVID-19 pandemic on all aspects of the diamond market in FY 2020, market conditions improved in FY 2021 driven by robust consumer demand for jewellery, as major economies reopened (particularly the US and China), despite ongoing waves of COVID-19 and changing levels of restrictions. At the opposite end of the pipeline, upstream demand contracted severely in CY 2020, including the wind down of the high-volume Argyle mine in Australia. A combination of lower supply and better demand led to strong purchasing by the midstream and the clearing of inventories in the pipeline, which led to shortages of certain polished goods. These factors led to an improvement in rough diamond pricing, with the pricing achieved by Petra rising ca. 9% in FY 2021.

According to Bain & Company, the number of gem-quality LGDs on the market continued to rise during the Year, and was estimated at between 6 to 7 million carats in 2020. However, the retail price discount for LGDs versus natural diamonds also slightly increased. Bain & Company also estimates that LGD substitution may 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.

Petra continues to work with the NDC in its activities to support rough diamond demand.

Read more

Our Market – pages 18 to 22

External risks continued	
2. Currency	Long term
Risk change in FY 2021	
No change	
Strategic objectives	
Consistent delivery; Drive optimisation	
KPIs	
Revenue; Profitability; Operational free cashflow; TSR	
Responsibility	
Exco	
Description and impact	
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 can have a significant impact on the Group.	
Mitigation	
The Group continually monitors the movement of the Rand against the US 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 is 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.	
FY 2021 risk developments and management	
The ZAR/USD exchange rate saw significant volatility in FY 2021, with the Rand averaging ZAR15.41/USD1 for the 12-month period to 30 June 2021 and closing the Year at ZAR14.27/USD1, compared to ZAR17.32/USD1 on 30 June 2020, 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 2021 USD sales proceeds during the Year.	
Read more	
Financial Review – pages 28 to 33	
Note 9 to the Financial Statements	
3. Country and political	Long term
Risk change in FY 2021	
No change	
Strategic objectives	
Work responsibly; Consistent delivery	
KPIs	
Profitability; Operational free cashflow; TSR	
Responsibility	
Exco; HSE Committee; SED Committee	
Description and impact	
Petra's mining operations are located in South Africa and Tanzania. Emerging market economies are generally subject to greater risks, including legal, regulatory, tax, economic and political risks, and these risks are potentially subject to rapid change.	
Mitigation	
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.	
FY 2021 risk developments and management	
The risk of political instability remains in South Africa, exacerbated by upcoming local elections in November 2021. Civil unrest was experienced post Year end due to issues relating to certain service delivery systems in the South African provinces where Petra operates, plus a steep rise in the cost of living. Regulatory uncertainty has reduced in South Africa due to the publication of the 2018 Mining Charter, although certain aspects of the new Mining Charter were subject to judicial review. The High Court of South Africa recently handed down its judgement on this judicial review, finding in favour of the Minerals Council SA. It is yet to be seen whether the DMRE will appeal this judgement.	
Petra is in ongoing dialogue with the GoT and local advisers on various issues, including in relation to legislative developments, overdue VAT receivables and the blocked parcel of diamonds from Williamson. However, this engagement has been impacted by the COVID-19 pandemic, as well as the death of the former Tanzanian President John Magufuli in March 2021.	
Read more	
N/A	

Risk Management continued

Identifying, managing and mitigating risk continued

External risks continued

4. COVID-19 pandemic (operational impact)

Short to medium term

Risk change in FY 2021

No change

Strategic objectives

Work responsibly; Consistent delivery

KPIs

Production; Revenue; Profitability; Operational free cashflow

Responsibility

Exco; HSE Committee; SED Committee

Description and impact

The COVID-19 pandemic continued throughout FY 2021 and up to the date of this report. 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 a strategy to implement or ease restrictions on social interaction in order to control the spread of the disease, based on the levels of infections experienced at that point in time. The mass roll-out of vaccinations is now playing an important role in reducing the rate of serious illness and fatalities caused by the disease which in turn is helping countries around the world to reduce their COVID-19 restrictions.

Mitigation

Petra implemented comprehensive systems and strategies to help prevent and/or contain the spread of the 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. Petra is supporting the Governments of South Africa and Tanzania by installing vaccination stations and campaigns at each operation and running various employee engagement campaigns to encourage their uptake.

Petra's mitigation activity extends beyond its workforce to help support its local communities in a number of ways. Petra has also adopted a flexible sales approach in order to bring its goods to market at the optimal time and location based on prevailing market conditions.

FY 2021 risk developments and management

The comprehensive systems and strategies put in place by Petra are helping to mitigate the spread of the virus. A significant challenge to maintaining production rates is managing employees physically in the workplace while complying with the measures vital to the effective implementation of the Mandatory Codes of Practice in place at each South African operation. 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 2020, agreement was reached with organised labour to reinstate Contops for the remainder of FY 2021. 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 further 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.

Petra maintained its flexible sales approach during the Year in order to maximise client attendance at its sales. The Company therefore continued to hold rough diamond tenders for the South African goods in Antwerp (having fulfilled its regulatory obligation to offer a portion of goods for sale to the State Diamond Trader and local beneficiation groups in South Africa), rather than in Johannesburg, where travel restrictions have severely limited participation by international diamond buyers. Petra will continue to review this approach and reinstate sales in South Africa when conditions are right.

As at 30 September 2021, the Company was screening 4,251 individuals a day and a total of 2,261 possible cases were referred to medical practitioners to be tested. To date, the total number of employees confirmed COVID-19 positive at the South African operations is 766; of these, so far 748 have recovered in full, six cases are still active and 12 have sadly lost their lives. There have been two confirmed positive cases of COVID-19 at the Williamson mine in Tanzania to date, however COVID-19 statistics in Tanzania are not as reliable as in South Africa. Very sadly, both employees passed away. This brings the total number of those who have tragically lost their lives to COVID-19 or related complications to 14.

Up to the date of this report, there have been no negative impacts on the Company's supply chain, with all of Petra's suppliers delivering in line with their commitments.

Read more

Operational Review – pages 34 to 39

Employee health and wellness – page 48

Operational risks**5. Mining and production**

Long term

Risk change in FY 2021

Higher

Strategic objectives

Consistent delivery; Drive optimisation

KPIs

Production; Revenue; Profitability; Operational free cashflow; TSR

Responsibility

Exco, Investment Committee

Description and impact

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.

Mitigation

Petra's work to extend the lives of its assets is classified 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.

FY 2021 risk developments and management

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. Cullinan benefitted from these throughput initiatives and delivered record throughput of 5.06 Mt and production of 1.94 Mcts. However, production at Finsch was impacted by unexpected levels of waste ingress during Q2 FY 2021, with subsequent mitigating measures reducing throughput during the second half of the Year. In addition, production at both Finsch and Koffiefontein was impacted by the high level of rainfall during the third quarter. Re-engineering projects were therefore initiated in July 2021 at Finsch and Koffiefontein to comprehensively review and improve the mines' cost bases and enhance operating efficiencies and margins.

With Williamson on care and maintenance (albeit preparations are currently underway to resume production in H1 FY 2022), low production levels at Koffiefontein and lower production at Finsch, the Group now has a greater dependency on production at Cullinan, which accounted for 60% of gross Group carat production and 62% of gross Group revenue in FY 2021 (including Williamson).

Petra is guiding for an increased level of Capex in FY 2022 of US\$78 to 92 million (including Williamson at US\$8 to 10 million), with the majority allocated to the CCIE project at Cullinan and the extension of the Finsch SLC. The Company's Investment Committee is responsible for reviewing and recommending significant Capex investments to the Board, as well as monitoring their progress.

Read more

Operational Review – pages 34 to 39

Risk Management continued

Identifying, managing and mitigating risk continued

Operational risks continued	
6. ROM grade and product mix volatility	Short term
Risk change in FY 2021 No change	
Strategic objectives Drive optimisation	
KPIs Production; Revenue; Profitability; Operational free cashflow; TSR	
Responsibility Exco	
Description and impact 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. 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 the level of dilution experienced from waste rock ingress. It can also be impacted by the inclusion of production from surface resources at some of the mines.	
Mitigation Petra's work to extend the lives of its assets is classified 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.	
FY 2021 risk developments and management Cullinan ROM grades were generally in line and slightly above expectation, whilst both Finsch and Koffiefontein were below guidance. Finsch's production was impacted by unexpected waste ingress and the medium- to longer-term impact on the mine's LOM planning is being reviewed. The mines recovered the full range of diamonds in FY 2021, with a higher recovery of Exceptional Stones at Cullinan.	
Read more Operational Review – pages 34 to 39	
7. Labour relations	Short to medium term
Risk change in FY 2021 Lower	
Strategic objectives Work responsibly; Consistent delivery; Drive optimisation	
KPIs Production; Staff turnover	
Responsibility Exco; SED Committee	
Description and impact 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 volatile over the years, but much less so specifically in the diamond sector, where there is a higher incidence of mechanisation and skilled workers.	
Mitigation 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. 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.	
FY 2021 risk developments and management Stable labour relations were experienced throughout the Year. Post Year end, the Company announced that it had reached agreement with NUM on a new three-year wage agreement for employees in the Paterson A and B Bands at the South African operations. The Company also concluded a three-year wage agreement for employees on the Paterson C-Lower Band with both NUM and UASA.	
Read more Labour relations – page 51	

Strategic risks**8. Financing**

Medium to long term

Risk change in FY 2021

Lower

Strategic objectives

Consistent delivery; Drive optimisation

KPIs

Production; Revenue; Profitability; Operational Capex

Responsibility

Exco, Investment Committee

Description and impact

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, which resulted in the Restructuring being completed in FY 2021. This has provided a more stable capital structure going forward.

Whilst Management prepares detailed projections based on operational plans and sales estimates, actual cashflow results may differ from these projections.

The Group's financial position will remain sensitive to operational performance, operating cost inflation, the ability to hold sales tenders (bearing in mind COVID-19 disruptions) and the diamond pricing environment and product mix available for sale.

Mitigation

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.

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 aim to maximise the Company's cashflow generation. The Company also has some flexibility in the roll-out of its future capital spend. The Company's Investment Committee makes recommendations to the Board on Capex and investment proposals and monitors progress of major capital investments.

FY 2021 risk developments and management

The COVID-19 pandemic had a significant impact on the Company's financial position and required Petra to take steps to manage its liquidity through the crisis period. In March 2020, Petra 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 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, which completed in March 2021. The key terms of the Restructuring are set out on page 32.

Progress with Project 2022 initiatives, strong production at Cullinan, curtailed Capex and increased diamond pricing led to an improvement in free cashflow for the Year. These factors, combined with the aforementioned Restructuring and the sale of Exceptional Stones, saw the Company's Consolidated net debt (excluding Williamson), reduce by nearly two thirds to US\$228.2 million at 30 June 2021, from US\$693.2 million at 30 June 2020.

As noted in the Group's Going Concern Statement, 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. Under the base case, the forecasts indicate that the Company will be able to operate within covenants set out in the financing agreements and maintain sufficient liquidity. However, the covenants associated with the Company's first lien debt facilities were set with limited headroom to the Company's base case. As such, results of the Company's stress testing indicate that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. At the time of possible covenant breaches under these scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring while maintaining adequate liquidity. The forecasts indicate that under the stress-tested scenarios, the Group is not reliant on the facilities. 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, 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.

Read more

Financial Review – pages 28 to 33

Going Concern Statement – pages 146 and 147

Risk Management continued

Identifying, managing and mitigating risk continued

Strategic risks continued

9. Licence to operate

Long term

Risk change in FY 2021

No change

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, sanctions, 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.

The continued demand for natural diamonds by consumers is reliant on ethical business practices by the industry as a whole.

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 2021 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 0.44 from 0.29, the number of total injuries, including those that did not result in a lost shift, reduced by 7%.

Community support is ongoing during the COVID-19 pandemic and aims to address the most pressing needs, with funding supplied by the Petra Hardship Fund.

A number of community projects in South Africa were completed in FY 2021, including the refurbishment of pump stations in Daniëlskuil, the construction and installation of public lighting in partnership with Eskom and Kgatelopele municipality and the completion of electrification of households and upgrading of bulk infrastructure for informal dwellings in Kgatelopele. Further information on the Company's community programmes for the Year can be found on pages 58 and 59.

For the 11th year running, there were no 'major' or 'high' environmental incidents to report during the Year.

In May 2021, Petra announced the findings of the Tunajali Committee into the alleged human rights breaches in Tanzania, as well as setting out the mitigating and preventative actions the Company had taken or was putting in place to address the findings. This comprehensive suite of measures includes the design and implementation of a non-judicial IGM to address allegations of severe human rights impacts, involving multi-stakeholder input and support from Synergy. The Company also reached a settlement, on a no admission of liability basis, in relation to claims of alleged human rights breaches. The settlement figure includes funds committed to community programmes dedicated to providing sustainable support to the communities living around the mine. A further settlement was reached in relation to 25 additional claims post Year end. Further information can be found on pages 45 and 46.

The risk of illegal mining at Williamson is ongoing. During Q1 FY 2022, there were a total of 143 incidents of illegal incursions onto the Williamson mine lease area, resulting in six security officials belonging to the third-party security provider and two belonging to the TPF suffering minor injuries, and in 15 arrests being made WDL is continuing to engage extensively with local stakeholders, including with surrounding village leaders and community forums, as well as with local and regional Government and police officials, to get their support in order to reduce these incursions.

Petra acknowledges that climate change continues to grow in importance, both to the Company and its stakeholders, as a business risk and opportunity. Significant progress was made in terms of the Group's environmental strategy in FY 2021 with the Board approving the Group's Climate Change Adaptation Strategy, which will assist Petra in staying on top of rapidly changing legislation and in meeting stakeholder expectations.

The previously reported 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 SEP.

Read more

Our response to human rights abuse allegations in Tanzania – pages 45 and 46

ESG and Sustainability – pages 42 to 59

Report of the Nomination Committee

Members of the Nomination Committee

Peter Hill (Chair)

Gordon Hamilton

Deborah Gudgeon¹

Octavia Matloa

Bernard Pryor

Varda Shine

1. Ms Gudgeon became a member of the Nomination Committee upon appointment to the Board on 1 July 2021.

Nomination Committee Terms of Reference <https://petradiamonds.com/about-us/corporate-governance/board-committees>

Quote from the Chair:

“Petra achieved a number of milestones in FY 2021, putting the business on to a sustainable footing to move forward. The Company’s Board of Directors also continued to evolve during the Year, in line with the Nomination Committee’s focus on succession planning, encompassing the priorities set out in our Diversity and Inclusion Policy.”

I would like to present the second Report of the Nomination Committee since I assumed the role of Non-Executive Chairman of the Company and Chair of the Nomination Committee (the “Committee”).

Board composition 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, with a new capital structure and debt profile, 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 Audit and Risk Committee Chair, ahead of Gordon Hamilton’s retirement at the 2021 AGM. To this end, an independent executive search firm, Russell Reynolds, was selected on the basis of its global reach, experience and strong understanding of the mining industry. A job specification was drawn up for the role, with experience of mining, capital markets, financial reporting 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, Ms Deborah Gudgeon, who is both a highly experienced non-executive director and audit committee chair, as well as having extensive experience working for companies in both Africa and the resources industry, was appointed as an iNED and Chair-Designate of the Audit and Risk Committee on 1 July 2021.

Additionally, as a consequence of Mr Tony Lowrie’s retirement as a Director on 17 November 2020 the Committee recommended to the Board that Ms Varda Shine assume the role of Senior Independent Director. Ms Shine was considered an outstanding appointee given her considerable experience within the diamond industry, as well as the UK public company corporate world, and her expertise in multi-stakeholder engagement.

Following the completion of the Restructuring on 10 March 2021, the appointment of Mr Matthew Glowasky as a non-independent NED of the Company, a nominee of Monarch, became effective on 10 March 2021. Subsequently, on 1 July 2021 the Company announced the appointment of Ms Alexandra Watson and Mr Johannes Bhatt to the Board as non-independent NEDs, having been nominated by Franklin Templeton and Monarch respectively. Also on 1 July 2021, Mr Marius Kraemer was nominated by Monarch as its Board Observer; these four appointments were made as provided for in the Nomination Agreement between Petra and the bondholder group.

Report of the Nomination Committee continued

Board composition and succession planning continued

In FY 2021, the Committee also recommended a number of changes to the composition of certain Board Committees which were approved by the Board, as follows:

- Upon notification of alleged breaches of human rights at the Williamson mine in Tanzania, raised by the UK law firm Leigh Day and the NGO, RAID, the Committee recommended the establishment of the Tunajali Committee to oversee matters and undertake an external investigation into the allegations. The Tunajali Committee's Terms of Reference also required it to make appropriate recommendations to the Board, including for any remedial, improvement and preventative measures deemed necessary, based on its findings. The Tunajali Committee was comprised entirely of iNEDs and its members were Mr Pryor (Chair), Mr Hamilton and Ms Matloa. The Tunajali Committee was disbanded on 12 May 2021, having fulfilled its objective to carry out an independent assessment of the allegations. Consequently, the Board took over responsibility for the Company's commitments regarding the IGM and Restorative Projects and other initiatives at the Williamson mine.
- 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.
- Ms Matloa, Mr Pryor and Ms Shine were appointed to the Nomination Committee with effect from 1 July 2020.
- Mr Glowasky was appointed to the Investment, Nomination and SED Committees with effect from 10 March 2021; he subsequently stepped down from the Nomination and SED Committees on 1 July 2021.
- Ms Gudgeon was appointed to the Audit and Risk, Remuneration, Nomination and Investment Committees with effect from 1 July 2021.
- Mr Bhatt was appointed to the HSE and Investment Committees with effect from 1 July 2021.
- Ms Watson was appointed to the SED and Investment Committees with effect from 1 July 2021.
- Mr Pryor was appointed to the Investment Committee with effect from 1 July 2021.

In FY 2021, Ms Matloa was appointed as the Company's designated iNED to engage with the workforce, as required by the Code. The key principles and parameters of the role have been formalised in a document approved by the Board.

Whilst the Committee assesses the current skills, experience (as set out on pages 63 to 65) and diversity of the Board to be appropriate, it continues to review its composition.

Board evaluation

The Board undertook an externally facilitated independent evaluation of its own performance and that of its Committees during FY 2021. This was carried out by Donata Denny, an independent and highly respected Leadership Coach and Professional Development Adviser, and consisted of each Director completing a focused questionnaire, a one-on-one confidential interview and a facilitated Directors workshop to discuss the outcomes and findings. The results of the evaluation are set out on page 75.

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 improved slightly, from 19% to 20%, which is also higher than the industry average in South Africa, which ranges from 12 – 17% depending on the commodity. While the percentage of women on our Board remained at 25% in FY 2021, from 1 July 2021 this split improved to 36%, following the appointment of Ms Gudgeon and Ms Watson to the Board, and will increase further to 40% when Mr Hamilton steps down from the Board at the conclusion of this year's AGM.

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. Read more about this policy on page 50.

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 2021. Petra will expand its reporting on wider employee diversity, as well as gender diversity, in its 2022 Annual Report.

Read more about Petra's approach to diversity on pages 50 and 51.

Nomination Committee role and activities

The principal functions of the Nomination Committee are listed below, along with the corresponding activity and performance in FY 2021.

Role	Activities in FY 2021	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 iNED and Chair-designate of the Audit and Risk Committee 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.	Ms Gudgeon was appointed as an iNED and Chair-Designate of the Audit and Risk Committee on 1 July 2021.	The Board may make additional changes during FY 2022 and will receive recommendations from the Nomination Committee in this regard.
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 September / October 2020.	<p>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 75.</p> <p>Each Director was considered to remain effective and was proposed by the Committee for re-election to the Board at the Annual General Meeting.</p> <p>An external Board evaluation process will be repeated in FY 2022, given the recent changes to Board composition.</p>



Peter Hill CBE
 Nomination Committee Chair
 12 October 2021

Report of the Health, Safety and Environment (“HSE”) Committee

Members of the HSE Committee

Bernard Pryor (Chair), iNED

Varda Shine, iNED¹

Richard Duffy, CEO

Johannes Bhatt NED²

1. Ms Shine became a member of the HSE Committee in July 2020.

2. Mr Bhatt became a member of the HSE Committee in July 2021.

HSE Committee Terms of Reference <https://petradiamonds.com/about-us/corporate-governance/board-committees>

Quote from the Chair:

“The health and safety of Petra’s 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.”

I am pleased to present Petra’s HSE report for FY 2021, which is my third as Chair of the Committee.

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. It achieves this by overseeing the Group’s HSE systems and policies and evaluating how these translate into HSE performance, as well as by monitoring compliance with all applicable regulations.

Activity during the Year

In FY 2021, the HSE Committee continued to monitor all key HSE-related indicators. The 32% rise in LTIs and the resultant 52% deterioration in the Group’s LTIFR for the Year was concerning (as covered in more detail on page 47) and therefore an action plan has been put in place to address this via the continued embedding and enforcement of the Group-wide Health and Safety pledge, further implementation of the Group’s safety behaviour-based intervention campaign initiatives to mitigate accidents at each operation and the continual review of safety practices and implementation of proactive interventions.

However, overall Petra improved on 73% of measured safety KPIs in FY 2021. The Group reported 8.6 million fatality free shifts, a 35% improvement in Non-Lost Time Injuries and a 7% improvement in Total Injuries recorded. There was a 31% decrease in Days Lost due to LTIs and a 20% decrease in the Group’s Severity Rate. This is a notable achievement given that the South African mining industry saw a significant increase in fatalities and injuries during 2020 and 2021 believed to be related to disruption to workforce caused by COVID-19.

Our focus on the management of the COVID-19 pandemic continued in FY 2021. While the majority of those who do contract COVID-19 may only experience mild symptoms, very sadly 14 employees have tragically lost their lives to COVID-19. I would like to reiterate the Board and Management’s sincere condolences to the family and friends of the deceased.

The Committee maintained its oversight of the strict systems and mitigating measures we have put in place to protect all of our workers and contractors. In addition, at our South African operations we commenced the roll out of a COVID-19 vaccination programme in September 2021 which included an awareness campaign to encourage uptake of the vaccine. As with all safety matters, it is important to show leadership from the top and Exco and senior managers have therefore had the vaccine and publicly promoted this to our workforce to demonstrate its safety, bearing in mind a major hurdle to vaccination throughout South Africa is misinformation about the safety of COVID-19 vaccines.

With regards to vaccinations in Tanzania - previously only Government hospitals were permitted to administer vaccinations to citizens, but from September 2021, the Government authorised the Mwadui Hospital to commence acting as a vaccination centre for Williamson’s employees, contractors and the surrounding communities and this work is underway.

Other key achievements include the retention of the ISO 14001:2015 and ISO 45001:2018 certifications at our South African operations, as well as improvements in workplace conditions, including dust and noise reduction at all operations.

Looking at Petra’s environmental performance in FY 2021, we again reported no ‘major’ or ‘high’ environmental incidents within the Company for the 11th consecutive year. We also improved our water management and efficiencies as well as our waste management practices. Further to Board approval of the Petra Climate Change Adaptation Strategy, the Committee has overseen the development of the Group’s climate change adaptation action plans and initiatives to achieve further alignment with TCFD recommendations, and it has undertaken an investigation into carbon off-set initiatives.

Petra continued to show high levels of performance in its environmental reporting in FY 2021, with its CDP score on climate change reporting of ‘A-’ higher than average for the Company’s sector and region of reporting, and placing the Company in the ‘leadership’ category.

Further information on HSE matters is included in ‘ESG and Sustainability’ on pages 25 to 34 and in Petra’s 2021 ESG and Sustainability Report.

Committee membership changes

Dr Bartlett retired from the Board at the end of FY 2020. He has therefore retired as a member of the Committee but he was invited to attend all committee meetings in FY 2021 as a Technical Consultant. In July 2020, iNED Ms Shine joined the Committee and has brought to bear her experience of multi-stakeholder relations in the diamond industry. Post Year end, we welcomed NED Mr Bhatt to the Committee on 1 July 2021. Mr Bhatt has extensive experience within the mining sector and we look forward to the benefit of this insight in Committee meetings.

HSE Committee role and activities

The principal functions of the HSE Committee are listed below, along with the corresponding activity and performance in FY 2021.

Role	Activities in FY 2021	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. Various legislative updates during the COVID-19 pandemic resulted in updates to Company reviews on risk assessments and policies during the Year. Processes were reviewed during February 2021, are up-to-date, compliant to international standards requirements and certified by BSI through third-party audits.
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 retained ISO 14001:2015 and ISO 45001:2018 certification through BSI. The 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. 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.	Zero fatalities occurred in FY 2021. The 20% LTI reduction target was not achieved due to an increase in LTIs at Cullinan and Finsch, which were assessed to be mostly behavioural in nature and of low severity. Mitigation plans were put in place. Three environmental incidents classified using Petra's ratings system as 'significant' (the category to follow 'Major' and 'High') occurred during FY 2021, deemed moderate in nature. These incidents related to the extreme rainfall experienced at both Finsch and Koffiefontein and more details are listed in the Company's 2021 ESG and Sustainability Report on page 85.
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
12 October 2021

Report of the Social, Ethics and Diversity (“SED”) Committee

Members of the SED Committee¹

Octavia Matloa, NED (Chair)

Varda Shine, iNED

Richard Duffy, CEO

Alex Watson, NED

1. Mr Glowasky stood on the SED Committee for the period between 10 March 2021 and 1 July 2021, at which point he stepped down and was replaced by Ms Watson, following her appointment to the Board.

SED Committee Terms of Reference <https://petradiamonds.com/about-us/corporate-governance/board-committees>

Quote from the Chair:

“The SED Committee’s second year of operation has been very busy and productive and I believe we have made significant progress with further developing and enhancing the Group’s approach, policies and practices in relation to social, ethics and diversity issues – particularly in consideration of the need to realign processes and engagement following the Restructuring of the Company, as well as in re-evaluating and implementing procedures in response to the human rights abuse allegations in Tanzania.”

The purpose of the SED Committee

The purpose of the SED Committee (the “Committee”) is to provide the Group with strategic direction on matters relating to its social, ethics and diversity (“SED”) impacts, 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, to promote a diverse organisation in a sustainable and beneficial way, and to contribute to operational stability and sustainability.

Activity during the Year

This is the second year of operation of the Committee, coinciding with significant strategic change in Petra, as well as external socio-economic events that have required substantial reconsideration of processes and engagement within the Company. Following the Restructuring, particular attention was paid to the consolidation and alignment of the Committee’s role within the new operating model and the structures that were implemented to facilitate it. This included a particular focus on progressing the Group Sustainability Framework, which will align Petra’s management of sustainability with select UN Sustainable Development Goals (“SDGs”), with the SED Committee being responsible for all items other than the health and safety management aspects – which remain under the guidance of the HSE committee.

Socio-economic conditions brought about by, *inter alia*, the continuing COVID-19 pandemic, as well as regulatory uncertainty and changes in the respective jurisdictions, which in South Africa abated somewhat with the recent High Court judgement supporting the Mineral Council SA’s judicial review of the Mining Charter, also had a profound impact on the Committee’s approach to SED-related matters. The largest impact, however, resulted from the allegations regarding human rights abuses in Tanzania made early during the Year.

During FY 2021, as part of its planned course of business (prior to receiving the aforementioned human rights allegations) the Committee had committed to and embarked upon its review of the revised Group Human Rights Policy Statement and the Committee continues its ongoing oversight of the Group’s implementation of the SED policies and activities.

The allegations by RAID regarding human rights abuses at the Williamson mine in Tanzania, together with the legal claims brought by Leigh Day against Petra and WDL, were taken extremely seriously by the Company and had the most profound impact on the SED environment in Petra during the Year. An investigation was launched and following the outcome of the findings of the Tunajali Committee, of which Committee Chair Ms Matloa was a member, the Company took numerous actions with the aim of addressing issues identified and in order to prevent future incidents occurring. This included appropriate disciplinary processes whereby certain individuals left the Company. Operational reporting lines in relation to incidents have been restructured, and a revised incident escalation procedure has been put in place. These initiatives are expected to greatly enhance the oversight and accountability of security operations across the Group going forward. Read more on pages 45 and 46.

In light of the above allegations, a priority for the Year was the further alignment of all relevant functions within the Company, both in Tanzania and in South Africa, with the VPSHR to ensure human rights best practice and prevent reoccurrence of future allegations of human rights transgressions. This included the establishment of a Group Security Department as a separate function, which is represented on the SED Steering Committee, and reports directly into the Finance Director. In accordance with the Group’s Human Rights Policy Statement, which was recently updated and approved by the Board, Petra has increased awareness of human rights within the workplace by implementing various types of human rights awareness training for the Board, employees (including Management), contractors and security personnel.

Continuing the Committee’s development of the Group’s Diversity and Inclusion Policy, which aims at encouraging leadership at all levels across the organisation to think broadly about diversity in its different forms, significant focus was placed on refining and implementing our approach to diversity. This included the reconsideration of all targets within the ambit of Diversity and Inclusion; namely race, gender and disability, as well as the requirements of the new Mining Charter targets, the South African Department of Labour and the UK Corporate Governance Code. Read more about the Diversity and Inclusion Policy on page 50.

All current HR initiatives, such as targeted recruitment, talent management and reward and recognition, focus on the promotion of a diverse workforce to achieve the targets set. With this in mind, the Committee has undertaken the creation of a Petra Diamonds South Africa Employment Equity Plan, with the aim of aligning the Company's employment equity targets in South Africa with other sector specific targets. Achieving diversity targets now form part of Management's overall performance scorecard, thereby directly impacting on reward and recognition. This organisational design initiative required a significant amount of work during the Year and the Committee is pleased with this achievement.

The Committee was pleased to note improvements in terms of gender diversity for the Year, with the percentage of women in the Group increasing from 19% to 20%, as well as improvements throughout the various levels of the business – read more on page 51. Petra will expand its reporting on wider employee diversity, as well as gender diversity, in its 2022 Annual Report.

Improvement of our stakeholder engagement processes remains ongoing. Unfortunately, given the impact of the ongoing COVID-19 pandemic (which makes in-person engagement, especially with larger stakeholder groups, challenging), certain aspects have been unavoidably delayed. Apart from the revision of our Stakeholder Engagement Policy, the main focus has been, and will continue to be, on identifying, assessing and allocating responsibilities regarding stakeholders, and ensuring that current and effective SEPs are in place for each business unit. A major step forward during the Year was the establishment and implementation of standardised OGMs at each operation, which are already playing a role in improving engagement and expediting the resolution of any issues that arise between operations and their host communities. Having been finalised shortly before Year end, these mechanisms are still being refined and communicated to their communities, but are expected to play an increasingly important role in establishing and maintaining sound relationships.

One important method used to ensure direct communication between our workforce and the Board is facilitated via frequent roadshows by the CEO and other Exco and Board members to all of Petra's operations, and the first CEO roadshow in FY 2021 took place during December 2020.

Due to the impact of COVID-19 and an increase in the infection rate during Q4 FY 2021, a decision was taken to replace the subsequent roadshow planned for H2 FY 2021 with a virtual roadshow. This first virtual roadshow by the CEO, which took place during June 2021, consisted of a number of live online video presentations to different groups at each of the operations, including senior employees, organised labour, as well as a cross-cut of employees at the operation, and a session specifically aimed at Group employees. As the designated Director to engage with the Company's workforce, I attended this virtual event and found it to be a useful way to gauge employee interests and concerns, which I could then relay to the Board.

Committee membership changes

I would like to thank Mr Glowasky for his contribution as a Committee member from the period post the completion of the Restructuring to the end of the Year. Post Year end, Ms Watson joined as a member on 1 July 2021. Ms Watson's extensive experience in audit, risk and reporting (including sustainability reporting) will be of great benefit to the Committee.

SED Committee role and activities

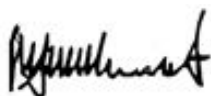
The principal functions of the SED Committee are listed below, along with the corresponding activity and performance in FY 2021.

Role	Activities in FY 2021	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>Review of the Human Rights Policy Statement, to include respect for the rights of human rights defenders and anyone opposing or raising concerns about the Group's activities, and not tolerating any threats, intimidation, physical or legal attacks, or retaliation against them.</p> <p>Implementation commenced of the Group's Diversity and Inclusion Policy, which amalgamates the Group's employment equity and diversity strategies and objectives.</p> <p>Continued progression of the Group Sustainability Framework, which will align Petra's management of sustainability with select SDGs.</p> <p>Review and revision of a number of policy documents.</p> <p>Revision of operational procedures to ensure effective and accountable processes, notably the Security Incident Escalation Procedure.</p> <p>Formulation, review and approval of a Group Resettlement Policy to guide Relocation Action Plans where it should become necessary.</p>	<p>The following documents were reviewed and/or finalised and approved:</p> <ul style="list-style-type: none"> • Human Rights Policy Statement • Diversity and Inclusion Policy • Group Resettlement Policy • Group Human Rights Policy Statement • Code of Ethical Conduct • World-wide Anti-Bribery Policy • Security Escalation Procedure <p>The Group Sustainability Framework will be finalised and presented to the Board for approval in FY 2022.</p>
To evaluate the effectiveness of Petra's framework, policies and systems for identifying and managing SED risks.	<p>The Group's ERM and Combined Assurance Function carried out an enterprise-wide and 'bottom-up' risk relevance testing, assessment and aggregation, with material risks (including those relevant to SED) integrated into the Group risk register.</p> <p>Evaluation of Petra's compliance with the VPSHR across all operations.</p>	<p>ESG-related risks were incorporated into the Group ERM processes for risk identification and monitoring.</p> <p>Roll-out of a gap assessment to determine VPSHR compliance across all operations completed during the Year, followed by an action plan to close gaps identified.</p>

Report of the Social, Ethics and Diversity (“SED”) Committee continued

SED Committee role and activities continued

Role	Activities in FY 2021	Outcomes
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.	Continued evaluation of the new Mining Charter in South Africa. 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.	The Committee will continue to monitor the potential impact of the new Mining Charter on the Company, as well as the ongoing judicial review impacting its finalisation. The High Court of South Africa recently handed down its judgement on this judicial review, finding in favour of the Minerals Council SA. It is yet to be seen whether the DMRE will appeal this judgement. Petra has provided its input via the Minerals Council SA.
To assess Petra’s performance regarding the impact of SED decisions and actions upon employees, communities and other stakeholders. To assess the impact of such decisions and actions on the reputation of the Petra Group as a whole.	Monitoring of the implementation of the Company’s community projects. Evaluation of the Company’s Social Compliance Matrix. Monitoring of the ASM initiative at Koffiefontein. Monitoring of the risk of pit scaling at Cullinan and its impact on the local community. Monitoring of the independent whistleblowing hotline with regards to SED issues, including fraud and corruption. Progression of a grave relocation project at Koffiefontein, whereby a number of burial sites within the mine licence area (including within tailing storage facilities), believed to date back to the mine’s early beginnings around the 1880s, are to be relocated.	Revision and approval of the Social Compliance Matrix to improve the Company’s engagement with internal and external stakeholders. Continued engagement with the local stakeholders involved in the ASM initiative at Koffiefontein. An SEP was put in place to guide communication with the local community at Cullinan in relation to pit scaling. A Relocation Action Plan has been approved and communicated to interested and affected parties. Enhancement of the whistleblowing service, as set out on page 89. The grave relocation project has been awarded a permit under the National Heritage Resources Act. The Company will continue to engage with all relevant stakeholders as the project progresses.
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 diversity performance of the Group at all various levels of the business, as well as monitoring of other employee-related measures related to workforce culture.	Revision of the Group’s diversity targets to ensure one plan for the Group to improve diversity.
To ensure an appropriate Stakeholder Engagement Management System is in place and is maintained.	Evaluation of the Company’s Stakeholder Engagement Module. Reviewed our OGM standards and controls and monitoring thereof across our operations. Improvement of reporting to the Committee on these mechanisms.	Ongoing evaluation of, and implementation and roll-out of SRM software platform 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 South African 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.	The Group’s material topics were again considered during the compiling of the 2021 ESG and Sustainability Report in the context of the key stakeholder concerns / interests raised during the Year, as well as consideration of other internal and external factors.	The Committee recommended to the Board that no changes were required to the Company’s list of material topics for FY 2021.



Octavia Matloa
SED Committee Chair
12 October 2021

Report of the Investment Committee

Members of the Investment Committee¹

Peter Hill (Chair)

Richard Duffy

Jacques Breytenbach

Gordon Hamilton

Deborah Gudgeon

Alex Watson

Johannes Bhatt

Bernard Pryor

Matthew Glowasky

1. Ms Gudgeon, Ms Watson and Mr Bhatt became members of the Investment Committee upon appointment to the Board on 1 July 2021. Mr Pryor also became a member of the Investment Committee on 1 July 2021.

Investment Committee Terms of Reference <https://petradiamonds.com/about-us/corporate-governance/board-committees>

Quote from the Chair:

“The completion of the Restructuring was a great achievement for Petra and has provided us with a much improved and sustainable balance sheet. The Investment Committee will work to ensure that the Company’s capital allocation decisions and other investments are duly monitored and considered in the interest of the Company and all of its stakeholders.”

As Chair of the Investment Committee (the “Committee”) I would like to present the first Report of the Investment Committee since its formation in March 2021.

Monitoring and approving capital allocation and other investments

As a condition of the capital Restructuring which completed in March 2021, Petra’s Board formed an Investment Committee, which includes Directors appointed pursuant to Nomination Rights, in order to monitor significant capital and other investments and recommend their adoption to the full Board.

The Committee’s members have been appointed by the Board and include the Chair of the Audit and Risk Committee, the Chairman of the Board, the Chief Executive and the Finance Director, and it will meet at least twice a year.

The Committee has an independent role, operating as a decision maker and making recommendations to the Board for its consideration and final approval. The Committee does not assume the functions of Management, which remain the responsibility of the Executive Directors and other members of Management.

The role and responsibilities of the Committee are: to consider and approve all capital expenditure and investment proposals from US\$7.5 million to US\$15.0 million; to consider and make recommendations to the Board for all capital expenditure and investment proposals above US\$15.0 million; to consider and make recommendations to the Board for the disposal of operating subsidiaries, operating mines and/or mining rights or assets exceeding US\$7.5 million in either gross book value or reasonably expected market value; to monitor the progress of major capital investments by way of the investment progress schedule together with post-implementation reviews; to approve internal processes relating to capital expenditure and investment proposals, including all documentation required to be completed; and to consider and make recommendations to the Board related to Group capital expenditure and related policies.

The Committee’s functions are: to consider, approve or make recommendations to the Board on capital expenditure and investment proposals; to monitor the progress of major capital investments by way of the investment progress schedule together with post-implementation reviews; and to approve internal processes relating to capital expenditure and investment proposals, including all documentation required to be completed.

The inaugural Investment Committee meeting was held on 25 May 2021. The Committee formally adopted the Committee’s Terms of Reference and considered a number of actions to be taken following the completion of the Restructuring including agreements regarding accounting and expenditure procedures. The activity of this new Committee will therefore be reported on in more detail in the Company’s 2022 Annual Report.



Peter Hill CBE
Investment Committee Chair
12 October 2021

Directors' Remuneration Report

Letter from the Chair

Members of the Remuneration Committee¹

Varda Shine, Chair

Gordon Hamilton, iNED

Bernard Pryor, iNED

Octavia Matloa, iNED

Deborah Gudgeon, iNED²

1. As at 12 October 2021; Tony Lowrie was a member of the Committee in FY 2021, until his retirement from the Board on 17 November 2020.

2. Ms Gudgeon joined the Committee on 1 July 2021.

Remuneration Committee Terms of Reference

<https://petradiamonds.com/about-us/corporate-governance/board-committees>

Key highlights

- The Company delivered a robust performance in FY 2021 with revenue increasing by 65% to US\$402.3 million and generating operational free cashflow of US\$120.1 million. In addition, the Management team successfully delivered the Restructuring while maintaining a satisfactory level of production amidst a challenging period disrupted by COVID-19. As a result, the annual bonus for Executive Directors is paying out at 70.2% of maximum in respect of FY 2021.
- Performance Share Plan awards lapsed following the end of the three-year performance period to June 2021 reflecting the operational and financial challenges over the three years in aggregate.
- Following the completion of the Restructuring, the Committee consulted with shareholders in respect of Executive Director salaries and PSP awards. Following the broad support received during the consultation the Committee has increased salary levels and reinstated PSP award levels. The PSP performance measures have been aligned with the Company's strategic priorities.
- The Committee has continued to refine the approach to incorporating ESG metrics (including human rights) into the Company's annual bonus scorecard.
- In anticipation of the expiry of our current Performance Share Plan, revised plan rules are being put for shareholder approval at the 2021 AGM. The revised rules are broadly unchanged and have been updated to reflect good governance features.
- At the Company's 2020 AGM, 99.98% of shareholders voted in favour of the Directors' Annual Remuneration Report and the Director's Remuneration Policy, demonstrating strong levels of support for our remuneration structures and their application.

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 2021.

Context and Company performance in FY 2021

Our Board's overriding priority continues to be the health, safety and wellbeing of all of our people. The Company remained highly focused on the rigorous application of the comprehensive Mandatory Operating Procedures we have in place at each of the South African operations to help to mitigate the risk to our people of COVID-19. Our deepest condolences go to the families of our 14 employees who have tragically lost their lives as a result of COVID-19.

In terms of safety performance, it was pleasing that the total number of injuries for the Year reduced 7% to 42 (FY 2020: 45); however, the Company's LTIFR increased 52% to 0.44 (FY 2020: 0.29) and there is considerable attention being placed on turning this trend around. An evaluation of the incidents has determined that the majority of these were of low severity and behavioural related. This increase in LTIFR is also gauged to follow a wider trend in South Africa, whereby safety performance has been impacted by the stress and disruption of the COVID-19 pandemic – read more on page 47.

FY 2021 was a watershed year for the Company. Operationally, Cullinan performed very well, benefitting from the Project 2022 business improvement throughput initiatives. ROM tonnes increased 16% to 4.61 Mt (FY 2020: 3.97 Mt), and spare capacity in the plant was utilised with a 73% increase in tailings tonnes to 0.45 Mt (FY 2020: 0.26 Mt), leading to an overall record tonnes treated at the operation under Petra stewardship of 5.06 Mt (FY 2020: 4.23 Mt), which delivered record carat production of 1.94 Mcts.

This achievement is particularly notable given the ongoing disruptions caused by the COVID-19 pandemic, due to the necessary quarantine of confirmed or suspected cases amongst our workforce.

Production at Finsch was impacted by unexpected levels of waste ingress during Q2 FY 2021, with subsequent mitigating measures reducing throughput during the second half of the Year. In addition, production at both Finsch and Koffiefontein was impacted by the high level of rainfall during the third quarter. Lower production from these assets resulted in Group production (excluding Williamson) decreasing by 2% to 3.2 Mcts (FY 3.3 Mcts).

Despite slightly lower production, revenue increased 65% to US\$402.3 million (FY 2020: US\$243.3 million) aided by the recovery and sale of several exceptional blue and white diamonds from the Cullinan mine during the Year, which contributed US\$62.0 million, being the highest contribution from Exceptional Stones in the Company's history. Revenue was also bolstered by a ca. 9% increase in like-for-like diamond pricing during the Year.

FY 2021 also saw the Company complete the Restructuring, which resulted in gross debt reducing from around US\$810 million to below US\$450 million, while Consolidated net debt, which started the Year at US\$693.2 million, reduced to US\$228.2 million at 30 June 2021. The Group also generated Operational free cashflow of US\$120.1 million which compares to an outflow of US\$12.3 million in FY 2020. This result was achieved through higher revenue for the Year, supported by the Group's tight control of capital expenditure.

A major challenge for the Year was responding to the allegations of human rights abuses at the Williamson mine in Tanzania. The findings of the review into the allegations were deeply regrettable and saddening for the Board. A number of preventative measures have been implemented to mitigate the risk of future incidents and address identified shortcomings. The Board is pleased that Petra's management team responded quickly and appropriately to this very challenging situation.

In terms of wider ESG performance: our environmental team continued to focus on water and energy efficiency, carbon emissions and effective waste management, and each of these areas was well controlled during the Year, as set out on pages 52 to 55. We were also pleased to note that there were no 'Major' or 'High' environmental incidents within the Group for the 11th year running. Our social and stakeholder engagement programmes remained highly active, but social investment was below budget due to the continued challenge to get stakeholders to align on suitable local economic development projects, which hinders the implementation of these projects in the community, as well as the disruptive impact of the COVID-19 pandemic on these efforts. Good progress was made in the area of diversity, with improved representation of women at all levels of the business.

Remuneration outturns for FY 2021

The outcome of the Group's annual bonus scorecard was 58.9% reflecting the Group's achievements against free cashflow, revenue, production, health and safety and ESG targets. The total negative impact of the Williamson allegations, including the settlement with Leigh Day, resulted in the Group's bonus scorecard reducing by 6.9% to 58.9%, down from 65.8% before factoring in the human rights allegations, which the Committee considered appropriate. The Executive Directors also performed strongly against their individual strategic targets for the Year, including the successful completion of the Restructuring, the implementation of the Williamson corrective measures (Chief Executive only) and the successful implementation of Phase 1 of the Organisational Design Review (Finance Director only).

The Committee was satisfied that the overall bonus outcome for the Executive Directors of 70.2% of maximum was a fair and balanced reflection of the results for the Year.

The formulaic outcome of the PSP scorecard for the awards relating to the three-year performance measurement period FY 2019 to FY 2021 resulted in a 0% vesting outcome. The Committee considered the formulaic outcome to be fair and reasonable given the share price performance, as well as the operational and financial position of the Company culminating in the recent Restructuring.

The Committee considers that the Remuneration Policy operated as intended in respect of FY 2021.

Remuneration Policy renewed

Petra's Remuneration Policy (the "Policy") was approved by shareholders at our 2020 AGM with a 99.98% positive shareholder vote.

Our approved changes to the Policy were primarily aimed to align with good governance while also considering the status of the business following the COVID-19 outbreak early CY 2020 as well as the Restructuring, which was subsequently completed during March 2021, and 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 was formalised in the Policy.
- **PSP holding period:** We introduced a post-vesting holding period to the PSP in FY 2020. The holding period now forms part of the Policy.
- **Post-employment shareholding guidelines:** In-line with the UK Corporate Governance Code, we introduced post-employment shareholding guidelines. Executive Directors are now 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.

Shareholder consultation

As part of the Restructuring, we made a commitment to our new shareholders that we would undertake a review of Executive remuneration. Following this review, we undertook a shareholder consultation, contacting 18 shareholders covering 77% of the issued share capital post the Restructuring. We consulted with shareholders about making increases to Executive salaries and reinstating PSP awards at their normal levels but with an overall cap to guard against share price volatility. We also discussed PSP performance measures to ensure that they appropriately incentivise the delivery of our long-term strategic priorities.

I was delighted with the feedback from the process and the shareholder support for our proposals. This recognised that our new shareholder base was keen to ensure that our well-regarded Management team are locked in for the future and appropriately incentivised for delivering our strategy. Further background on our decision-making process is set out below.

Directors' Remuneration Report continued

Executive salaries

On his appointment as Chief Executive in April 2019, Mr Duffy's salary was set conservatively against the market at £370,800. Over the last two and a half years, Richard has performed exceptionally in the role. He has led Petra through the recent challenges, including overseeing the necessary re-wiring of the business to support sustainable improvements, leading Petra's response to the significant challenges that the COVID-19 pandemic brought and the recent Restructuring. The Committee was conscious that Richard's skills and experience mean that he is at risk of being approached for other opportunities in the market. It is therefore not in Petra's interests that his pay is uncompetitive when he is critical to the execution of Petra's strategy.

Mr Breytenbach was appointed as Petra's Finance Director in February 2018. Recognising that this was his first Finance Director role at a listed company, Jacques' salary was set more than 10% below that of his predecessor at £260,000. Since appointment, Jacques has made an exceptional contribution in driving efficiencies and improvements across the business, as well as responding to the challenges of COVID-19 and the Restructuring. Again, we believe it is in Petra's shareholders' interests that his salary is adjusted to a competitive level bearing in mind his key role in executing Petra's strategy.

Taking into account the above and following pre-consultation with our shareholders, the Committee determined to adjust the Chief Executive and Finance Director's salaries to £435,000 and £290,000 respectively to ensure that they are sufficiently competitive in comparison to the market.

PSP awards

The PSP is a key tool for motivating and rewarding the Executive Directors for the delivery of long-term objectives. Given the status of the Restructuring last year the Committee postponed the granting of the FY 2021 awards. These awards have been approved in principle and will be granted post Year end, reflecting the award sizes and performance targets that we discussed with shareholders during the consultation.

Under the Remuneration Policy, Executive Directors are eligible for a normal PSP grant of 150% of salary or an overall maximum award of 200% of salary. In recent years, taking into account Petra's market capitalisation, the PSP awards have been scaled back below these levels. Following the successful completion of the Restructuring, the Committee has determined that the grant level in respect of FY 2021 will be at the normal level of 150% of salary. Awards are also subject to a maximum cap which acts as a guardrail against inadvertent windfall gains and will be subject to a two-year post-vesting holding period.

Implementation of the Policy for FY 2022

Annual bonuses for FY 2022 will continue to be based on a balanced scorecard linked to the financial, operational and strategic objectives of the Group, and a portion will continue to be linked to the achievement of individual strategic targets.

FY 2022 PSP awards have also been considered and approved in principle and will be granted post Year end, with appropriate operational and financial performance targets. The share-price targets will be set with reference to the 30-day VWAP to the date the awards are granted.

Refinement of ESG metrics

We recognise the importance of good ESG management to our stakeholders, as well as its positive impact on the financial and operational performance of our Company. Petra has therefore been refining its inclusion of ESG metrics into our awards scorecard, with the following now considered as part of the ESG score:

- Safety and health: safety statistics and management of the COVID-19 pandemic
- Governance and social: human rights, stakeholder engagement (including resolution of grievances), commitments related to our Social and Labour Plans in South Africa, diversity and inclusion
- Environment: environmental incidents, water and energy efficiency, carbon emissions

These metrics will continue to be evaluated and refined post the finalisation of the Group's Sustainability Framework in FY 2022.

Non-Executive Director fees

For FY 2021, an additional fee of £10,000 was awarded to Mr Pryor as chair of the Tunajali Committee, established to investigate the allegations of human rights breaches at the Williamson mine. In May 2021, following the conclusion of the Committee's investigation it was discontinued and there will be no additional fee for FY 2022. Non-Executive Director fees are otherwise unchanged for FY 2022.

Approval of new Performance Share Plan

At the 2021 AGM, in addition to a vote on the Directors' Annual Remuneration Report, shareholders are being asked to approve our new Performance Share Plan. The current plan rules were approved in January 2012 and are due to expire shortly. The existing rules were considered to be largely fit for purpose and therefore are being rolled forward with a number of changes to reflect the latest market practice and provide the Committee with operational flexibility for the duration of their lifetime.

AGM

Last year the Committee was pleased to note that 99.98% of shareholders voted in favour of both the Directors' Annual Remuneration Report and the Directors' Remuneration Policy.

We hope that our shareholders will continue to support our approach to Directors' remuneration at the Company's upcoming AGM.



Varda Shine

Remuneration Committee Chair

12 October 2021

This report explains how the Group's Remuneration Policy was implemented during FY 2021 and how it will be applied for FY 2022.

Overview of Policy and how it will be applied for FY 2022

Salary

Influenced by role, individual performance, experience and market positioning.

During the Year, the Remuneration Committee consulted with shareholders in respect of making step change increases to Executive Director salaries. Further context for that decision is set out in the Letter from the Chair of the Remuneration Committee.

With effect from 1 July 2021, Executive Director base annual salaries are as follows:

- Richard Duffy – £435,000 (FY 2021 £370,800); and
- Jacques Breytenbach – £290,000 (FY 2021: £265,200).

The average salary increase for the workforce for FY 2022 was around 7% in local currencies.

Benefits

Provision of an appropriate level of benefits for the relevant role and local market.

Executive Directors receive:

- 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
- Group life, disability and critical illness insurance.

Annual bonus

Linked to key financial, operational, ESG and strategic goals of the Company, which reflect critical factors of success.

Maximum opportunity for FY 2022 of 150% of salary.

The Committee has reviewed the annual bonus targets for FY 2022 to ensure that they continue to be aligned to our strategic priorities. The bonus scorecard for FY 2022, which will have an overall weighting of 70%, will be linked to:

- free cashflow generation (20%);
- cost and capital management (30%);
- carats produced and revenue realised (20%); and
- ESG objectives (incorporating both HSE and SED measures) (30%).

The remaining 30% of the Executive Directors' bonuses will be linked to the achievement of individual strategic targets.

Annual bonus will be subject to a clawback provision, which may apply for up to two years following the end of the performance period.

Performance Share Plan

Aligned with shareholders and motivating the delivery of long-term objectives.

As disclosed last year, the Committee postponed the determination of PSP awards for FY 2021 given the uncertainty associated with the Restructuring that completed in March 2021. It was not possible to grant the awards during FY 2021 and therefore they will be granted post Year end at the same time as the FY 2022 awards.

Following the completion of the Restructuring, the Committee consulted with shareholders in respect of a number of changes to the operation of the PSP, including reinstating the award levels at 150% of salary and the performance measures used. Further context is provided in the Letter from the Chair of the Remuneration Committee.

Performance for the FY 2021 and FY 2022 awards will be measured over a three-year period to 30 June 2023 and 30 June 2024 respectively, subject to the following performance measures:

- one-third based on absolute share price movement with maximum performance requiring a doubling of the share price;
- one-third based on cashflow generation and net debt movement, set with reference to approved business plans for the two performance measurement periods respectively; and
- one-third based on operational and efficiency measures, also set with reference to approved business plans for the two performance measurement periods respectively.

PSP awards are subject to a two-year holding period post vesting to further align executive remuneration to shareholder interests.

The PSP is subject to a clawback provision, which applies for up to two years following the end of the relevant performance period.

Shareholding guidelines

Aligned with shareholders.

Shareholding guidelines of 200% of salary.

Post-employment shareholding requirements apply.

Directors' Remuneration Report continued

Overview of Policy and how it will be applied for FY 2022 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:

Clarity

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>
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Simplicity

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.
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Risk

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 and ESG measures.</p> <p>The remuneration framework provides the Committee with discretion to adjust incentive outturns or to clawback remuneration in certain circumstances.</p>
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Predictability

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 2020 Directors' Remuneration Policy in the Company's 2020 Annual Report provide four illustrations of the application of our Policy for differing levels of performance.</p>
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Proportionality

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 amend awards where they do not consider them to be appropriate in the context of performance.</p>
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Alignment to culture

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 typically take account of the wider workforce. Pension benefits are aligned to the workforce. Incentives reflect broader purpose measures, such as environmental and societal, as well as financial results.
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Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the Executive Directors for FY 2021 and FY 2020. 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	
	2021	2020 ¹	2021	2020 ¹
Salary ¹	£ 370,800	339,900	265,200	243,100
Benefits ²	£ 44,165	44,356	22,770	22,469
Retirement benefits ²	£ —	—	8,818	9,255
Total fixed remuneration	£ 414,965	384,256	296,788	274,824
Annual bonus- paid in cash	£ 292,998	—	209,555	—
Annual bonus – deferred to shares	£ 97,666	—	69,852	—
Long-term incentives	£ —	—	—	—
Total variable remuneration	£ 390,664	—	279,407	—
Total	£ 805,629	384,256	576,195	274,824

1. In light of the COVID-19 outbreak in H2 FY 2020, 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.

2. 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 remuneration table

Salary

During the Year, the Committee consulted with shareholders in respect of making step change increases to Executive Director salaries. Further context for that decision is set out in the Letter from the Chair of the Remuneration Committee. The base salaries that apply for FY 2022 are as set out below:

	Base salary from 1 July 2020 £	Base salary from 1 July 2021 £
Richard Duffy	370,800	435,000
Jacques Breytenbach	265,200	290,000

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.

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 (with a weighting of 70% of Executive Directors' bonus award), and individual strategic performance measures with a weighting of 30%. 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 2021, 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 considered the retrospective disclosure of targets and have disclosed targets where this is not considered to be commercially sensitive.

Directors' Remuneration Report continued

Single figure of total remuneration continued**Annual bonus continued**

Performance metrics	Performance and targets				Weighting	Vesting outcome	
Operational performance and profitability (including free cash flow generation, revenue, Capex and cost management)				FY 2021 performance	70%	47.0%	
		Threshold	Target	Maximum			
	Free cashflow (US\$m)	88.4	104.0	114.1			120.1
	Revenue ¹ (US\$m)	333.2	392.0	431.2			406.9
	Carats ¹	3,116	3,666	4,032			3,240
Cost and Capex	6	8	10	6.9			
1. Revenue and production numbers (target and actual) include Williamson for FY 2021.							
ESG measures (including health, safety, social and environmental performance)				FY 2021 Performance	30%	11.9%	
		Threshold	Target	Maximum			
	LTIFR ¹	0.28	0.25	0.20			0.44
	TIFR ¹	0.83	0.75	0.60			0.75
ESG scorecard ²	6	8	10	8.6			
1. The outcome of the health and safety measures for FY 2021 was also subject to maintaining zero fatalities for the Year which was achieved.							
2. The ESG scorecard includes an assessment of performance against environmental, social and diversity and inclusion targets.							
Bonus Award – Group Scorecard (70%)					100%	58.9%	
Bonus Award – Group Scorecard contribution					70%	41.2%	

Personal Performance Measures – Executive Directors

Performance metrics	Weighting	Vesting outcome	CEO	Finance Director
Successful implementation of Capital Restructuring	20%	20.0%	20.0%	20.0%
Managing and implementing Human Rights settlement agreement and overseeing corrective measures	10%	9.0% (CEO only)	9.0%	n.a.
Successful implementation of Organisational Design project, including VPSHR measures	10%	9.0% (FD only)	n.a.	9.0%
– Personal Performance Measures	30%		29.0%	29.0%
TOTAL BONUS AWARD FY 2021	100%		70.2%	70.2%

Post Year end, the Committee carefully considered the formulaic annual bonus outturns to ensure that they are appropriately aligned with the underlying performance of the Company and the Directors. In particular, the Committee was mindful of the Company's response to the human rights abuse allegations related to the security operations of the Williamson mine. The Company's response to the allegations was thorough and the case was settled on a no admission of liability basis in May 2021. The financial impact of the allegations and the settlement is fully reflected in the results set out above and has an aggregate impact of reducing the annual bonus by ca. 7% of maximum. In addition, the Committee noted the initiatives that have been implemented to greatly enhance the oversight and accountability of security operations going forward. In the round, the Committee considered that the annual bonus outturn of 70.2% of maximum was appropriate in respect of FY 2021 and did not apply further discretion.

Annual bonus for FY 2022

For FY 2022, the Committee will continue to use a scorecard framework to determine annual bonuses, as set out below. In-line with the approach used for FY 2021, 30% of the Executive Directors' bonuses will be linked to the achievement of individual strategic targets.

Performance measure	Scorecard weighting
Operational performance and profitability (including free cash-flow generation, carat production, revenue, Capex and cost management)	70%
ESG Measures (including environmental efficiencies, social & community, diversity & inclusion, and health & safety performance)	30%

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, with vesting conditional on the achievement of both shareholder return and operational measures. The plan was originally approved by shareholders at the January 2012 AGM and therefore is due to expire during FY 2022. In advance of this, the Committee has undertaken a review of the plan rules and is tabling a revised set of rules for shareholder approval at the 2021 AGM. The existing rules were considered to be largely fit-for-purpose and therefore are being rolled forward with a number of changes to reflect the latest market practice and provide the Committee with operational flexibility for the duration of their lifetime.

FY 2019 to FY 2021 award

The long-term incentive outturn post period-end relates to the awards granted under the PSP in October 2018 to the current Finance Director and the former Chief Executive that were subject to performance measures assessed over three years, appropriately pro-rated for time served for the past Director. 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 ¹	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 ¹	80% of element vests	100% of element vests	Actual performance
Operational performance/efficiency and project delivery	50%	6/10	8/10	10/10	Overall 5.9/10

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, 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 34 to 39.

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 0.0% (out of 50%).

On the basis of the above performance these awards lapsed in full.

Directors' Remuneration Report continued

FY 2021 and FY 2022 awards

As disclosed last year, the Committee postponed the determination of PSP awards for FY 2021 given the uncertainty associated with the Restructuring that completed in March 2021. Following the completion of the Restructuring, the Committee consulted with shareholders in respect of a number of changes to the operation of the PSP, including reinstating the award levels at 150% of salary and the performance measures used. Further context is provided in the Letter from the Chair of the Remuneration Committee.

The following tables set out the performance measures and targets that apply for each award, which are linked to the Company's long-term strategic priorities.

Summary of performance targets: FY 2021 – FY 2023 awards

Performance measures

Absolute share price growth	<ul style="list-style-type: none"> One-third of the award is linked to returns made for shareholders. This element is based on the following absolute share price growth targets, which were set with reference to the 60-day VWAP of 1.75p per share at the effective date of the Restructuring. 																				
	<table border="1"> <thead> <tr> <th></th> <th>Weighting of 1/3rd</th> <th>25% of element vests¹</th> <th>80% of element vests</th> <th>100% of element vests</th> </tr> </thead> <tbody> <tr> <td>Absolute share price target</td> <td>100%</td> <td>2.63p</td> <td>3.06p</td> <td>3.50p</td> </tr> </tbody> </table>		Weighting of 1/3 rd	25% of element vests ¹	80% of element vests	100% of element vests	Absolute share price target	100%	2.63p	3.06p	3.50p										
	Weighting of 1/3 rd	25% of element vests ¹	80% of element vests	100% of element vests																	
Absolute share price target	100%	2.63p	3.06p	3.50p																	
	1. No portion of an element vests for performance below this threshold level.																				
Cashflow generation and net debt	<ul style="list-style-type: none"> One-third of the award is linked to the Company's ability to generate positive operational free cashflow (after capex) and the resultant improvement in the net debt: EBITDA ratio over the three-year measurement period. This element was included in the performance measures to drive the reduction of the Company's net debt post the 2021 Restructuring as a priority deliverable, while considering the Company's capital allocation strategy. The targets were set with reference to the Company's internal projections. 																				
	<table border="1"> <thead> <tr> <th></th> <th>Weighting of 1/3rd</th> <th>25% of element vests¹</th> <th>80% of element vests</th> <th>100% of element vests</th> </tr> </thead> <tbody> <tr> <td>Operational free cashflow</td> <td>50%</td> <td>US\$82.6</td> <td>US\$141.9</td> <td>US\$201.1</td> </tr> <tr> <td>Net debt: EBITDA ratio</td> <td>50%</td> <td>2.3x</td> <td>1.9x</td> <td>1.5x</td> </tr> </tbody> </table>		Weighting of 1/3 rd	25% of element vests ¹	80% of element vests	100% of element vests	Operational free cashflow	50%	US\$82.6	US\$141.9	US\$201.1	Net debt: EBITDA ratio	50%	2.3x	1.9x	1.5x					
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Operational performance and efficiencies	<ul style="list-style-type: none"> One-third of the award is linked to the management of the Company's cashflow generation and resultant net debt profile. The Company is committed to realising value from its asset portfolio, driven by continuous business improvement initiatives; key to this is the successful delivery of planned throughput (tonnes treated) and carats recovered (recovered grades), while Opex and Capex efficiencies will further be considered in the overall outcome. The assessment at the end of the period is based on an agreed framework with vesting based on performance against approved three-year business plans for both production measures (tonnes and carats), and the weighted average score out of ten across all mines for Opex and Capex efficiency measures; the objectives for each mine are approved by the Board. 																				
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Committee discretion to consider long-term viability	<ul style="list-style-type: none"> The overall outturn can be varied by up to 15% (upwards or downwards) to reflect adherence to mine-plan thus encouraging decisions positively contributing to long-term viability and shareholder value alignment. 																				
Out-turns	<ul style="list-style-type: none"> As a guardrail against the potential share price volatility immediately following the Restructuring, the Committee decided that for this award it would be appropriate to operate a cap on PSP out-turns, limiting the value of final out-turns to 400% of Executive Directors' annual salary. 																				

Summary of performance targets: FY 2022 – FY 2024 awards

Performance measures																					
Absolute share price growth	<ul style="list-style-type: none"> One-third of the award is linked to returns made for shareholders. This element is based on the following absolute share price growth targets which will be set with reference to the 60-day VWAP at date of final award. <table border="1"> <thead> <tr> <th></th> <th>Weighting of 1/3rd</th> <th>25% of element vests¹</th> <th>80% of element vests</th> <th>100% of element vests</th> </tr> </thead> <tbody> <tr> <td>Absolute share price growth target</td> <td>100%</td> <td>50%</td> <td>75%</td> <td>100%</td> </tr> </tbody> </table> <p>1. No portion of an element vests for performance below this threshold level.</p>		Weighting of 1/3 rd	25% of element vests ¹	80% of element vests	100% of element vests	Absolute share price growth target	100%	50%	75%	100%										
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Cashflow generation and net debt	<ul style="list-style-type: none"> One-third of the award is linked to the Company's ability to generate positive operational free cashflow (after capex) and the resultant improvement in the net debt: EBITDA ratio over the three-year measurement period. This element was included in the performance measures to drive the reduction of the Company's net debt post the 2021 Restructuring as a priority deliverable, while considering the Company's capital allocation strategy. The targets were set with reference to the Company's internal projections. <table border="1"> <thead> <tr> <th></th> <th>Weighting of 1/3rd</th> <th>25% of element vests¹</th> <th>80% of element vests</th> <th>100% of element vests</th> </tr> </thead> <tbody> <tr> <td>Operational free cashflow</td> <td>50%</td> <td>US\$51.3</td> <td>US\$181.0</td> <td>US\$245.8</td> </tr> <tr> <td>Net debt: EBITDA ratio</td> <td>50%</td> <td>3.0x</td> <td>1.3x</td> <td>0.8x</td> </tr> </tbody> </table> <p>1. No portion of an element vests for performance below this threshold level.</p>		Weighting of 1/3 rd	25% of element vests ¹	80% of element vests	100% of element vests	Operational free cashflow	50%	US\$51.3	US\$181.0	US\$245.8	Net debt: EBITDA ratio	50%	3.0x	1.3x	0.8x					
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Out-turns	<ul style="list-style-type: none"> The PSP share award will revert to its normal operation, with out-turns based on both share price performance and performance against the targets. Taking into account the degree of stabilisation of the share price, and the time elapsed from the Restructuring, no guardrail cap will be operated for this award. 																				

Directors' Remuneration Report continued

Non-Executive Director remuneration

The Chairman's fee is £165,000 per annum, payable in cash. Mr Hill in his position as Chairman receives the benefit of membership of the Group's life insurance scheme.

The other NEDs receive a fixed basic fee of £56,650 per annum for their normal services rendered during the Year and fees for other responsibilities such as chairmanship of Committees and the 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 £10,000, £10,000, £7,500 and £7,500 respectively, effective from October 2020. There is no additional fee for chairmanship of the Nomination Committee and the Investment Committee. The additional annual fee paid to the Senior Independent Director is £10,000, effective from October 2020.

For FY 2021, an additional fee of £10,000 was awarded to Mr Pryor as chair of the Tunajali Committee, established to investigate the human rights abuse allegations at the Williamson mine. Following conclusion of the Tunajali Committee's investigation, it was disbanded in May 2021.

For FY 2022, the fees payable to NEDs will remain unchanged.

Independent NEDs do not participate in the Company's bonus arrangements, share schemes or pension plans, and for FY 2021 (in accordance with the Company's normal policy) did not receive any other remuneration from the Company outside of the fee policy outlined above.

Single figure of total remuneration

The following table gives a breakdown of the remuneration received by the NEDs for FY 2021 and FY 2020. 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 £	Benefits £	Total £
Peter Hill	2021	165,000	1,552	166,552
Chairman (effective 1 April 2020)	2020	45,100	—	45,100
Varda Shine	2021	73,835	—	73,835
Senior Independent Director and Committee chair	2020	55,526	—	55,526
Gordon Hamilton	2021	68,510	—	68,510
iNED and ARC chair	2020	77,374	—	77,374
Octavia Matloa	2021	65,427	—	65,427
iNED and SED chair	2020	65,856	—	65,856
Bernard Pryor	2021	75,427	—	75,427
iNED, HSE and Tunajali chair	2020	63,731	—	63,731
Matthew Glowasky (effective 10 March 2021) ¹	2021	17,649	—	17,649
NED	2020	—	—	—
Tony Lowrie	2021	29,756	—	29,756
iNED, retired 17 November 2020	2020	74,836	—	74,836

1. Mr Glowasky was appointed to the Board as a non-independent NED pursuant to the nomination rights of Monarch on 10 March 2021, with fees being paid to Monarch directly.

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 2021 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 2021	Shareholding as at 30 June 2020	Shareholding guideline ¹
Peter Hill	Chairman	—	—	n/a
Richard Duffy ²	Chief Executive	240,000	240,000	49,771,812
Jacques Breytenbach ³	Finance Director	243,750	243,750	35,570,470
Varda Shine	Senior iNED	—	—	n/a
Gordon Hamilton	iNED	247,000	247,000	n/a
Octavia Matloa	iNED	—	—	n/a
Bernard Pryor	iNED	—	—	n/a
Matthew Glowasky (appointed 10 March 2021)	NED	—	—	n/a

1. Shareholding guideline of 200% of salary based on three-month VWAP to 30 June 2021 of 1.49 pence per share.

2. Post Year end, 116,926 deferred bonus awards for FY 2019 are expected to vest, adding to Mr Duffy's shareholding.

3. Post Year end, 93,034 deferred bonus awards for FY 2018 and 262,364 deferred bonus awards for FY 2019 are expected to vest, adding to Mr Breytenbach's shareholding.

Post-employment shareholding guidelines

Executive Directors are 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 year's 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.

Directors' interests

As at 30 June 2021, the Directors' interests in share plans of the Company were as follows:

Breakdown of share plan interests as at 30 June 2021	Shares		Options	
	Invested and subject to performance ¹	Unvested and not subject to performance ²	Vested but not exercised	Lapsed in the Year
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. Post Year end, the FY 2018 and FY 2019 deferred share awards are expected to vest: Mr Duffy 116,926 shares and Mr Breytenbach: 355,398 shares.

As at 30 June 2021, Executive Directors held the following interests in the 2012 PSP:

	Date of Award	Outstanding at 1 July 2020	Awarded during the Year	Vested during the Year	Lapsed during the Year	Outstanding at 30 June 2021	Performance Period ⁴
Richard Duffy	01/04/2019 ¹	797,860	—	—	—	797,860	FY 2020–FY 2022
	24/10/2019 ²	2,106,818	—	—	—	2,106,818	FY 2020–FY 2022
Total		2,940,678	—	—	—	2,940,678	
Jacques Breytenbach	06/10/2018 ³	433,333	—	—	433,333	—	FY 2019–FY 2021
	24/10/2019 ²	1,506,818	—	—	—	1,506,818	FY 2020–FY 2022
Total		1,940,151	—	—	433,333	1,506,818	

1. 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.

2. 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.

3. 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. Post Year end, the final vesting of these awards was confirmed at 0%, with these awards lapsing in full.

4. 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.

Directors' Remuneration Report continued

External non-executive directorships

Neither 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 2021 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.

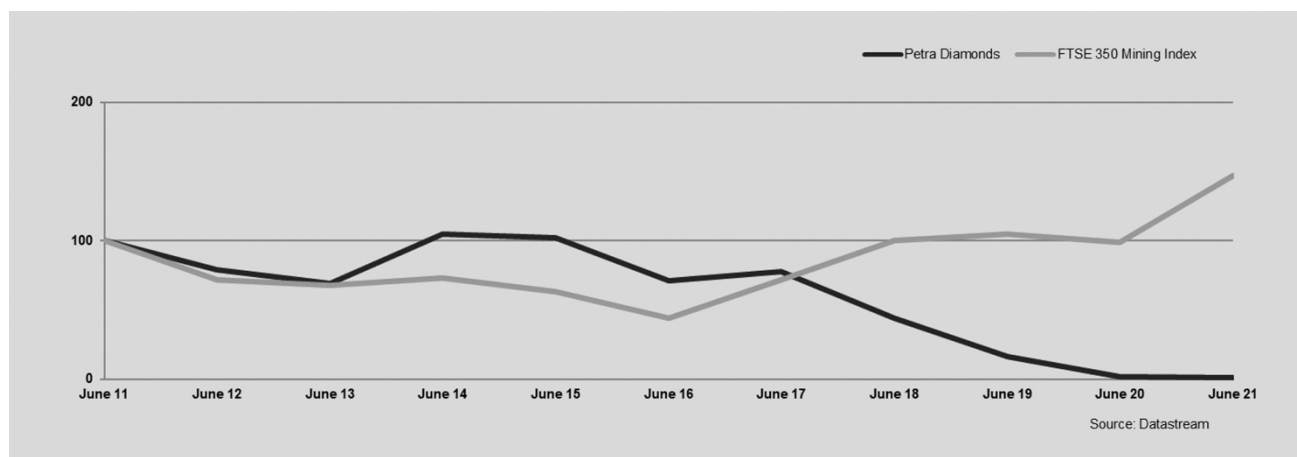


Table of historical data for the Chief Executive

Before the Company stepped up to the Main Market, Petra operated a different remuneration structure. Prior to FY 2012, 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.

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019 ²		FY 2020	FY 2021
								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	384,256	805,629
Annual bonuses as a % of maximum	68%	72.5%	85.5%	40.0%	55.0%	11.4%	17.6%	23.7%	29.6%	0.0%	58.9%
Long-term incentives (PSP vesting) as a % of maximum ¹	—	—	62.2%	57.0%	55.0%	24.9%	17.5%	16.6%	n/a	n/a	n/a
Long-term incentives (LTSP vesting) as a % of maximum	—	—	n/a	42.5%	42.3%	n/a	n/a	n/a	n/a	n/a	n/a

1. Prior to FY 2012, the Company granted share options to Executive Directors. For the purposes of the single figure for FY 2012 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.

2. 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.

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).

		FY 2020 Year-on-year change in pay			FY 2021 Year-on-year change in pay		
		Salary	Benefits	Bonus	Salary	Benefits	Bonus
Average Company employee¹		5.0%	13.0%	10.0%	2.4%	0%	100%
Executive Directors							
Mr Duffy	Chief Executive	(8.3%) ²	(2.4%)	(100%)	0% ²	0.6%	100%
Mr Breytenbach	Finance Director	(6.5%) ²	0.9%	(100%)	0% ²	0.6%	100%
Non-Executive Directors							
Mr Hill (appointed 1 April 2020)	Non-Executive Chairman	n/a	n/a	n/a	0% ³	n/a	n/a
Mr Lowrie (retired 17 November 2020)	Senior Independent Director	(6.2%)	n/a	n/a	(60.2%) ⁴	n/a	n/a
Ms Shine	Senior Independent Director	(2.0%)	n/a	n/a	33.0% ⁵	n/a	n/a
Mr Hamilton	iNED	(8.9%)	n/a	n/a	(11.5%)	n/a	n/a
Ms Matloa	iNED	5.7%	n/a	n/a	(0.7%)	n/a	n/a
Mr Pryor	iNED	(6.3%)	n/a	n/a	18.4% ⁶	n/a	n/a
Mr Glowasky (appointed 10 March 2021)	NED	n/a	n/a	n/a	n/a	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 the actual salaries, benefits and bonuses paid out during the Year by the average number of employees.

2. The base salaries for Mr Duffy and Mr Breytenbach of £370,800 and £265,200 respectively remained unchanged during FY 2021 and FY 2020.

3. Mr Hill's base fees as Non-Executive Chairman for FY 2021 and FY 2020 was £165,000.

4. Mr Lowrie retired from the Board on 17 November 2020.

5. Ms Shine assumed the role of Senior Independent Director on 17 November 2020.

6. Mr Pryor received an additional fee of £10,000 in FY 2021 as chair of the Tunajali Committee.

Directors' Remuneration Report continued

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 2021 US\$m	FY 2020 US\$m	Change %
Payments to shareholders	Nil	Nil	0%
Group employment costs	103.5	89.4	15.8%

Service contracts

Director	Role	Date current engagement commenced	Expiry of current term	Notice period by Company or Director
Executive Directors				
Mr Duffy	Chief Executive	1 April 2019	n/a	12 months
Mr Breytenbach	Finance Director	19 February 2018	n/a	12 months
Non-Executive Directors				
Mr Hill	Non-Executive Chairman	1 January 2020	31 December 2022	1 month
Ms Shine	Senior Independent Director	1 January 2019	31 December 2021	1 month
Mr Hamilton	Independent Non-Executive Director	29 November 2020	19 November 2021 ¹	1 month
Ms Matloa	Independent Non-Executive Director	10 November 2020	9 November 2023	1 month
Mr Pryor	Independent Non-Executive Director	1 January 2019	31 December 2021	1 month
Ms Gudgeon	Independent Non-Executive Director	1 July 2021	30 June 2024	1 month
Mr Glowasky	Non-Independent Non-Executive Director	1 July 2021	n/a ²	n/a ²
Ms Watson	Non-Independent Non-Executive Director	1 July 2021	n/a ²	n/a ²
Mr Bhatt	Non-Independent Non-Executive Director	1 July 2021	n/a ²	n/a ²

1. Mr Hamilton will be retiring from the Board at the conclusion of the 2021 AGM.

2. Mr Glowasky and Mr Bhatt were nominated as non-independent, Non-Executive Directors by Monarch in accordance with the Nomination Agreement between it and the Company. Similarly, Ms Watson was nominated as a non-independent, Non-Executive Director by Franklin Templeton Investment Management Limited in accordance with the Nomination Agreement between it and the Company. The term for each of Mr Glowasky, Mr Bhatt and Ms Watson as non-independent, Non-Executive Directors expires with immediate effect when the applicable Nomination Agreement terminates. The applicable Nomination Agreement terminates when the nominating shareholder holds less than 5% of the shares in Petra.

Membership of the Committee

The Committee members for FY 2021 were Ms Shine, Mr Lowrie (retired 17 November 2020), Mr Hamilton, Mr Pryor and Ms Matloa. Post Year end, Ms Gudgeon became a member with effect from 1 July 2021.

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
- oversight of 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.

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 2021 for the Committee totalled £66,900 (FY 2020: £39,850) and were based on a time and materials basis.

During the Year, Deloitte also provided unrelated tax and general advisory services to the Company. BDO LLP remains the Group’s auditors.

Statement of shareholder voting

The voting outcomes for the 2020 Directors’ Remuneration Report and 2020 Directors’ Remuneration Policy Report were as follows:

	For	% for	Against	% against	Total votes cast	Withheld
2020 Directors’ Remuneration Report	255,716,046	99.98%	40,422	0.02%	255,756,468	9,010
2020 Directors’ Remuneration Policy	255,716,046	99.98%	40,422	0.02%	255,756,468	9,010



Varda Shine

Remuneration Committee Chair

12 October 2021

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 (as amended). 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.

The Directors are responsible for ensuring that the Annual Report and Accounts, taken as a whole, are fair, balanced, and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

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 maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the Financial Statements contained therein.

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 2021 AGM to be held on 19 November 2021.

The Financial Statements were approved by the Board of Directors on 12 October 2021 and are signed on its behalf by:



Richard Duffy
Chief Executive
12 October 2021

Independent Auditor's Report

To the members of Petra Diamonds Limited

1. Opinion on the Financial Statements

In our opinion:

- the Financial Statements give a true and fair view of the state of the Group's affairs as at 30 June 2021 and of the Group's profit 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 (as amended).

We have audited the Financial Statements of Petra Diamonds Limited (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2021 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.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

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 reappointed 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 2021 we were reappointed as auditor by the members of the Company at the annual general meeting of the Company held on 17 December 2020. The period of total uninterrupted engagement is 16 years, covering the years ending 30 June 2006 to 30 June 2021.

We remain 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. The non-audit services prohibited by that standard were not provided to the Group or the Parent Company.

Our audit opinion is consistent with the additional report to the Audit and Risk Committee.

3. Conclusions related to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We have highlighted going concern as a key audit matter as a result of the estimates and judgments required by management in their going concern assessment and the impact on our audit strategy.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- We critically reviewed Management's base case cashflow and covenant forecasts and evaluated Management's assumptions in respect of diamond prices, sales of Exceptional Stones, production, operating costs, foreign exchange rates and Capex. In doing so, we considered historic performance, trading to date in Q1 FY 2022 and external market data together with the extent to which risks and uncertainties associated with COVID-19 had been considered in the forecasts.
- We reviewed the Restructuring agreements, verified the terms and confirmed that the forecasts appropriately reflected the revised terms of the debt facilities.
- We discussed any potential further impact of COVID-19 and trading risks 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 and reviewed Management's stress test scenarios in respect of scenarios including diamond tender disruption, production disruption, reduced pricing, an increase in operating costs and a combination scenario and confirmed that liquidity was maintained under such scenarios. Where potential forecast covenant breaches arose under such scenarios we considered the extent to which adequate liquidity was available to settle relevant debt facilities in covenant breaches. We assessed the break-even point at which additional funding would be required and considered and challenged Management's assessment of the extent to which such scenarios were reasonably possible.
- We challenged Management on the cashflows in relation to the Williamson mine, including care and maintenance costs, assumptions with regards to the restart of operations and any additional funding requirements. We confirmed that the forecasts did not include any proceeds from sale of Williamson or receipts in respect of Parcel 1.
- We considered the adequacy of the going concern disclosures in Note 1.1.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the Financial Statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting. Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report continued

To the members of Petra Diamonds Limited

4. Overview

Materiality	FY 2021	FY 2020
Materiality for the Financial Statements as a whole	US\$5.0 million	US\$5.0 million
Materiality levels used for the audits of the significant components of the audit	US\$1.3 million to USD\$4.2 million	US\$1.4 million to US\$3.3 million

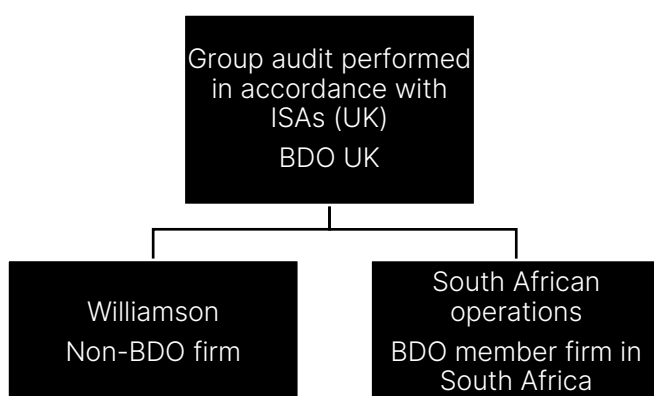
An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of Management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Our involvement with component auditors

For the work performed by component auditors, we determined the level of involvement needed in order to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the Group financial statements as a whole.

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 the BDO member firm in South Africa. The BDO member 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 remaining non-significant holding companies were principally subject to analytical review procedures.

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
98%	100%	90%

As part of our audit strategy, as Group auditors we performed the following procedures:

- 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 below), 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 below.
- 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.

5. 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 matters described in the conclusions related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

What we considered to be a key audit matter	The risk that the life of mine estimates are inappropriate and assets require impairment.	The risk in relation to the legislative environment in Tanzania.	The risk that viability period or the disclosure required under the UK Corporate Governance Code's longer-term viability statement are not appropriate.
Why it represented a key audit matter	Management was required to exercise significant judgement and estimation in assessing the recoverable amount of the mining operations. There is a high level of inherent uncertainty and critical judgements and estimates are applied by Management in the assessment. The appropriate disclosure of such judgements and estimates was also a focus for our audit.	Management was required to exercise significant judgement and estimation relating to the blocked parcel inventory, VAT recoverability, human rights settlement obligations and the settlement negotiations with the GoT. 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 our audit.	Management was required to exercise significant judgement and estimation in preparing and assessing the cashflow forecast over the viability period. There is a high level of uncertainty and critical judgements and estimates are applied by Management. The appropriate disclosure of such judgements and estimates was also a focus for our audit.
Relevant information in Financial Statements and Report of the Audit and Risk Committee	Note 8. Report of the Audit and Risk Committee page 91.	Notes 18 and 19. Report of the Audit and Risk Committee page 92.	Note 1.1 Viability Statement page 96.

1. The risk that the life of mine estimates are inappropriate and assets require impairment

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 2021 was significantly below its net assets, together with the uncertainty that remains in the global rough diamond market as a result of COVID-19 and the notable operational issues in the year at Finsch and Koffiefontein, 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 2021, the Group recognised a US\$17.3 million impairment charge at Finsch and Koffiefontein to write the mining assets down to their recoverable amount. The appropriateness of judgements and estimates applied in determining the recoverable amounts represented a significant risk for our audit, particularly given the sensitivity of the recoverable amount to assumptions including the status of the global rough diamond market and associated diamond prices, the ongoing impact of the COVID-19 pandemic, cost reduction programmes, and foreign exchange rates.

As detailed in note 37, as at 30 June 2021, the IFRS 5 criteria were met and the Williamson operation was classified as held for sale and measured at fair value less cost to sell, being below its carrying amount. The determination of the fair value less cost to sell required Management to exercise significant judgement. Based on Management's estimate of the fair value less cost to sell at the reporting date, an impairment charge of US\$21.4 million was recognised.

How we addressed the matter

- We obtained an understanding of the controls operating in respect of the Group's impairment reviews, including confirming that the impairment models utilised the Board approved life of mine plans.
- 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.
- We compared the trading performance against budget/plan for FY 2021 in order to evaluate the quality of Management's forecasting and where under performance against budget/plan was highlighted evaluated the impact on the forecasts.
- 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, compared the price increased achieved in FY 21 against Management's previous forecasts and evaluated the near-term diamond price recovery forecasts against market analyst commentary and trends observed at other diamond producers.

Independent Auditor's Report continued

To the members of Petra Diamonds Limited

5. Key audit matters continued

1. The risk that the life of mine estimates are inappropriate and assets require impairment continued

How we addressed the matter continued

- In respect of long-term pricing, we considered the appropriateness of the long-term diamond price escalator of 1.9% above a long-term US inflation rate of 2% 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. 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.
- We held meetings with mine management (mine managers, geologists, mining engineers) to understand and challenge the production, operating cost and Capex forecasts. In particular, we challenged the basis for and ability to deliver planned cost reductions. In doing so we reviewed the cost reductions achieved to date under such programmes and met with external consultants involved in the programmes to assess the extent to which the proposals were considered achievable.
- We considered the risks and uncertainties created by COVID-19 and the associated impact on the life of mine plans. In doing so, we considered the impact of areas such as enhanced HSE requirements and the timing and extent of production growth.
- On the other key assumptions, our testing included comparison of foreign exchange rates to market spot and forward rates; recalculation of discount rates in conjunction with our internal specialists 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 engaged modelling specialists from a BDO member firm in South Africa to perform a review of the mathematical integrity of the models.
- We reviewed Management's sensitivity analysis for the impairment models and performed additional sensitivity analysis on the impairment models where considered necessary. We held discussions with the Audit and Risk Committee to consider the recoverable amount under the forecasts, including risks and sensitivity around pricing, production, foreign exchange rates, and discount rates.
- In respect of Williamson, we assessed the classification of Williamson as an asset held for sale and discontinued operations against the requirements of the relevant accounting requirements, including consideration of the status of Board proposals for a sale of the assets.
- We obtained Management's assessment of the fair value less cost to sell of Williamson. In doing so we held discussions with Management and the Audit and Risk Committee to understand the status of discussions with vendors and associated proposals and evaluate the consistency of Management's estimate with such proposals.
- We have reviewed the appropriateness and adequacy of disclosures in note 8 and note 37.

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 2021 considered both the Group's plans, recent performance and continued risks and uncertainties. We found the disclosures in note 8 to be appropriate. In respect of Williamson we found the classification of the mine as held-for-sale to be appropriate and that the fair value less cost to sell to be an appropriate estimate. We found the disclosures in note 37 to be acceptable.

2. The risk in relation to the legislative environment in Tanzania

The legislative environment in Tanzania targeted at the mining industry, together with the seizure of 'parcel one' in September 2017, create a significant commercial risk to the Group and require Management 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\$10.6 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. Media reports in Tanzania during the Year suggested the parcel had been nationalised, although the Company remains in discussions with the GoT. 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.

Recoverability of VAT receivable

As detailed in note 18, Williamson's gross VAT receivable has decreased from US\$39.9 million in FY 2020 to US\$29.5 million at the end of FY 2021, as a result of receiving US\$10.1 million in cash repayments for the pre-July 2017 VAT in May 2021. A provision of US\$28.7 million has been recorded against the VAT receivables.

The gross VAT balance as at 30 June 2021 comprises US\$1.8 million of historic VAT under the pre-2017 VAT legislation; US\$26.9 million of VAT under the July 2017-June 2020 legislation of which no receipts have been received; and US\$0.8 million related to claims submitted between July 2020 and June 2021.

Management were required to exercise judgment in determining the extent of provisions, which required consideration of discussions with relevant authorities in Tanzania and the wider operating environment, the validity of the VAT under relevant legislation for each of the three periods and the ultimate timing of recovery of eligible VAT.

Given these circumstances, the carrying value and presentation of VAT was considered to represent a key risk for our audit.

5. Key audit matters continued

2. The risk in relation to the legislative environment in Tanzania continued

Alleged human rights abuses claim and settlement

In FY 2020, the Group received notification of claims in relation to various alleged human rights abuses at the Williamson mine in Tanzania. In May 2021, the Group announced that they had reached a settlement, on a no admission of liability basis, in relation to the alleged human rights claims at the Williamson mine. Management have recognised total costs and provisions of US\$12.7 million in respect of the settlement and associated legal costs as detailed in note 6.

The determination of the total costs and provision required a level of estimation, whilst the disclosure of the matter was considered to be important to users of the Financial Statements. Accordingly, this area was considered to represent a key risk for our audit.

Ongoing settlement discussions with GoT

The Group continues to engage with GoT representatives to reach a resolution in respect of the ongoing issues in Tanzania and Management was required to exercise judgement in determining the extent to which provisions or contingent liabilities exist in respect of claims by the GoT as detailed in note 37. Management has recorded a provision of US\$19.5 million in respect of unsettled and disputed tax claims as detailed in note 37. This area required Management to exercise judgement and was considered to represent a key risk for our audit.

How we addressed the matters

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 and 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 reviewed formal correspondence with the GoT authorities which did not indicate any change to the status of the parcel. We 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 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 obtained written confirmation from the Group's Tanzanian legal adviser which supports the Board's 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 were 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 obtained all correspondence with the GoT in relation to the blocked parcel and made enquiries of in-house counsel to identify any indicators that the Group's entitlement to the inventory is disputed. We specifically challenged Management regarding the media reports in Tanzania indicating that the parcel had been nationalised and confirmed with Management and the Audit and Risk Committee that no formal notification had been received and discussions regarding the release of the parcel continue with the GoT as part of the wider settlement discussions. We evaluated the consistency of Management's judgement regarding the ultimate release of the parcel against correspondence between the parties regarding sale of the parcel and receipt of resulting proceeds by Williamson.
- We reviewed the carrying value of the inventory, held at net realisable value, against the last tender value achieved in FY 2021.
- 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.

Recoverability of VAT receivable

- We agreed the cash repayment of US\$10.1 million for historic VAT owed relating to claims from the period pre-July 2017 to bank statements and correspondence documents from the tax authorities.
- We examined the Group's correspondence with the tax authorities in respect of the US\$1.8 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. We obtained and reviewed correspondence with the TRA for evidence of any disputes regarding the validity of the balance.
- 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 inspected correspondence from the tax authorities rejecting the Group's assessment that such VAT is valid. We reviewed correspondence with the tax authorities and made enquiries of Management regarding the nature of their ongoing discussions with the GoT. We evaluated Management's judgement that full provision against the balance is appropriate considering the continued dispute, absence of receipt, and status of the VAT within continuing settlement proposals with the GoT.
- In respect of the undisputed VAT balances of US\$1.8 million related to pre July 2017 and US\$0.8 million post July 2020, 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. 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.

Independent Auditor's Report continued

To the members of Petra Diamonds Limited

5. Key audit matters continued

2. The risk in relation to the legislative environment in Tanzania continued

How we addressed the matters continued

Alleged human rights abuses claim and settlement

- We obtained and reviewed the claim letters, responses and settlement agreement and held discussions with both Management and the Group's external legal advisors to obtain an understanding of the developments in the period and terms of the settlement.
- We agreed the settlement value to the general ledger and payments to bank.
- In relation to estimates of the value of final claimant settlements included in the provision, we reviewed the terms of the settlement agreement which made allowance for such claimants and discussed the estimate with the Group's external legal advisers. We obtained written confirmation from the Group's external legal adviser which supports the Directors' assessment that the amounts provided for are sufficient to accommodate the Group's obligations as of 30 June 2021. In relying upon the assessments made by the expert, we evaluated their independence, competence and objectivity.
- We challenged Management and their legal advisors as to the extent of any further legal or constructive obligations that the Group may be exposed to in relation to the alleged human rights abuses claim and associated settlement terms.
- We have tested a sample of the Group's legal costs included within the provision to supporting documentation.

Ongoing settlement discussions with GoT

- We reviewed correspondence between the Group, GoT and relevant authorities in the period and met with the Group's in-house legal counsel and Management to discuss the status of claims by the GoT, nature of discussions between the parties and reviewed the associated draft settlement proposal document and submissions to relevant authorities.
- We challenged Management regarding the extent to which the status of settlement discussions, draft settlement proposals and submissions to relevant authorities indicated an outflow of economic benefits in relation to disputed claims was probable at the balance sheet date and required provisioning. We held specific discussions with the Audit and Risk Committee in respect of Management's assessment.
- We compared the provision recorded in respect of unsettled and disputed tax claims against the draft settlement proposal and submissions to relevant authorities.
- We considered the status and nature of the draft settlement proposal agreement to assess Management's conclusions regarding the extent to which they impact on the carrying value of the VAT, Parcel 1 or otherwise give rise to a further provision or contingent liability.

Observations

Inventory

In relation to 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 and wider settlement negotiations. Additionally, we found that the estimation of the carrying value of the Parcel to be appropriate. We found the judgements and estimates regarding the valuation, likelihood, method, and timing of recovery to have been appropriately considered and disclosed in note 19.

Recoverability of VAT receivable

In relation to the recoverability of the VAT receivable, based on our procedures, we found Management's provisioning level to be appropriate. In addition, we found the disclosures included in the Financial Statements in note 18 to be appropriate.

Leigh Day – alleged human rights claim and settlement

In relation to the alleged human rights claim and settlement, based on our procedures performed, we found Management's provisioning level to be appropriate. In addition, we found the disclosures included in the Financial Statements in notes 6 and 25 to be appropriate.

Ongoing settlement negotiations with GoT

Based on our procedures we found Management's conclusion that a provision is required to be appropriate. In addition, we found the disclosures included in the Financial Statements in note 37 to be appropriate.

3. The risk that viability period or the disclosure required under the UK Corporate Governance Code's longer-term viability statement are not appropriate

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 currently the most relevant time period for this assessment is a five-year period ending June 2026, reflecting the amortising profile of the restructured first lien bank debt, the terms of the recently completed Restructuring with specific reference to the March 2026 maturity date of the Loan Notes, and the potential impact of the principal risks that could affect the viability of the Group.

As detailed in section 8 below, the Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. However, we have also highlighted the longer-term viability as a key audit matter, alongside going concern as detailed in section 3 above, as a result of the estimates and judgements required by Management in their viability assessment and the impact on our audit strategy.

5. Key audit matters continued

3. The risk that viability period or the disclosure required under the UK Corporate Governance Code's longer-term viability statement are not appropriate continued

How we addressed the matter

- We challenged Management on the viability period used for the assessment, which resulted in a change from three years to five years.
- We utilised our audit work on the inputs into the going concern forecast and life of mine plans to critically review Management's base case cashflow and covenant forecasts throughout the viability period and evaluated Management's long term assumptions in respect of diamond prices, sales of Exceptional Stones, production, operating costs, foreign exchange rates and Capex. In doing so, we considered historic performance, trading to date in Q1 FY 2022 and external market data together with the extent to which risks and uncertainties associated with COVID-19 had been considered in the forecasts. We challenged Management on the cashflows in relation to the Williamson mine, including care and maintenance costs, assumptions with regards to the restart of operations and any additional funding requirements. We confirmed that the forecasts did not include any proceeds from sale of Williamson or receipts in respect of Parcel 1.
- We obtained and reviewed Management's viability period stress test scenarios in respect of scenarios including diamond tender disruption, production disruption, reduced pricing, an increase in operating costs and a combination scenario and confirmed that liquidity was maintained under such scenarios. Where potential forecast covenant breaches arose under such scenarios we considered the extent to which adequate liquidity was available to settle relevant debt facilities in covenant breaches. We assessed the break-even point at which additional funding would be required and considered and challenged Management's assessment of the extent to which such scenarios were reasonably possible. Specifically, we also considered the mitigating actions available to the Group in a stress test scenario.
- We critically assessed the interaction of the principal risks within the viability period.
- We considered the adequacy the Viability Statement disclosures on pages 96 to 97.

Observations

Refer to section 8 below.

6. Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the Financial Statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements as a whole.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole and performance materiality as follows:

	Group financial statements	
	2021	2020
Materiality	US\$5.0 million	US\$5.0 million
Basis for determining materiality	1.25% of Group revenue	1.25% of three-year average of Group revenue
Rationale for the benchmark applied	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. The volatility experienced in FY 2020 was not as prevalent in FY 2021 and, therefore, a three-year average was no longer considered to be appropriate.	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.
Performance materiality	75% of materiality	
Basis for determining performance materiality	75% of materiality considering the nature of activities and historic audit adjustments	

Independent Auditor's Report continued

To the members of Petra Diamonds Limited

6. Our application of materiality continued

Component materiality

Whilst materiality for the Financial Statements as a whole was US\$5.0 million (FY 2020: US\$5.0 million), each significant component of the Group was audited to a lower materiality as detailed in the overview section.

We set materiality for each component of the Group based on a percentage of between 27% and 84% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from US\$1.3 million to US\$4.2 million. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

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 2020: US\$0.1 million). We also agreed to report differences below that threshold that, in our view, warranted reporting on qualitative grounds.

7. Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 2021 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. 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 course of 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 this gives rise to a material misstatement in the Financial Statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

8. Corporate governance statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit.

Going concern and longer-term viability	<ul style="list-style-type: none"> The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified (set out on pages 146 to 147); The Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate (set out on pages 96 to 97); and The Directors' statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as they fall due (set out on pages 146 to 147).
Other Code provisions	<ul style="list-style-type: none"> The Directors' statement on fair, balanced and understandable (set out on page 88); The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks (set out on pages 40 to 41); The section of the annual report that describes the review of effectiveness of risk management and internal control systems (set out on pages 88 to 89); and The section describing the work of the audit committee (set out on pages 83 to 95).

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, 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.

10. 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.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We held discussions with Management and the Audit and Risk Committee to consider any known or suspected instances of non-compliance with laws and regulations or fraud identified by them;
- We made specific inquiries of Management, in-house counsel and the Audit and Risk Committee as to the status of discussions with the GoT regarding the ongoing settlement discussions and the extent to which they indicated non-compliance with laws and regulations. We reviewed correspondence between the parties and the draft settlement proposal documents together with submissions to relevant authorities in relation to the matter.
- We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, through discussion with Management and the Audit and Risk Committee and our knowledge of the industry;
- We considered the significant laws and regulations of South Africa, Tanzania, Bermuda and the UK to be those relating to the industry, financial reporting framework, tax legislation and the listing rules.
- We assessed the susceptibility of the Group's Financial Statements to material misstatement, including how fraud might occur by obtaining an understanding of the controls that the Group has established to address risks identified by the entity, or that otherwise seek to prevent, deter or detect fraud. We considered the significant fraud risk areas to be in relation to revenue recognition and management override of controls;
- We addressed the fraud risk in relation to revenue recognition, testing a sample to supporting documentation, including testing the cut-off of revenue transactions in the period proceeding and preceding year end.
- We addressed the risk of management override of internal controls, including testing a risk based selections of journals and evaluating whether there was evidence of bias in Management's estimates (Refer to the 'key audit matters' section) that represented a material misstatement due to fraud. Specifically:
 - we tested the appropriateness of journal entries made through the Year by applying specific criteria to detect possible irregularities and fraud;
 - we performed a detailed review of the Group's year end adjusting entries and investigated any that appear unusual as to nature or amount and agreeing to supporting documentation;
 - for significant and unusual transactions, particularly those occurring at or near year end, we obtained evidence for the rationale of these transactions and the sources of financial resources supporting the transactions;
 - we assessed whether the judgements made in accounting estimates were indicative of a potential bias (refer to key audit matters above);
 - we extended inquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate set out in the key audit matters section above;
 - we reviewed minutes from Board meetings of those charges with governance to identify any instances of non-compliance with laws and regulations; and
 - we also communicated relevant identified laws and regulations and potential fraud risks to the component audit team and all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.
- In respect of the component auditors, we communicated our consideration of where the Financial Statements could be susceptible to material misstatement, including how fraud might occur, and communicated specific procedures to be performed in relation to testing the appropriateness of journal entries made throughout the Year by applying specific criteria to select journals which may be indicative of possible irregularities and fraud and also by assessing the judgements made by Management when making key accounting estimates and judgements, and challenging Management on the appropriateness of these judgements. As part of our Group audit, we performed a review of the component auditors' file, which included the areas detailed above. In addition, as part of their audit, the component auditors assessed compliance with local legislation, including mining regulations in South Africa and Tanzania. Their procedures involved making enquiries of local management to understand their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations, enquiring about the Company's methods of enforcing and monitoring compliance with such policies, and reviewing Board minutes to identify any instances of non-compliance.

Our audit procedures were designed to respond to risks of material misstatement in the Financial Statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Financial Statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report continued

To the members of Petra Diamonds Limited

11. Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with 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

For and on behalf of BDO LLP, Statutory Auditor

London, UK

12 October 2021

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 2021

US\$ million	Notes	2021	Restated ¹ 2020
Revenue	2	402.3	243.3
Mining and processing costs	3	(337.2)	(238.2)
Other direct income	4	1.7	1.0
Exploration expenditure	5	—	(0.6)
Corporate expenditure	6	(21.3)	(8.7)
Impairment of non-financial assets	8	(17.7)	(50.5)
Impairment of BEE loans receivable – expected credit loss release/(charge)	16	5.8	(10.9)
Total operating costs		(368.7)	(307.9)
Profit on disposal of subsidiary	36	14.7	—
Financial income	9	84.1	7.9
Financial expense	9	(74.0)	(160.8)
Gain on extinguishment of Notes net of unamortised costs	9	213.3	—
Profit/(loss) before tax		271.7	(217.5)
Income tax (charge)/credit	10	(23.0)	52.5
Profit/(loss) for the Year from continuing operations		248.7	(165.0)
Loss on discontinued operations including associated impairment charges (net of tax)	37	(52.1)	(58.0)
Profit/(loss) for the Year		196.6	(223.0)
Profit/(loss) for the Year attributable to:			
Equity holders of the parent company		187.1	(190.0)
Non-controlling interest		9.5	(33.0)
		196.6	(223.0)
Earnings/(loss) per share attributable to the equity holders of the parent during the Year			
From continuing operations:			
Basic earnings/(loss) per share – US\$ cents	12	6.67	(15.26)
Diluted earnings/(loss) per share – US\$ cents	12	6.67	(15.26)
From continuing and discontinued operations:			
Basic earnings/(loss) – US\$ cents	12	5.22	(21.96)
Diluted earnings/(loss) – US\$ cents	12	5.22	(21.96)

1. Comparative results have been restated to reflect the results of Williamson within the loss on discontinued operations including associated impairment charges (net of tax) as per the requirements of IFRS 5 (refer to note 37).

The notes on pages 146 to 202 form part of these Financial Statements.

Consolidated Statement of Other Comprehensive Income

For the Year ended 30 June 2021

US\$ million	2021	2020
Profit/(loss) for the Year	196.6	(223.0)
Exchange differences on translation of the share-based payment reserve	0.2	(0.2)
Exchange differences on translation of foreign operations ^{1,2}	64.2	(91.3)
Exchange differences on non-controlling interest ¹	(1.2)	(0.6)
Total comprehensive income/(expense) for the Year	259.8	(315.1)
Total comprehensive income/(expense) for the Year attributable to:		
Equity holders of the parent company	251.5	(281.5)
Non-controlling interest	8.3	(33.6)
	259.8	(315.1)

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.

2. The Company has disclosed the net assets of the Williamson operation under non-current assets held for sale and liabilities directly associated with non-current assets held for sale in the Statement of Financial Position.

The notes on pages 146 to 202 form part of these Financial Statements.

Consolidated Statement of Financial Position

At 30 June 2021

US\$ million	Notes	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	14	696.8	675.8
Right-of-use asset	15	1.2	4.9
BEE loans receivable	16	46.6	137.0
Other receivables	18	—	10.3
Deferred tax assets	26	—	23.3
Total non-current assets		744.6	851.3
Current assets			
Trade and other receivables	18	50.7	20.0
Inventories	19	59.9	103.5
Cash and cash equivalents (including restricted amounts)	20	163.8	67.6
Total current assets		274.4	191.1
Non-current assets classified as held for sale	36, 37	59.6	0.3
Total assets		1,078.6	1,042.7
EQUITY AND LIABILITIES			
Equity			
Share capital	21, 22	145.7	133.4
Share premium account	21, 22	959.5	790.2
Foreign currency translation reserve	22	(402.1)	(453.0)
Share-based payment reserve	22	1.8	1.1
Other reserves	22	(0.8)	(0.8)
Accumulated losses	22	(253.3)	(440.4)
Attributable to equity holders of the parent company		450.8	30.5
Non-controlling interests	17	(10.5)	(18.8)
Total equity		440.3	11.7
Liabilities			
Non-current liabilities			
Loans and borrowings	23	400.0	—
BEE loans payable	16	—	108.6
Provisions	25	71.3	55.6
Lease liability	15	0.5	1.1
Deferred tax liabilities	26	48.9	40.5
Total non-current liabilities		520.7	205.8
Current liabilities			
Loans and borrowings	23	30.3	769.0
Lease liability	15	0.5	3.6
Trade and other payables	24	49.1	52.5
Provisions	25	4.2	—
Total current liabilities		84.1	825.1
Liabilities directly associated with non-current assets classified as held for sale	36, 37	33.5	0.1
Total liabilities		638.3	1,031.0
Total equity and liabilities		1,078.6	1,042.7

The notes on pages 146 to 202 form part of the Financial Statements.

The Financial Statements were approved and authorised for issue by the Directors on 12 October 2021.

Consolidated Statement of Cashflows

For the Year ended 30 June 2021

US\$ million	Notes	2021	2020
Profit/(loss) before taxation for the Year from continuing and discontinued operations		219.6	(275.3)
Depreciation of property, plant and equipment		75.9	78.3
Amortisation of right-of-use asset		0.9	5.2
Unrealised gain on lease liability		—	(0.8)
Impairment charge – non financial assets	8	17.7	92.3
Impairment charge/(reversal) for other receivables	8	—	(0.4)
Impairment of BEE loans receivable – expected credit loss (release)/charge	16	(5.8)	10.9
Gain on extinguishment of Notes net of unamortised costs	9	(213.3)	—
Loss and impairment charge on discontinued operations		43.2	—
Profit on disposal of subsidiary	36	(14.7)	—
Movement in provisions		4.8	(0.1)
Financial income	9	(84.1)	(7.9)
Financial expense	9	74.0	161.0
Profit on sale of property, plant and equipment		(0.6)	(0.1)
Share-based payment provision		0.5	0.7
Operating profit before working capital changes		118.1	63.8
(Increase)/decrease in trade and other receivables		(26.9)	11.4
Increase/(decrease) in trade and other payables		5.5	(15.5)
Decrease/(increase) in inventories		42.8	(32.7)
Cash generated from operations		139.5	27.0
Net realised losses on foreign exchange contracts		(6.1)	(8.3)
Finance expense paid		(6.7)	(26.2)
Income tax received/(paid)		0.3	(0.6)
Net cash generated from /(utilised in) operating activities		127.0	(8.1)
Cashflows from investing activities			
Acquisition of property, plant and equipment		(19.4)	(39.3)
Proceeds from sale of property, plant and equipment		0.3	0.8
Loans advanced to BEE Partners		(7.0)	(14.1)
Repayment of loans from KEM JV		—	0.4
Finance income received		0.7	1.2
Net cash utilised in investing activities		(25.4)	(51.0)
Cashflows from financing activities			
Cash transaction costs settled – Debt Restructuring	21	(29.9)	—
Principal paid on lease liabilities	30	(0.7)	(5.0)
Increase in borrowings	30	30.0	100.9
Repayment of borrowings		(7.4)	(43.5)
Net cash generated from/(utilised in) by financing activities		(8.0)	52.4
Net increase/(decrease) in cash and cash equivalents		93.6	(6.7)
Cash and cash equivalents at the beginning of the Year		53.6	71.7
Effect of exchange rate fluctuations on cash held		9.7	(11.4)
Cash and cash equivalents at the end of the Year¹	20	156.9	53.6

1. Cash and cash equivalents in the Consolidated Statement of Financial Position includes restricted cash of US\$16.1 million (30 June 2020: US\$14.0 million) and unrestricted cash of US\$147.7 million (30 June 2020: US\$53.6 million) and excludes unrestricted cash attributable to Williamson of US\$9.2 million (30 June 2020: US\$nil).

The cashflows specific to the discontinued operation (net of tax) are included in the amounts above and are disclosed in note 37.

Notes to the Consolidated Statement of Cashflows are set out in note 30.

The notes on pages 146 to 202 form part of the Financial Statements.

Consolidated Statement of Changes in Equity

For the Year ended 30 June 2021

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 2020	133.4	790.2	(453.0)	1.1	(0.8)	(440.4)	30.5	(18.8)	11.7
Profit for the Year	—	—	—	—	—	187.1	187.1	9.5	196.6
Other comprehensive expense	—	—	64.2	0.2	—	—	64.4	(1.2)	63.2
Recycling of foreign currency translation reserve on disposal of Sekaka (refer note 36) ¹	—	—	(13.3)	—	—	—	(13.3)	—	(13.3)
Transfer between reserves	—	—	—	—	—	—	—	—	—
Equity-settled share-based payments	—	—	—	0.5	—	—	0.5	—	0.5
Allotments during the Year (refer note 21)	12.3	169.3	—	—	—	—	181.6	—	181.6
At 30 June 2021	145.7	959.5	(402.1)	1.8	(0.8)	(253.3)	450.8	(10.5)	440.3

1. The Company disposed of the Botswana exploration operation and recognised a foreign currency translation gain of US\$13.3 million which has been recycled through the Consolidated Income Statement as part the profit on disposal of subsidiary (refer to note 36).

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
At 30 June 2020	133.4	790.2	(453.0)	1.1	(0.8)	(440.4)	30.5	(18.8)	11.7

The notes on pages 146 to 202 form part of these Financial Statements.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021

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

Despite facing many challenges during FY 2021, improvements in market conditions and the easing of certain COVID-19 restrictions resulted in an increase in demand for rough diamonds, specifically during H2. This allowed for a higher volume of diamond sales to be generated by the Group, which further benefitted from a ca. 9% increase in diamond prices on a like-for-like basis when compared to FY 2020. In addition, the Company recovered and sold a number of Exceptional Stones during FY 2021 from Cullinan, yielding a total of US\$62.0 million in sales revenues. Post Year end, another three Exceptional Stones were sold, being a 39.3 carat blue diamond yielding US\$40.18 million in July 2021, and a 342.9 carat white diamond and an 18.3 carat blue diamond which collectively sold for US\$13.5 million, while the Company retained a further fifty percent interest in the profits, after costs, of both these stones in their future sale after polishing.

These factors, coupled with the successful completion of the capital Restructuring, resulted in solid progress towards stabilising the Group's balance sheet and strengthening cash reserves to the date of this report.

The Group's liquidity outlook over the 18-month period to December 2022 remains strong, even when applying sensitivities to the base case forecast. However, since covenants were set tightly in the base case at the time of the Restructuring, the debt service cover ratio ("DSCR") covenant, which does not factor in available liquidity nor consider leverage levels, remains sensitive to trading conditions during this period. Under certain stressed-case scenarios, projections indicate that the DSCR covenant may be breached; however, the Company is forecast to have adequate liquidity to fully pay down the drawn facilities prior to any potential breach occurring and retain adequate liquidity and is, therefore, not reliant on the facilities. The Company has also commenced with steps towards renegotiating available banking facilities and associated covenants to address the risk of a breach occurring. The Board considers that the going concern basis in the preparation of the Financial Statements is appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

Capital restructuring

The Restructuring completed in March 2021 and significantly reduced the Company's gross debt from US\$817.5 million directly before the Restructuring to US\$450.1 million thereafter, with some US\$10.3 million (ZAR160 million) remaining undrawn and available to the Group.

Loan notes reduced from US\$713.7 million (US\$650 million capital plus accrued interest of ca. US\$63.7 million to date of settlement) to US\$336.7 million, while debt owed under the Group's banking facilities saw an additional US\$10.3 million (ZAR160 million) revolving credit facility being made available to the Group, increasing these facilities to ZAR560 million, while the previous ZAR500 million working capital facility and the ZAR683 million BEE guarantee facilities were refinanced and replaced by a ZAR1.2 billion amortising Term Loan.

South African operations

Cullinan performed well during FY 2021, delivering record throughput supported by Project 2022 initiatives. It is expected that Cullinan will continue to perform at these levels in future. Finsch was impacted by unexpected levels of waste ingress, reducing both throughput and grades recovered at the mine. The longer-term impact of the waste ingress has been assessed through geological simulations, with results informing revised LOM planning models, as well as resultant cashflow projections. Short-term disruptions were also experienced after unusually heavy rainfalls hampered operations at both Finsch and Koffiefontein during Q3 FY 2021.

COVID-19

Some uncertainty still exists around the ongoing impact of COVID-19 on the Group. South Africa has experienced ongoing waves of infections and the disruption to Petra's operations mainly concerns the necessary quarantining of confirmed or suspected cases amongst our workforce. However, the Company has the systems and processes in place to manage this without materially impacting production. Petra's focus now is on assisting the Government with its vaccination drive and the Company has vaccination stations and campaigns to encourage their uptake available at, or near to, each of our operations.

The Group continues to sell its product through a dual tender system – first via the mandatory tender held in South Africa, with the bulk of the goods then exported to be sold in Antwerp. This approach ensures maximum exposure to potential bidders and, in turn, stronger competition and improved pricing. Further waves of outbreak and repeat 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/or demand for rough diamonds and, consequently, diamond prices.

1. Accounting policies continued

1.1 Basis of preparation continued

Williamson mine, Tanzania

The Board reviewed its strategic options at Williamson and the asset has been reclassified as held for sale as at 30 June 2021. The Williamson mine remained on care and maintenance; however, the Company is currently taking steps towards the commencement of production given improving market conditions over the last number of months. The mine's own liquidity position, bolstered by US\$10.1 million in VAT refunds during Q4 FY 2021, coupled with support from the local mining contractor in the form of deferred payment terms, should see it reach commercial production levels during H1 FY 2022, with the first sale of goods projected to be in Q2 FY 2022, with working capital funding from Petra limited to US\$6.0 million during this start-up period.

In addition, the Group remains in discussions with the GoT around various issues including, inter alia, the sharing of economic benefits, the recoverability of VAT receivables, and the potential receipt of proceeds from the sale of the blocked diamond parcel. Williamson's liquidity position is reliant on its ability to generate cash through operations; and/or its ability to reach agreement with the GoT allowing it to sell the blocked diamond parcel and around potential recoupment of the balance of VAT receivables; and/or its ability to procure funding via borrowings from local financial institutions.

Notwithstanding receiving approval from the GoT to proceed with arranging a US\$25.0 million working capital facility from a local Tanzanian bank, while pledging its own assets as security, the mine has not yet been able to secure such funding. Earlier discussions with a local bank for a possible working capital facility were not successful given the mine was still on care and maintenance. The Tanzanian banks suggested that they may consider advancing a facility post restart of operations, although this remains uncertain. 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 the 18 months to December 2022, including both forecast liquidity and covenants. 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, including adverse weather conditions;
- a sustained 5% decrease in forecast rough diamond prices throughout the forecast period;
- an unforeseen deferral of a rough diamond tender, 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); and
- an increase in forecast operating cost.

Under the base case, the forecasts indicate that the Company will be able to operate within the covenants set out in the financing agreements and maintain sufficient liquidity.

However, as detailed above, the first lien covenants were set with limited headroom to the Company's base case. As such, results of the stress testing indicate that in the event of a combination of all tested scenarios, possible covenant breaches associated with the South African banking facilities may occur at June 2022, while a breach is also projected in December 2022 on an individual stress test basis. At the time of any covenant breach in June 2022 and December 2022 under such scenarios, projected cash balances exceed outstanding debt under these facilities, which would allow the Group to fully pay down the drawn facilities prior to the breach occurring and maintain adequate liquidity. The forecasts indicate that under the sensitivity scenarios, the Group is not reliant on the facilities.

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, 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. Accordingly, the Board has concluded that the going concern basis in the preparation of the Financial Statements is appropriate and that there are no material uncertainties that would cast doubt on that basis of preparation.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

1. Accounting policies continued

1.1 Basis of preparation continued

Currency reporting

The functional currency of the Company is Pounds Sterling (GBP). The functional currency of the Group's business transactions in 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 ZAR14.27 as at 30 June 2021 (30 June 2020: ZAR17.32) and at an average rate of ZAR15.41 for transactions during the Year ended 30 June 2021 (30 June 2020: ZAR15.68).

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.

Comparative results

Comparative results in notes 2, 3, 4, 9 and 10 have been restated to reflect the results of Williamson within the loss on discontinued operations including associated impairment charges (net of tax) as per the requirements of IFRS 5 (refer to note 37).

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.

1.2 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. Accounting policies continued

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
Taxation	10 and 37
Depreciation judgements	14
BEE guarantee and expected credit loss assessment for BEE receivables	16
Recoverability of VAT in Tanzania	18
Recoverability of confiscated diamond parcel in Tanzania	19
Transaction costs of debt restructuring	21
Provision for rehabilitation estimates	25
Pension scheme estimates	32
Post-retirement medical fund estimates	33
Carrying value of assets held for sale	37

1.4 New standards and interpretations applied

The IASB has issued new standards, amendments and interpretations to existing with an effective date on or before 1 July 2020, these new standards are not considered to have a material impact on the Group during the Year under review.

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 2021 or in later periods, which the Group has decided not to adopt early.

		Effective period commencing on or after
IFRS 3	Amendments to IFRS 3 'Business Combinations'	1 January 2022
IAS 16	Amendments to IAS 16: Property, plant and equipment	1 January 2022
IAS 37	Amendments to IAS 37: Provisions, contingent liabilities and contingent assets	1 January 2022
IAS 16	Amendments to IAS 16: Property, plant and equipment — Proceeds before intended use	1 January 2022
Improvements to IFRSs'	Improvements to IFRS 1, IFRS 9, IFRS 16 and IAS 41	1 June 2022
Amendments to IAS 8	Amendments to IAS 8: Definition of accounting estimates	1 January 2023 ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies	1 January 2023 ¹
Amendments to IAS 12	Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a Single transaction	1 January 2023 ¹
Amendments IAS 1	Amendments to IAS 1: Classification of liabilities as current or non-current	1 January 2023 ¹

1. Not yet endorsed.

It is not anticipated that new standards, amendments and interpretations to existing standards which have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2021 or in later periods will be significant or relevant to the Group.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

2. Revenue**Significant accounting policies relevant to revenue**

Revenue comprises gross 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 or private sales 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 for tender sales is met at the point at which the tender is awarded. The performance obligation for private sales is met at the point at which the agreement on pricing and terms of sale are confirmed between both parties. 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. Revenue on rough diamond sales, where the Group retains an interest, is 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 control of the rough diamond passes to the buyer. The onward sale of the polished diamonds contains elements of variable consideration, as the Group's right to consideration is contingent on the occurrence of the future sale by the buyer. The variable consideration is not recognised as the Group is unable to ascertain the future sale amount of the polished diamonds and cannot determine that it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved.

US\$ million	2021 ¹	Restated 2020
Revenue from diamond sales	402.3	243.3

1. The Group's revenue comprises the sale of rough diamonds and polished stones. The sale of rough diamonds contributes US\$402.0 million (30 June 2020: US\$243.3 million) with polished stones contributing US\$0.3 million (30 June 2020: US\$nil). The disaggregation of revenue is disclosed per segment as per note 35.

3. Mining and processing costs

Refer to notes 11, 14, 19, and 28 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	2021	Restated 2020
Raw materials and consumables used	118.6	118.6
Employee expenses	100.7	90.7
Depreciation of mining assets	75.3	68.7
Amortisation of right-of-use asset	0.6	0.2
Diamond royalty	2.9	2.6
Changes in inventory of finished goods and stockpiles	39.1	(42.6)
	337.2	238.2

1. Included in mining and processing costs are COVID-19 TERS payments received from the South African government of US\$1.4 million (30 June 2020: US\$nil). These amounts are attributable to the mining operations, for amounts directly attributable to the corporate expenditure, refer to note 6.

4. Other direct income

US\$ million	2021	Restated 2020
(Profit) on disposal of fixed assets	(0.6)	(0.1)
Other income	(1.1)	(0.9)
	(1.7)	(1.0)

1. Included in other income are COVID-19 TERS payments received from the South African government of US\$1.8 million (30 June 2020: US\$nil). These amounts are attributable to the mining operations, for amounts directly attributable to the corporate expenditure, refer to note 6.

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. The Company disposed of its Botswana operation during the Year, for further information refer to note 36.

US\$ million	2021	2020
Direct exploration costs	—	0.2
Employee expenses	—	0.3
Depreciation of exploration assets	—	0.1
	—	0.6

6. Corporate expenditure

Corporate expenditure includes:

US\$ million	2021	2020
Depreciation of property, plant and equipment	0.6	0.5
Amortisation of right-of-use asset	0.3	0.3
London Stock Exchange and other regulatory expenses	1.5	1.4
Settlement costs – human rights claims at Williamson ¹	12.7	—
Share-based expense – Directors	0.5	0.7
Salaries and other staff costs	2.3	2.0
Total staff costs	2.8	2.7

- The settlement costs for the human rights claims at Williamson comprise US\$4.8 million for the part settlement of the claimant's legal costs and for distribution to the claimants and US\$1.3 million to invest in programmes dedicated to providing sustainable support to the communities living around the Williamson mine as a condition of the Settlement. The Company has incurred and provided for additional total costs of US\$6.6 million relating to this matter, the majority of which relate to legal, consultant, investigation and expert fees.
- Included in corporate expenditure are COVID-19 TERS payments received from the South African government of US\$0.3 million (30 June 2020: US\$nil). These amounts are attributable to the corporate expenditure, for amounts directly attributable to the mining operations, refer to notes 3 and 4.

7. Auditors' remuneration

US\$ million	2021	2020
Audit services ¹	1.0	0.9
Audit-related assurance services ²	0.1	0.1
Non-audit services ³	0.4	—
Total	1.5	1.0

- Audit services are in respect of audit fees for the Group.
- Audit-related services are in respect of the interim review of US\$0.1 million (FY 2020: US\$0.1 million), 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 2020: US\$5.0k).
- Non-audit services comprise fees paid to the auditors in respect of the Company's debt Restructuring of US\$0.4 million (FY 2020: US\$nil).

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.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

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 25).

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 152 to 154.

30 June 2021

The current market conditions in the global rough diamond market, the ongoing impact of the COVID-19 pandemic, volatility of and variability in product mix were all factors impacting the rough diamond prices achieved by Petra during the Year, in addition to the strengthening of the ZAR against the US Dollar and the unexpected waste-ingress experienced at Finsch, 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 Finsch and Koffiefontein. No impairment was considered necessary for Cullinan, nor was any impairment reversal considered appropriate in the current year. The Group recognised a Consolidated Income Statement charge of US\$17.3 million, being Management's estimate of the decrease in value of the Finsch and Koffiefontein assets. Details of the impairment test assessments for the operations are shown in note 8.1.

For impairment considerations at Williamson, refer to note 37.

30 June 2020

During the year ended 30 June 2020, the Group impaired the Cullinan, Finsch, Koffiefontein and Williamson operational assets by an amount of US\$85.5 million.

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>Cullinan: FY 2031 (FY 2020: FY 2029)</p> <p>Finsch: FY 2030 (FY 2020: FY 2030)</p> <p>Koffiefontein: FY 2023 (FY 2020: FY 2023)</p> <p>Williamson: (FY2020: FY 2030)</p> <p>Resources remaining after the current LOM plans have not been included in impairment testing for the operations.</p>

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 nine years; total resource processed 26.8 Mt (FY 2020: LOM plan over the next ten years; total resource processed 33.0 Mt).</p> <p>Cullinan: LOM plan over the next nine years; total resource processed 38.6 Mt (FY 2020: LOM plan over the next nine years; total resource processed 37.8 Mt).</p> <p>Koffiefontein: LOM plan over the next two years; total resource processed 2.2 Mt (FY 2020: LOM plan over the next three years; total resource processed 2.9 Mt).</p> <p>FY 2020: Williamson: LOM plan over the next nine years; total resource processed 49.3 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.
Residual value	<p>Cullinan: Management included a residual value of property, plant and equipment to be used beyond the current LOM given the significant resource base estimated to be available at the end of the current LOM.</p> <p>No residual values were included in the impairment assessments of the other mining operations.</p>
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>The 30 June 2021 impairment testing models starting price assumptions have been updated to reflect the improved pricing achieved during the Year when compared to the 30 June 2020 impairment models. Diamond prices have been assumed to increase from FY 2022 and then 4% from FY 2024, returning to pricing levels achieved before the impact of COVID-19, representing an increase of 25%-30% from pricing achieved at the lowest point during FY 2020. The long-term models incorporate normalised diamond price escalation of 1.9% above a long-term US inflation rate of 2% per annum from FY 2025 to FY 2031. 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 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 2.0% 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>
Discount rate	A discount rate of 12.0% (30 June 2020: 11.25%) was used for the South African operations and 13.25% (30 June 2020: 13.50%) 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. USD and ZAR discount rates are applied based on respective functional currency of the cash-generating unit. As Williamson was held for sale as at 30 June 2021, the discount rate was applied to cashflows expected from a disposal transaction.
Cost inflation rate	Long-term inflation rates of 3.5%–7.8% (30 June 2020: 6.0%–9.8%) above the long-term US\$ inflation rate were used for Opex and Capex escalators.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. The US\$/ZAR exchange rate range used for all South African operations commenced at ZAR14.50 (30 June 2020: ZAR16.00), reflecting the volatility experienced during Year, before further devaluing at 5.5% (30 June 2020: 3.5% from FY 2023) per annum until FY 2027 and thereafter devaluing at 3.5% per annum. 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 for the South African operations. As Williamson was held for sale as at 30 June 2021, impairment was assessed based on cashflows expected from a disposal transaction based on Management's best estimate of the fair value less costs to sell.
Williamson	<p>During FY 2020, Williamson was placed on care and maintenance. For impairment testing at Williamson, for FY 2020 Management assumed that operations would recommence from 1 July 2021 at normal monthly costs. However, if the recommencement of operations had been delayed by six months, the impact would be to increase the impairment by an additional US\$9.4 million. In line with the prior periods, VAT incurred prospectively on costs is assumed to be recoverable. Following legislative changes in Tanzania, effective 1 July 2020, the eligibility for VAT recovery on costs incurred during diamond production has been confirmed.</p> <p>During the current Year, Williamson was classified as an asset held for sale, for further detail refer to note 37.</p>

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

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	210.6	(15.1)	195.5
Cullinan	Property, plant and equipment	497.9	—	497.9
Koffiefontein	Property, plant and equipment	3.3	(2.2)	1.1
Sub-total		711.8	(17.3)	694.5
Impairment – non-financial receivables:				
Other – charge current	Other receivables (refer to note 18)	0.6	(0.4)	0.2
Sub-total		0.6	(0.4)	0.2
Total		712.4	(17.7)	694.7

30 June 2020

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
Sub-total		742.7	(50.9)	691.8
Williamson	Property, plant and equipment	101.3	(34.6) ¹	66.7
Sub-total		844.0	(85.5)	758.5
Impairment – non-financial receivables:				
Other – reversal current	Other receivables (refer to note 18)	—	0.4	0.4
Sub-total		—	0.4	0.4
Total		844.0	(85.1)	758.9

1. The impairment for FY2020 of US\$34.6 million at Williamson has been included under loss on discontinued operation in the Consolidated Income Statement (refer note 37).

Sensitivity analysis

The impairment impact of applying sensitivities on the key inputs is noted below:

(US\$ million)	Additional impairment charge		
	Cullinan	Finsch	Koffiefontein
Increase in discount rate by 2%	32.1	37.0	1.1
Reduction in pricing by 5% over LOM	46.1	54.8	1.1
Reduction in short-term production by 10%	22.4	33.0	1.1
Increase in Opex by 5%	22.9	36.3	1.1
Strengthening of the ZAR from US\$/ZAR14.50 to US\$/ZAR14.00	35.4	42.0	1.1

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.

All borrowing costs have been expensed to the Consolidated Income Statement in the current and the prior year due to the expansion projects being completed during prior years. Refer to notes 1.1, 14, 25 and 34 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	2021	Restated 2020
Net unrealised foreign exchange gains ¹	77.1	—
Interest received on BEE loans and other receivables	5.4	6.7
Interest received on bank deposits	0.7	1.2
Realised foreign exchange gains on the settlement of foreign loans and forward exchange contracts	0.9	—
Financial income	84.1	7.9
Interest on senior secured second lien notes, bank loans and overdrafts	(51.5)	(52.4)
Other debt finance costs, including BEE loan interest, facility fees and IFRS 16 charges	(8.5)	(13.4)
Unwinding of present value adjustment for rehabilitation costs	(4.3)	(4.6)
Net unrealised foreign exchange losses ¹	—	(82.1)
Acceleration of unamortised Notes costs	(2.7)	—
Realised foreign exchange losses on the settlement of foreign loans and forward exchange contracts	(7.0)	(8.3)
Financial expense	(74.0)	(160.8)
Loss on substantial modification of Notes ²	(7.7)	—
Gain on extinguishment of Notes – debt for equity conversion ²	221.0	—
Net gain on extinguishment of Notes	213.3	—
Net financial expense	223.4	(152.9)

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 the end of the Year 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 strengthening of the South African Rand against the US Dollar from ZAR17.32 (30 June 2020) to ZAR14.27 (30 June 2021) resulted in an unrealised gain of US\$77.1 million (30 June 2020: US\$82.1 million loss) comprising foreign exchange contracts held at Year end of US\$12.4 million (30 June 2020: US\$12.8 million loss) and inter-group foreign denominated loans of US\$64.7 million (30 June 2020: US\$68.7 million loss); and a net realised foreign exchange loss of US\$6.1 million (30 June 2020: US\$8.3 million loss) in respect of foreign exchange contracts closed during the Year is included in the net finance and expense amount. For additional information on the Company's ZAR credit facilities refer to note 23.

2. The loss on substantial modification and gain on extinguishment of Notes in the Year arose from the Restructuring completed by the Group on 10 March 2021. Refer to note 21 for further detail.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

10. Taxation**Significant judgements and estimates relevant to taxation**

The Group operates in South Africa and Tanzania, and accordingly it is subject to, and pays annual income taxes under the various income tax regimes in the countries in which it operates. From time to time the Group is subject to a review of its income tax filings and in connection with such reviews, disputes can arise with the taxing authorities over the interpretation or application of certain rules to the Group's business conducted within the country involved. Management evaluates each of the assessments and recognises a provision based on its best estimate of the ultimate resolution of the assessment, through either negotiation or through a legal process. Refer to note 37 for charges recorded in Tanzania.

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	2021	Restated 2020
Current taxation:		
– Current tax charge	0.3	0.4
Deferred taxation:		
– Current period (origination and reversal of temporary differences)	22.7	(52.9)
	23.0	(52.5)
Reconciliation of tax rate:		
– Profit/(loss) before taxation (including loss on discontinued operation)	219.6	(275.5)
Tax at South African corporate rate of 28%	61.5	(77.1)
Effects of:		
– Tax charge at rates in foreign jurisdictions	(0.5)	(1.2)
– Non-deductible expenses	23.7	13.5
– Non-taxable income (including US\$59.7 million attributable to gain on extinguishment of Notes)	(71.0)	(10.3)
– Tax losses not recognised	9.0	23.8
– Prior year (over)/under provision of deferred tax	0.3	(1.2)
Total tax credit	23.0	(52.5)

In the current Year the impact of unrecognised tax losses totalled US\$9.0 million (30 June 2020: US\$23.8 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 2021 amount to US\$161.3 million (30 June 2020: US\$229.9 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 reversal of other deductible temporary differences as at 30 June 2021 amount to US\$80.9 million (30 June 2020: US\$167.0 million originating) 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 28 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	2021	2020
Wages and salaries – mining	100.7	86.4
Wages and salaries – exploration	—	0.3
Wages and salaries – administration	2.8	2.7
	103.5	89.4
	Number	Number
Number of employees (excluding the Non-Executive Directors and contractors)	3,517	3,696

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 2020: key management comprised the Non-Executive Directors, the Executive Directors and the EXCO). Remuneration for the Year for key management is disclosed in the table below:

US\$ million	2021	2020
Salary	3.2	2.7
Benefits	0.2	0.2
Annual bonus – paid in cash	0.8	0.1
Annual bonus – deferred to shares	0.2	—
Share-based payment charge	0.5	0.7
	4.9	3.7

12. Earnings/(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 2021 US\$	Discontinued operations 30 June 2021 US\$	Total 30 June 2021 US\$	Continuing operations 30 June 2020 US\$	Discontinued operations 30 June 2020 US\$	Total 30 June 2020 US\$
Profit/(loss) for the Year	239,085,494	(52,063,601)	187,021,893	(132,012,863)	(58,008,824)	(190,021,687)
Denominator	Shares	Shares	Shares	Shares	Shares	Shares
Weighted average number of Ordinary Shares used in basic EPS:						
As at 1 July	865,431,343	865,431,343	865,431,343	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	2,721,433,209	2,721,433,209	2,721,433,209	63,152	—	63,152
As at 30 June	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,336,485	865,399,637
Dilutive effect of potential Ordinary Shares	—	—	—	—	—	—
Weighted average number of Ordinary Shares in issue used in diluted EPS	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,336,485	865,399,637
	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents
Basic profit/(loss) per share	6.67	(1.45)	5.22	(15.26)	(6.70)	(21.96)
Diluted profit/(loss) per share	6.67	(1.45)	5.22	(15.26)	(6.70)	(21.96)

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

12. Earnings/(loss) per share continued

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 2020: nil). 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 2021 US\$	Discontinued operations 30 June 2021 US\$	Total 30 June 2021 US\$	Continuing operations 30 June 2020 US\$	Discontinued operations 30 June 2020 US\$	Total 30 June 2020 US\$
Profit/(loss) for the Year	239,085,494	(52,063,601)	187,021,893	(132,012,863)	(58,008,824)	(190,021,687)
Adjustments:						
Net unrealised foreign exchange (gains)/losses ¹	(62,242,188)	2,422,257	(59,819,931)	64,036,456	(650,203)	63,386,253
Impairment (reversal)/charge – Williamson VAT receivable	—	(763,537)	(763,537)	—	6,816,715	6,816,715
Profit on disposal of subsidiary	(14,696,171)	—	(14,696,171)	—	—	—
Impairment charge – operations ¹	13,551,364	21,438,352	34,989,716	39,879,861	34,644,929	74,524,790
Impairment/(reversal) – other receivables	439,236	—	439,236	(382,713)	—	(382,713)
(Reversal)/impairment charge of BEE loans receivable – expected credit loss provision	(5,824,201)	—	(5,824,201)	10,887,714	—	10,887,714
Taxation charge / (credit) on unrealised foreign exchange (gain) / loss ¹	17,228,580	—	17,228,580	(17,396,618)	—	(17,396,618)
Taxation credit on impairment charge ¹	(3,308,166)	—	(3,308,166)	(8,595,566)	—	(8,595,566)
Gain on extinguishment of Notes	(213,349,503)	—	(213,349,503)	—	—	—
Transaction costs – human rights settlement agreement and provisions for unsettled and disputed tax claims	12,651,014	19,459,877	32,110,891	—	—	—
Adjusted loss for the Year attributable to parent	(16,464,541)	(9,506,652)	(25,971,193)	(43,583,729)	(17,197,383)	(60,781,112)

1. Portion attributable to equity shareholders of the Company.

13. Adjusted earnings/(loss) per share (non-GAAP measure) continued

	Continuing operations 30 June 2021 Shares	Discontinued operations 30 June 2021 Shares	Total 30 June 2021 Shares	Continuing operations 30 June 2020 Shares	Discontinued operations 30 June 2020 Shares	Total 30 June 2020 Shares
Weighted average number of Ordinary Shares used in basic EPS:						
As at 1 July	865,431,343	865,431,343	865,431,343	865,336,485	865,336,485	865,336,485
Effect of shares issued during the Year	2,721,433,209	2,721,433,209	2,721,433,209	63,152	—	63,152
As at 30 June	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,336,485	865,399,637
	Shares	Shares	Shares	Shares	Shares	Shares
Dilutive effect of potential Ordinary Shares	—	—	—	—	—	—
Weighted average number of Ordinary Shares in issue used in diluted EPS	3,586,864,552	3,586,864,552	3,586,864,552	865,399,637	865,336,485	865,399,637
	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents	US\$ cents
Adjusted basic loss per share	(0.46)	(0.27)	(0.73)	(5.04)	(1.99)	(7.02)
Adjusted diluted loss per share	(0.46)	(0.27)	(0.73)	(5.04)	(1.99)	(7.02)

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.

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.

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For the Year ended 30 June 2021 continued

14. Property, plant and equipment continued

Significant accounting policies relevant to property, plant and equipment continued

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. Where an operation is on care and maintenance, non-mining assets are depreciated over their useful life. 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.

Where the Group has assets with a residual value, the depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value. The residual value of an asset is the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value and the useful life and depreciation method of an asset shall be reviewed at least at each financial year end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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 25 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.

14. Property, plant and equipment continued

US\$ million	Plant and machinery	Mineral properties	Assets under construction ¹	Total
Cost				
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)
Balance at 30 June 2020	1,209.5	54.1	18.2	1,281.8
Balance at 1 July 2020	1,209.5	54.1	18.2	1,281.8
Exchange differences	254.9	11.5	3.4	269.8
Additions	0.3	—	23.5	23.8
Transfer of assets under construction	14.1	—	(14.1)	—
Change in rehabilitation asset	6.8	—	—	6.8
Non-current assets held for sale ²	(181.3)	(4.8)	—	(186.1)
Disposals	(68.5)	—	—	(68.5)
Balance at 30 June 2021	1,235.8	60.8	31.0	1,327.6
Depreciation and impairment				
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 ²	85.3	0.2	—	85.5
Provided in the Year	75.3	3.0	—	78.3
Balance at 30 June 2020	570.3	35.7	—	606.0
Balance at 1 July 2020	570.3	35.7	—	606.0
Exchange differences	125.2	7.8	—	133.0
Disposals	(68.3)	—	—	(68.3)
Non-current assets held for sale ²	(131.8)	(1.6)	—	(133.4)
Impairments ³	15.1	—	2.2	17.3
Provided in the Year	72.7	3.5	—	76.2
Balance at 30 June 2021	583.2	45.4	2.2	630.8
Net book value				
At 30 June 2020	639.2	18.4	18.2	675.8
At 30 June 2021	652.6	15.4	28.2	696.8

1. During the Year, assets under construction comprising stay-in-business and expansion capital expenditure of US\$14.1 million (30 June 2020: US\$35.4 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 2020: US\$nil) have been capitalised to assets under construction.

2. Non-current assets held for sale are in respect of the Williamson assets (refer to note 37).

3. Refer to note 8 for additional detail on the Finsch and Koffiefontein impairments of US\$17.3 million (30 June 2020: US\$50.9 million) and note 37 for additional detail on the Williamson impairment of US\$21.4 million (30 June 2020: US\$34.6 million).

Capital commitments

The Group's total commitments of US\$10.2 million (30 June 2020: US\$4.4 million), mainly comprising Cullinan US\$8.1 million (30 June 2020: US\$2.0 million), Finsch US\$1.5 million (30 June 2020: US\$1.4 million), Koffiefontein US\$0.6 million (30 June 2020: US\$0.3 million) and Williamson US\$nil (30 June 2020: US\$0.7 million).

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For the Year ended 30 June 2021 continued

15. Leases

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate. On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

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. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

Included in profit or loss for the Year are US\$0.9 million (30 June 2020: US\$5.2 million) of amortisation of right-of-use assets, US\$0.1 million (30 June 2020: US\$0.6 million) of finance expense on lease liabilities and other income of US\$nil (30 June 2020: US\$0.8 million) and a gain of US\$0.3 million (30 June 2020: US\$nil) included under loss on discontinued operation.

Information for leases for which the Group is a lessee is presented below:

Right-of-use assets

US\$ million	Buildings	Plant and machinery	Total
Cost			
Balance at 1 July 2019	1.9	8.2	10.1
Balance at 30 June 2020	1.9	8.2	10.1
Balance at 1 July 2020	1.9	8.2	10.1
Additions	0.7	—	0.7
Balance at 30 June 2021	2.6	8.2	10.8
Depreciation and impairment			
Balance at 1 July 2019	—	—	—
Provided in the Year	(0.3)	(4.9)	(5.2)
Balance at 30 June 2020	(0.3)	(4.9)	(5.2)
Balance at 1 July 2020	(0.3)	(4.9)	(5.2)
Exchange differences	0.2	—	0.2
Lease terminations	(0.4)	—	(0.4)
Non-current assets held for sale	—	(3.3)	(3.3)
Provided in the Year	(0.9)	—	(0.9)
Balance at 30 June 2021	(1.4)	(8.2)	(9.6)
Net book value			
At 30 June 2020	1.6	3.3	4.9
At 30 June 2021	1.2	—	1.2

15. Leases continued

Lease liabilities

US\$ million	Buildings	Plant and machinery	Total
Balance at 1 July 2019	1.8	8.2	10.0
Finance charges	0.1	0.4	0.5
Lease payments	(0.8)	(4.2)	(5.0)
Gain on lease liability	—	(0.8)	(0.8)
Balance at 30 June 2020	1.1	3.6	4.7
Balance at 1 July 2020	1.1	3.6	4.7
Exchange differences	0.2	—	0.2
Additions	0.7	—	0.7
Lease liabilities directly associated with non-current assets held for sale	—	(3.6)	(3.6)
Finance charges	0.1	—	0.1
Lease payments	(0.7)	—	(0.7)
Lease terminations	(0.4)	—	(0.4)
Balance at 30 June 2021	1.0	—	1.0

US\$ million	2021	2020
Current	0.5	3.6
Non-current	0.5	1.1
As at 30 June	1.0	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.

Amounts recognised in profit and loss

US\$ million	2021	2020
Amortisation on right-of-use assets	(0.9)	(5.2)
Finance expense on lease liabilities	(0.1)	(0.6)
Loss on discontinued operations	0.3	—
Income from suspended lease payments	—	0.8
	(0.7)	(5.0)

16. BEE loans receivable and payable

Significant accounting policies relevant to BEE loans receivable and payable

IAS 32 prescribes rules for the offsetting of financial assets and financial liabilities. It specifies that a financial asset and a financial liability should be offset and the net amount reported when, and only when, an entity:

- has a legally enforceable right to set off the amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

During the year BEE payables of US\$138.8 million (including foreign exchange movements and accrued interest) were offset with BEE loans receivables of US\$185.4 million (including foreign exchange movements, discretionary advances, reversal of expected credit loss provision and accrued interest) resulting in a net BEE loan receivable of US\$46.6 million.

Refer to note 34 for the Group's policy in respect of financial instruments, which include BEE receivables and payables.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

16. BEE loans receivable and payable continued**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	2021	2020
Non-current assets		
BEE loans receivable ¹	46.6	137.0
Non-current liabilities		
BEE loans payable ²	—	108.6

1. Interest on the BEE loans receivable is charged at the prevailing South African Jibar plus an interest margin of 5.25%. 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. During the Year, the Company and its BEE Partners entered into an offset agreement whereby the BEE loans payable were restructured to allow for offset against the BEE loans receivable. In the prior year, the BEE loans payable incurred interest at the prevailing South African prime interest rate. The movement included accrued interest and foreign exchange retranslation.

BEE loans receivable

During the Year, the Company and its BEE Partners entered into an offset agreement whereby the BEE loans payable were restructured to allow for offset against the 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\$45.4 million (30 June 2020: US\$40.0 million) has been recorded 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. Judgement 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 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 decreased, mainly attributable to the offset of the BEE loans payable against the BEE loans receivable and after adjusting for the reversal of the expected credit loss provision of US\$5.8 million (30 June 2020: US\$10.9 million expected credit loss provision charge). These BEE receivables, including interest raised, will be recoverable from the BEE Partners' share of future cashflows from the underlying mining operations.

As part of the in-principle agreement reached during the Year as part of the Restructuring, Petra has assumed the BEE Lender facility obligations under the terms outlined in note 23.

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 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 a reversal of the expected credit loss provision totalling US\$5.8 million (30 June 2020: US\$10.9 million), comprising of US\$5.8 million (30 June 2020: US\$6.1 million) in respect of Cullinan and Finsch and US\$nil (30 June 2020: US\$4.8 million) in respect of Koffiefontein.

US\$ million	2021	2020
As at 1 July	137.0	109.6
Foreign exchange movement on opening balances	30.7	(22.5)
Discretionary advance – capital and interest commitment (BEE Lender facility)	4.7	12.2
Discretionary advance – distributions to beneficiaries	2.0	1.9
Interest receivable	5.2	6.7
Group guarantee provided to BEE Lenders – default event under Notes	—	40.0
Reversal/(impairment) of BEE loans receivable – expected credit loss provision	5.8	(10.9)
BEE payable restructuring – offset against BEE receivable	(138.8)	—
As at 30 June	46.6	137.0

16. BEE loans receivable and payable continued

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	2021	2020
As at 1 July	108.6	120.5
Foreign exchange movement on opening balances	23.2	(23.8)
Interest payable	7.0	11.9
BEE payable restructuring – offset against BEE receivable	(138.8)	—
As at 30 June	—	108.6

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	26.0	78.4
Finsch	Kago Diamonds and IPDET	26.0	78.4
Koffiefontein	Kago Diamonds and IPDET	26.0	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.

During FY 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 was not extended by the AHG and the South African Lender Group then the BEE Lender facility became immediately payable. The Company did not have the unconditional right to defer the coupon repayment beyond a period of 12 months and thus was 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 and recognised an equivalent receivable due from the BEE Partners to the Company as detailed above.

The BEE Lender facility formed part of Petra's consolidated net debt for Petra's covenant measurement purposes and were subject to the same covenant requirements (refer to note 23).

In March 2021, the Group completed its Debt Restructuring transaction, the BEE Lender facility is now included as part of the Group's new term loan facility and the guarantee provided by the Group on behalf of the BEE Partners was extinguished (refer to note 23 for further detail).

Further details of the transactions with the BEE Partners are included in note 29.

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 2020	(20.2)	36.0	(34.7)	0.1	—	(18.8)
Profit/(loss) for the Year	16.4	(4.6)	(2.3)	—	—	9.5
Foreign currency translation difference	0.8	(7.4)	5.4	—	—	(1.2)
At 30 June 2021	(3.0)	24.0	(31.6)	0.1	—	(10.5)

During the Year, no dividends were paid to the non-controlling interests (30 June 2020: US\$nil). For additional information on total assets, total liabilities and segment results for each operation in the table above refer to note 35.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

18. Trade and other receivables**Significant accounting policies relevant to trade and other receivables**

Refer to note 34 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 net VAT receivable of US\$0.7 million (30 June 2020: US\$10.3 million) (after providing for the time-value of money and risk adjustments for various factors) in respect of the Williamson mine, all of which are past due and have therefore been classified, as non-current given the potential delays in receipt. Williamson's non-current assets have been classified as assets held for sale in FY 2021.

The VAT receivable can be split into three identifiable component time periods as set out below:

US\$ million	VAT Receivable	Provision	Carrying value
Pre July 2017	1.8	(1.3)	0.5
July 2017 to June 2020	26.9	(26.9)	—
Post June 2020	0.8	(0.6)	0.2
	29.5	(28.8)	0.7

Pre July 2017

Of the total VAT receivables, US\$1.8 million (30 June 2020: US\$13.0 million) relates to historic VAT pre July 2017. During the Year the Group received US\$10.0 million in VAT refunds from the Tanzanian Revenue Authority in respect of the pre July 2017 period and US\$1.2 million was disallowed subsequent to a VAT audit performed by the Tanzanian Revenue Authority. A provision of US\$1.3 million, given the uncertainty around the timing of receipts of the amount outstanding, has been provided for against the US\$1.8 million receivable resulting in a carrying value of US\$0.5 million.

July 2017 to June 2020

A further US\$26.9 million (30 June 2020: US\$26.9 million) of VAT is receivable which 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 ("TRA") 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 for the period July 2017 to July 2020 and based on legal advice, considers that input VAT is valid and legally recoverable. However, the TRA maintains that this amount is disputed and not recoverable. Given that there have been no favourable developments from the TRA, management has written down the full disputed balance of US\$26.9 million as there has been no indication from the TRA that these amounts will be reimbursed, regardless of the June 2020 revision of legislation. As noted above, the VAT legislation was again revised to remove any reference to raw minerals with effect from 1 July 2020. The amendment to the legislation is to be applied prospectively and this therefore supports management's view that VAT related to periods post July 2020 are recoverable. Accordingly, the Group is considering various alternatives in pursuing payment in accordance with legislation.

Post June 2020

An amount of US\$0.8 million of VAT is receivable for the period subsequent to 1 July 2020. The Group is considering various alternatives in pursuing payment in accordance with legislation. A provision of US\$0.6 million, given the uncertainty around the timing of receipts of the amount outstanding, has been provided for against the US\$0.8 million receivable resulting in a carrying value of US\$0.2 million.

While the remaining pre-July 2017 and post 1 July 2020 VAT balance is considered receivable, significant uncertainty exists regarding the timing of receipt. A discount rate of 16.25% has been applied to the expected cash receipts inclusive of estimated country credit risk. A 1% increase in the discount rate would increase the provision by US\$0.05 million and a one-year delay would increase the provision by US\$0.1 million.

18. Trade and other receivables continued

Significant judgements and estimates relevant to VAT receivable at Williamson continued

Post June 2020 continued

The total impairment provision of the VAT receivable balance is therefore US\$28.8 million (FY 2020: US\$29.6 million). During the year a reversal of previous impairments of US\$0.7 million (30 June 2020: US\$nil) was recognised in loss on discontinued operations.

US\$ million	2021	2020
Current		
Trade receivables ^{1,2}	38.3	4.8
Other receivables ^{1,3}	16.9	15.0
Less: expected credit loss provision of KEM JV receivables ³	(8.4)	(6.9)
Less: expected credit loss provision of other receivables ³	(0.4)	(1.3)
Other receivables – net	8.1	6.8
Income tax receivable	1.2	1.4
Prepayments ^{1,4}	3.1	7.0
	50.7	20.0
Non-current		
Other receivables ⁵	—	39.9
Less: impairment provision	—	(29.6)
	—	10.3

- Trade receivables, other receivables and prepayments exclude amounts classified as non-current assets held for sale of US\$2.9 million (refer to note 37).
- Included in the opening balance of trade receivables are trade receivables in respect of diamond revenue of US\$4.8 million (01 July 2020: US\$23.8 million).
- Included in current trade and other receivables is an amount relating to the balance of the KEM JV purchase consideration of US\$1.3 million (30 June 2020: US\$1.1 million). During FY 2021, the Group received payments of US\$nil (FY 2020 US\$0.4 million) from the KEM JV as part settlement of the outstanding purchase consideration. 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\$8.4 million (30 June 2020: US\$6.9 million). The increase in the expected credit loss is attributable to the movement in the foreign exchange rates during the Year. The Group raised an impairment provision of US\$0.4 million (30 June 2020: US\$1.3 million in respect of VAT and diesel rebate refunds due from the tax authorities in South Africa) in respect of certain sub-tenants which occupied office space in its London offices as the amounts are past due.
- Included in prepayments in the prior period were costs of US\$3.9 million relating to the debt restructuring of the Group, which was completed during March 2021, and the costs have formed part of the transaction costs associated with debt and or equity instruments. The costs have been pro-rata and capitalised to Equity, the Notes and the South African lender facilities.
- Other non-current receivables comprised the VAT receivable at Williamson. The non-current receivables have been classified as non-current assets held for sale as at 30 June 2021 (refer note 37).

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 2021 trade receivables of US\$38.3 million (30 June 2020: US\$4.8 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\$0.4 million (30 June 2020: US\$1.3 million in respect of VAT and diesel rebate refunds due from the South African tax authorities) in respect of certain sub-tenants which occupied office space in its London offices and a reversal of prior year impairment in respect of KEM JV of US\$nil (30 June 2020: US\$0.4 million impairment reversal).

Included in trade and other receivables are amounts due from related parties (refer to note 29).

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.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

19. Inventories continued**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.

In FY 2020, 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 30 June 2020, 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 30 June 2020 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, classified as non-current assets held, valued at lower of cost and net realisable value of US\$10.6 million (30 June 2020: US\$9.2 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 GoT) had been blocked for export to Petra's marketing office in Antwerp.

The assessment of the recoverability of the diamond parcel requires significant judgement. In making such a judgement, the Group considered their ongoing discussions with the GoT. The Group received confirmation from the GoT in FY 2018 that they held the diamond parcel of 71,654.45 carats. The Group has received verbal reconfirmation during the Year in the course of the ongoing discussions held with the GoT. The Group has made an assessment of the internal process used for the sale and export of diamonds and has confirmed that in the event that the parcel is recovered, a sale would be possible to execute in full compliance with legislation in Tanzania and the Kimberley Process with certain rectification steps. The Group has obtained legal advice from the Group's in-country attorneys which supports Management's position that the Group retains the legal right to the parcel.

The Company is aware of media reports during the Year suggesting that the blocked parcel of 71,654 carats of diamonds from the Williamson mine in Tanzania has been nationalised by GoT. The Company remains in discussions with the GoT on this matter.

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	2021	2020
Diamonds held for sale	45.1	84.1
Work in progress stockpiles	4.8	6.4
Consumables and stores	11.5	14.1
Provision for redundant consumables and stores	(1.5)	(1.1)
Consumables and stores	10.0	13.0
	59.9	103.5

1. Inventories exclude amounts classified as non-current assets held for sale of US\$15.5 million (refer to note 37).

As at 30 June 2021, diamonds held for resale with a cost value of US\$2.7 million (30 June 2020: US\$53.5 million) have been written down by US\$0.7 million (30 June 2020: US\$7.4 million) to a fair value less costs to sell of US\$2.0 million (30 June 2020: US\$46.1 million) (due to the fair value less costs to sell being below cost) within the overall carrying value of US\$45.1 million (30 June 2020: US\$84.1 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	2021	2020
Cash and cash equivalents – unrestricted	147.7	53.6
Cash – restricted	16.1	14.0
	163.8	67.6

1. Cash excludes amounts classified as non-current assets held for sale of US\$9.2 million (refer to note 37).

The Group's environmental rehabilitation insurance product, which currently includes the Finsch, Cullinan and Koffiefontein mines, has secured cash assets of US\$16.1 million (30 June 2020: US\$13.3 million) held in a cell captive. Subsequent to Year end, the Company deposited US\$1.5 million into an Escrow account to meet its obligations under the settlement reached with Leigh Day in respect of the human rights claims at Williamson. The Escrow account funds will be treated as restricted cash. The Group has a commitment to pay insurance premiums over the next year of US\$2.5 million (30 June 2020: US\$1.8 million) to fund the environment rehabilitation insurance product for the South African operations. The rehabilitation provisions are disclosed in note 25.

21. Restructuring of the US\$650 million Loan Notes

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 10 March 2021, the Company announced it had completed the implementation of the debt Restructuring project with the Noteholders and the South African Lender Group. The key features of the Restructuring of the US\$650 million Notes and the senior secured lender debt facilities of ZAR1.6 billion were as follows:

- conversion of Notes debt valued at US\$415.0 million into equity, which resulted in the Noteholder group acquiring 91% of the enlarged share capital of the Company (refer (a) below);
- the remainder of the Notes exchanged for the issue of US\$295.0 million new Notes and the contribution by holders of the existing Notes of US\$30.0 million in new money, each to take the form of new Notes (refer (a) below); and
- restructuring of the first lien facilities to provide for a Term Loan of ZAR1.2 billion and a Revolving Credit Facility ("RCF") of ZAR560 million provided by the South African Lender Group (refer (b) below).

a) Debt for Equity conversion and the issue of New Notes

i) Debt for Equity swap

The Company completed a debt for equity conversion consisting of the partial repayment of the US\$650 million Loan Notes by issuing 8,844,657,929 new Ordinary Shares with a nominal value of 0.001 pence per share in the Company to the existing Noteholders. The fair value of the shares at the date of the conversion was 1.58 pence per share, giving a total consideration of US\$194.0 million. As the fair value was derived by reference to the closing share price at the date of the conversion, it is considered to be a Level 1 fair value measurement. The carrying value of the liability at the date of the conversion was US\$415.0 million, after capitalisation of the May 2020 and November 2020 coupons and adjusting for the issue of new Notes. The resulting gain, before restructuring costs, of US\$221.0 million has been recognised in the Income Statement as part of the gain on extinguishment of the Notes. Restructuring costs identified as being directly associated with the debt for equity conversion, of US\$12.3 million have been taken directly to share premium. The Debt for Equity Conversion resulted in the Noteholders acquiring 91% of the enlarged share capital of the Company.

US\$ million	2021
Ordinary Shares issued – nominal value per share	12.3
Share premium	169.3
Share premium on debt for equity conversion	181.6
Costs directly associated with issue of shares	(12.3)
Attributable to parent	181.6
Gain on extinguishment of Notes – debt for equity conversion	221.0

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

21. Restructuring of the US\$650 million Loan Notes continued**Substantial modification of financial liabilities continued**

a) Debt for Equity conversion and the issue of New Notes continued

ii) Issue of New Notes

The New Notes of US\$336.7 million were issued and allocated as follows:

- US\$30.0 million allocated only to those Noteholders that subscribed, and funded that subscription, to the New Money, pro rata to their New Money contribution (the "New Money Noteholders");
- US\$150.0 million allocated only to those New Money Noteholders, pro rata to each holder's contribution to the New Money;
- US\$145.0 million allocated to all Noteholders (including the New Money Noteholders), pro rata to their holdings of existing Notes at the close of the Restructuring; and
- a further amount in New Notes as consideration to certain Noteholders, in remuneration for the commercial risks and other commercial considerations borne by those Noteholders whilst restricted for the purposes of negotiations with other stakeholders and work performed in connection with the Restructuring. The quantum of New Notes issued for this purpose was US\$11.7 million, which has been capitalised as part of the Notes liability and will be amortised over the term of the Notes.

iii) Substantial modification

The Group performed an assessment under its accounting policies and the requirements of IFRS 9 as to whether the restructuring of the terms of the Loan Notes represented a substantial modification. As the net present value of the cash flows under the original terms and the modified terms was greater than 10% different, the modification was accounted for as a substantial modification.

As a result, on completion of the Restructuring, the carrying value of the Loan Notes of US\$299.0 million was de-recognised and the amended new Notes with a nominal value of US\$306.7 million were recognised on the balance sheet at the date of modification. The loss arising on substantial modification of the Loan Notes of US\$7.7 million has been recognised in the Income Statement as part of the gain on extinguishment of the Notes. The acceleration of unamortised costs associated with the substantial modification were expensed and included within net finance income (refer to note 9).

US\$ million	2021
New Money Noteholders	150.0
New Notes allocated to all Noteholders	145.0
New Notes for consideration of costs	11.7
New Notes nominal value	306.7
Carrying value of Notes derecognised	299.0
New Notes nominal value	(306.7)
Loss on substantial modification of Notes	(7.7)

b) First lien facilities

The previous facilities held with the South African Lender Group, included the ZAR500.0 million working capital facility (the "WCF"), the ZAR400.0 million RCF, the financing arrangements in respect of the Group's BEE partners (the "BEE Facilities") of ZAR683.1 million and the Group's general banking facilities were restructured through the extinguishment of the existing facilities and the replacement of such facilities with a new Term Loan and RCF, as part of the Restructuring.

A new Term Loan was made available to the Group for a principal amount of ZAR1.2 billion, in order to refinance the previous drawn ZAR500.0 million WCF and the outstanding principal amounts of the BEE Facilities (ZAR683.1 million). Transaction costs of ZAR17.4 million (US\$1.7 million) and cash transaction costs of US\$0.7 million directly associated with the Term Loan were capitalised to the liability to be amortised over the period of the loan. The Term Loan is fully drawn.

A new RCF was made available comprising a rollover of the previous ZAR400.0 million RCF but increased by a further ZAR160.0 million. An amount of ZAR400.0 million remains drawn at Year end under the RCF with the RCF reducing at Year end to ZAR509.6 million in line with the amortisation profile, with ZAR109.6 million still available for drawdown. For the terms of the new first lien facilities refer to note 23.

c) Transaction costs*Significant judgements and estimates relevant to debt restructuring transaction costs*

Transaction costs associated with the restructuring exercise were apportioned to the listed debt, equity issued and ZAR banking facilities based on the value of each element at the date of restructuring.

A total of US\$33.7 million (FY 2020: US\$3.8 million included under prepayments) were incurred during the Year for the Restructuring. The transaction costs have been apportioned to Equity, the Notes and bank facilities based on each components contribution to the total Restructuring. Cash costs incurred in the Year amounted to US\$29.9 million (FY 2020: US\$3.8 million included under prepayments). A summary of the cash transaction costs are as follows:

21. Restructuring of the US\$650 million Loan Notes continued

Substantial modification of financial liabilities continued

c) Transaction costs continued

Significant judgements and estimates relevant to debt restructuring transaction costs continued

US\$ million	2021
Transaction costs attributable to equity	12.3
Transaction costs attributable to Notes	20.7
Transaction costs attributable to first lien facilities	0.7
Total	33.7

d) Taxation

The current and deferred taxation consequences of the Restructuring have been considered and based on adviser opinions received during the Restructuring project, Management are of the opinion there are no material tax events anticipated.

22. 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.

When the Group issues equity to settle outstanding debt, the value attributed to the Ordinary Shares issued is based on the fair value of the equity at the date of settlement to extinguish the debt. The fair value is derived by reference to the closing share price at the date of the conversion, it is considered to be a Level 1 fair value measurement. Costs identified as being directly associated with the debt for equity conversion are taken directly to share premium.

US\$ million	Number of shares	2021	Number of shares	2020
Authorised – Ordinary Shares of 0.001 pence (30 June 2020: 10 pence) each				
At 1 July 2020 and 30 June 2021	10,000,000,000	164.3	1,000,000,000	164.3
Issued and fully paid				
At 1 July	865,431,343	133.4	865,336,485	133.4
Allotments during the Year	8,844,657,929	12.3	94,858	—
At 30 June	9,710,089,272	145.7	865,431,343	133.4

As part of the Restructuring and subsequent to the approval by shareholders at a special general meeting held on 13 January 2021, the Company allotted 8,844,657,929 Ordinary Shares to the Noteholders valued at US\$194.0 million (comprising Ordinary Shares valued at US\$12.3 million and share premium of US\$181.7 million before capitalised costs), based on the share price at 9 March 2021 (the date upon which all implementation steps for the Debt Restructuring were met). The allotment was pursuant to the Debt for Equity Conversion, announced on 22 December 2020, which resulted in the Noteholders holding 91% of the enlarged share capital of the Company in the following proportions:

- 56.0% of the enlarged share capital was issued to all Noteholders, including the New Money Noteholders, pro rata to their holdings of existing Notes at the Scheme Record Time (to the extent any Noteholder did not take up their equity entitlement, such entitlement was allocated to the remaining Noteholders who did not opt out of their equity entitlement, on a pro rata basis); and
- 35.0% of the enlarged share capital was issued to the New Money Noteholders only, pro rata to their contribution of the New Money (to the extent any such Noteholders did not take up their equity entitlement, such entitlement was allocated to the remaining Noteholders who contributed to the New Money and who did not opt out of their equity entitlements, on a pro rata basis).

As a consequence of the Debt for Equity Conversion, 9% of the enlarged Company's share capital remains with the previous shareholders (subject to dilution as a result of standard management equity incentive arrangements). The costs associated with the allotment of the new Ordinary Shares of US\$12.3 million were capitalised against share premium. For additional information regarding the Debt Restructuring refer to note 21.

Allotments during the prior 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.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

22. Equity and reserves continued**Share capital continued**

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 2020: US\$0.8 million).

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. The non-controlling interest share of total comprehensive income includes US\$8.3 million total comprehensive expense (30 June 2020: US\$33.6 million expense) for the Year. Refer to note 17 and the Statement of Changes in Equity for further detail.

23. 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.

Accounting policy for 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.

Under the quantitative test, the modification is classed as substantial if the present value of the modified cashflows is at least 10% difference to the present value of the remaining original cashflows. There may be circumstances where the 10% test is not met, but other qualitative factors indicate there has been a substantial modification.

On 10 March 2021, the Company announced it had completed the implementation of its Debt Restructuring project with the Noteholders and the South African Lender Group. The key features of the Debt 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") (refer (a) below);
- 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 (refer to note 21); and
- restructuring of the first lien facilities (refer (b) and (c) below) provided by the South African Lender Group.

The following table summarises the Group's current and non-current interest-bearing borrowings:

US\$ million	2021	2020
Current		
Loans and borrowings – BEE Partner debt facilities	—	40.0
Loans and borrowings – senior secured lender debt facilities	30.3	52.1
Loans and borrowings – senior secured second lien notes	—	676.9
	30.3	769.0
Non-current		
Loans and borrowings – senior secured second lien notes	327.3	—
Loans and borrowings – senior secured lender debt facilities	72.7	—
	400.0	—
	430.3	769.0

23. Interest-bearing loans and borrowings continued

(a) US\$336.7 million senior secured second lien notes

A wholly-owned subsidiary of the Company, Petra Diamonds US\$ Treasury Plc, issued debt securities consisting of US\$336.7 million five-year senior secured second lien loan notes, with a maturity date of 8 March 2026. The Notes carry a coupon from:

- 9 March 2021 to 31 December 2022 of 10.50% per annum, which is capitalised to the outstanding principal amount semi-annually in arrears on 31 December and 30 June of each year;
- 1 January 2023 to 30 June 2023 of 10.50% per annum on 37.7778% of the aggregate principal amount outstanding, which is capitalised to the outstanding principal amount semi-annually in arrears on 31 December and 30 June of each year and 9.75% per annum on 62.2222% of the aggregate principal amount outstanding which is payable in cash semi-annually in arrears on 31 December and 30 June of each year;
- 1 July 2023 to 31 December 2025 of 9.75% per annum on the aggregate principal amount outstanding which is payable in cash semi-annually in arrears on 31 December and 30 June of each year; and
- 1 January 2026 to 8 March 2026 (final coupon payment) of 9.75% per annum on the aggregate principal amount outstanding which is payable in cash.

The costs associated with issuing the Notes of US\$20.7 million have been capitalised against the principal amount and US\$19.4 million remains unamortised as at 30 June 2021. Interest of US\$11.1 million has been accrued as at 30 June 2021.

30 June 2020

US\$650 million senior secured second lien notes

During FY 2020, a wholly owned subsidiary of the Company, Petra Diamonds US\$ Treasury Plc, had 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 carried a coupon of 7.25% per annum, which were payable semi-annually in arrears on 1 May and 1 November of each year. The historical costs associated with issuing the Notes of US\$12.6 million were capitalised against the principal amount; an amount of US\$4.6 million remained 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 the AHG 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 did 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 restructuring of the US\$650 million Notes, refer to note 21.

As at 30 June 2021, the Notes had accrued interest of US\$11.1 million (30 June 2020: US\$26.8 million which included 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 9 March 2023, 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 9 March 2023	104.88%
Period of 12 months from 9 March 2024	102.44%
Period of 12 months from 9 March 2025	100.00%

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 2021 continued

23. 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"), Nedbank Limited and NinetyOne Limited.

As part of the Restructuring, the existing banking facilities were amended on a first lien basis and on the following terms, the creation of a new Term Loan of ZAR1.2 billion (US\$76.6 million) comprising ZAR500.0 million (US\$35.0 million) under the existing WCF and ZAR683.1 (US\$41.6 million) million relating to the BEE Partner debt facilities; and the rollover of the existing RCF increasing by ZAR160.0 million (US\$11.2 million) to ZAR560 million (US\$39.2 million). The revised terms and conditions are set out in the table on page 175. The costs associated with restructuring of the banking facilities of US\$1.7 million and US\$0.7 million cash transaction costs allocated based on the total Restructuring costs have been capitalised against the principal amount.

The Group performed an assessment under its accounting policies and the requirements of IFRS 9 as to whether the restructuring of the Senior Secured Lender Facilities represented a substantial modification. As the net present value of the cashflows under the original terms and the modified terms was less than 10% different and there were no substantial qualitative changes to the terms, the modification is not substantial.

The new terms under the Term Loan are:

- maturity date 8 March 2024;
- scheduled amortisation of 9% of principal per quarter (starting in June 2021) with a final 10% of principal repayment at maturity,
- 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; and
- interest rate of SA JIBAR + 5.25% per annum (with an upfront fee of 1% of the Term Loan amount capitalised).

The revised terms under the RCF are:

- maturity date 8 March 2024;
- scheduled amortisation of 9% of principal per quarter (starting in June 2021) with a final 10% of principal repayment at maturity;
- 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; and
- interest rate of SA JIBAR + 5.25% per annum (with an upfront fee of 1% of the RCF amount capitalised and a commitment fee based on undrawn balances).

At Year end, the RCF, as amended, was drawn down by an amount of ZAR400.0 million (US\$28.0 million) with ZAR109.6 million (US\$7.7 million) available for draw-down. The Term Loan of ZAR1.1 billion (US\$28.9 million) was fully drawn at Year end.

30 June 2020

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 was at the discretion of the South African Lender Group and thus the Company did not have the unconditional right to defer the coupon repayment beyond a period of 12 months and thus remained in default until the default was 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.

The amendments to the RCF and WCF as at 30 June 2020 were:

- 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 30 June 2020.

(c) BEE Partner debt facilities

The BEE Partner debt facilities have been restructured and now form part of the new Term Loan (refer to (b) above).

30 June 2020

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, had 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 included a 50 bps fee to the BEE Lenders referenced against the current principal amount outstanding under the BEE Facilities. The outstanding obligation was disclosed under current loans and borrowings as a result of the event of default and the facility became immediately repayable for reasons described in note 16.

23. Interest-bearing loans and borrowings continued

c) BEE Partner debt facilities continued

As at 30 June 2021, the Group's debt and hedging facilities are detailed in the table below:

	Bank loan – secured		Bank loan – secured		Bank loan – secured		Senior second lien notes – secured	
	2021	2020	2021	2020	2021	2020	2021	2020
Institution	FirstRand, Nedbank, Absa		FirstRand, Absa, Nedbank, NinetyOne		FirstRand, Absa		Bond holders	
Type	Revolving credit facility		Term Loan facility		Working capital facility		Bond notes	
Total facility (ZAR million)	509.6²	400.0	1,109.4¹	—	—	500.0	—	—
Total facility (US\$ million)	—	—	—	—	—	—	336.7	650.0
Draw-down ZAR facility (US\$ million) at 30 June	400.0	400.0	1,109.4	—	—	500.0	—	—
Draw-down (US\$ million) at 30 June	—	—	—	—	—	—	336.7	650.0
Interest rate (ZAR)	SA JIBAR plus 5.25%	SA JIBAR plus 9.0%	SA JIBAR plus 5.25%	—	—	SA Prime	—	—
Interest rate (US\$)	—	—	—	—	—	—	10.50% up to 2023 then 9.75% from 2023 to 2026	7.25%
Interest rate at Year end (ZAR)	8.93%	12.83%	8.70%	—	—	7.50%	—	—
Interest rate at Year end (US\$)	—	—	—	—	—	—	10.50%	7.25%
Interest repayment period	Quarterly	Monthly	Quarterly	—	—	Monthly	Capitalised semi-annually until June 2023/ Bi-annual interest payment	Bi-annually
Latest date available for draw-down	8 March 2024	Fully drawn down	Fully drawn down	—	—	Annual review	Fully drawn down	Fully drawn down
Capital repayment profile	Amortising at 9% per quarter	Single payment	Amortising at 9% per quarter	—	—	On demand	Single payment	Single payment
Final repayment date (US\$ million)	—	—	—	—	—	—	8 March 2026	1 May 2022
Final repayment date (ZAR million)	8 March 2024	31 July 2021	8 March 2024	—	—	31 July 2021	—	—

1. On 30 June 2021, the Company settled a portion of the Term loan (capital plus interest) of US\$7.9 million with its lender group.

2. On 30 June 2021, the RCF principle amount of ZAR560.0 million reduced by ZAR50.4 million to ZAR509.6 million based on the amortising profile of 9% per quarter. The facility also comprises a ZAR150 million (30 June 2020: ZAR300 million) foreign exchange settlement line not included above. No additional fees are charged on the foreign exchange settlement line.

The revolving credit and Term Loan facilities are secured on the Group's interests in Finsch, Cullinan, and Koffiefontein.

Covenant ratios

30 June 2021

As part of the revised Term Loan and RCF facilities entered into with the South African Lender Group, the Company is required:

- to maintain a 1.3x debt service cover ratio tested semi-annually on a rolling 12-month basis; and
- to maintain liquidity requirements being the aggregate of the undrawn amounts available under the RCF and consolidated cash and cash equivalents (excluding diamond debtors) shall not fall below ZAR200 million (US\$14.0 million).

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

23. Interest-bearing loans and borrowings continued**Covenant ratios continued**

30 June 2020

As part of the Amendment agreement entered into with the South African Lender Group, the Company was required, in addition to its existing covenant ratios (below), to maintain certain liquidity requirements. The liquidity requirements meant 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).

The Company's EBITDA-related maintenance covenant levels for the respective measurement periods are outlined below:

	12 months to 30 Jun 2020	12 months to 31 Dec 2020	12 months to 30 Jun 2021	Distribution covenants (all periods)
Consolidated net debt to consolidated EBITDA^{1,2}:				
– New covenant ratio:	≤ 3.5x	≤ 3.25x	≤ 3.0x	≤ 2.0x
– Previous covenant ratio:	≤ 2.5x	≤ 2.5x	≤ 2.5x	≤ 2.0x
Consolidated EBITDA to consolidated net finance charges:				
– New covenant ratio:	≥ 2.75x	≥ 3.0x	≥ 3.25x	≥ 6.0x
– Previous covenant ratio:	≥ 4.0x	≥ 4.0x	≥ 4.0x	≥ 6.0x

1. Fees, comprising an upfront 1% of the principal amount, to the lender group relating to the changes in covenants and facilities were capitalised as part of the principal amount.

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\$nil (ZARnil) (30 June 2020: US\$40.0 million (ZAR692.6 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.

24. Trade and other payables**Significant accounting policies relevant to trade and other payables**

Refer to note 34 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	2021	2020
Current		
Trade payables	16.8	18.4
Accruals and other payables ^{1, 2}	32.3	34.1
	49.1	52.5
Income tax payable	—	—
	49.1	52.5

1. Trade and other payables excludes amounts classified as non-current assets held for sale of US\$5.6 million (refer to note 37).

2. Included within accruals and other payables are amounts in respect of foreign exchange gains on hedging contracts of US\$0.4 million (30 June 2020: US\$11.5 million losses).

Included in trade and other payables are amounts due to related parties (refer to note 29).

25. 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 5.3–13.1% (30 June 2020: 8.1–9.7%), estimated rehabilitation timing of 2 to 25 years (30 June 2020: 3 to 45 years) and an inflation rate range of 3.3–8.5% (30 June 2020: 6.1–7.7%). 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	Human rights settlement claims	Pension and post-retirement medical fund	Rehabilitation	Total
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)
Balance at 30 June 2020	—	10.3	45.3	55.6
Balance at 1 July 2020	—	10.3	45.3	55.6
Increase/(decrease) in provisions	4.2	0.9	(0.1)	5.0
Provisions directly associated with non-current assets held for sale (refer to note 37)	—	—	(6.4)	(6.4)
Increase in rehabilitation provision – change in estimate	—	—	5.8	5.8
Unwinding of present value adjustment of rehabilitation provision	—	—	4.3	4.3
Exchange differences	—	2.2	9.0	11.2
Balance at 30 June 2021	4.2	13.4	57.9	75.5
Non-current	—	13.4	57.9	71.3
Current	4.2	—	—	4.2

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 32 and 33. Additional information on the provision for post-retirement medical and pension funds is also described in notes 32 and 33.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

25. Provisions continued**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 ¹	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Decommissioning period (years)			25	45	9	10	2	3	9	10
Estimated rehabilitation cost (US\$ million)	57.9	45.3	23.2	12.4	26.5	20.2	8.2	6.3	—	6.4

1. Environmental rehabilitation costs exclude amounts classified as non-current assets held for sale of US\$6.4 million (refer to note 37).

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, reclassification of Williamson to non-current assets held for sale, change in estimates of Cullinan's estimated time of rehabilitation from 45 years to 25 years, and unrealised foreign exchange on retranslation from functional to presentational currency.

The movements in the provisions during the FY 2020 were attributable to the unwinding of discount, 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.

Human rights settlement claims

In May 2021, Petra announced the findings of the Tunajali Committee in relation to alleged breaches of human rights at the Williamson mine in Tanzania raised by the UK law firm, Leigh Day and the NGO RAID. The mine is operated by WDL, which is 25% owned by the Government of Tanzania and 75% owned by Petra. Petra acquired its majority interest in WDL in 2009.

Based on the conclusions of the Tunajali Committee, the Company acknowledged that past incidents have taken place that regrettably resulted in the loss of life, injury and the mistreatment of illegal diggers, within the WDL SML. The incidents in question involved WDL's third-party security provider Zenith Security as well as the TPF. During the investigation, no evidence emerged that WDL personnel were directly involved in these actions.

The Company took immediate precautionary measures to address the concerns raised, ahead of the findings of the investigation and in order to mitigate the risks of future incidents, including the appointment of a new third-party security contractor, the training of all security personnel and internal management at WDL on human rights and their obligations in terms of the VPSHR and the launch of an OGM.

Judgement was applied by Management in assessing the merits and outcome of the claims. Management at the time considered the pending external investigations around the claims and the completion thereof. Accordingly Management was of the opinion that the outcome of the claims remained uncertain at 30 June 2020.

Further to the findings of the Tunajali Committee, additional measures were put in place to address issues identified, including the revision of reporting structures to enable the more timely, accurate and transparent reporting of all incursions and incidents, the overhaul of stakeholder engagement at the mine, as well as ongoing work Group-wide, and the establishment of an independent Tier 2 IGM, which aims to investigate and resolve complaints following the application of local legal requirements, including the provision to complainants of free and independent advice from local lawyers.

Petra also announced on 12 May 2021 that it had reached a settlement, on a no admission of liability basis, in relation to claims brought in London by Leigh Day, on behalf of the anonymous claimants, in relation to alleged breaches of human rights, associated with third-party security operations, within the SML.

The agreed total settlement figure announced in May 2021 was £4.3 million (US\$6.1 million), which includes the sum to be distributed to the claimants by Leigh Day, a contribution to the claimants' legal expenses and significant funds, which Petra has committed to invest in programmes dedicated to providing sustainable support to the communities living around the mine. The Company also announced that its settlement agreement with Leigh Day included a framework pursuant to which an additional payment will be made by Petra in respect of up to 25 additional potential claimants who came forward in the final stages of the settlement negotiations. A settlement, on a no admission of liability basis, in relation to these 25 additional claims has been reached with Leigh Day.

In addition to the £4.3 million (US\$6.1 million) payment described above, the Company has incurred and provided for additional total costs of US\$6.6 million related to this matter in its FY 2021 accounts, the majority of which relate to legal, consultant, investigation and expert fees and which also cover the settlement of the 25 additional claims with Leigh Day. Of the total US\$12.7 million included in the FY 2021 accounts, US\$4.2 million remains as a provision for legal, consulting, settlement costs and expert fees.

Judgement has been applied by Management in assessing the merits and outcome of the claims. Management has considered the current investigations around the claims and the completion thereof. Accordingly, Management was of the opinion that the amounts provided for at Year end are in line with estimated future costs.

Post Year end, cash and cash equivalents have been secured in respect of programmes dedicated to providing sustainable support to the communities living around the mine, as disclosed in note 20.

26. 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 2021, deferred tax assets of US\$nil (30 June 2020: US\$23.3 million) were recognised in respect of tax losses and other temporary differences to be utilised by future taxable profits at Cullinan and Finsch. The deferred tax asset of US\$23.3 million recognised in the prior year was utilised as a result of profits generated by Cullinan and Finsch during FY 2021. 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\$10.3 million (30 June 2020: 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\$10.3 million as at 30 June 2021.

US\$ million	2021	2020
Balance at the beginning of the Year	17.2	81.4
Income statement debit/(credit)	22.7	(52.9)
Foreign currency translation difference	9.0	(11.3)
Balance at the end of the Year	48.9	17.2
Comprising:		
Deferred tax asset	—	(23.3)
Deferred tax liability	48.9	40.5
	48.9	17.2

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 2021 continued

26. Deferred taxation continued**Significant estimates and judgments related to deferred tax assets continued**

Deferred taxation comprises:

US\$ million	Total	2021 Recognised	2021 Unrecognised
Deferred tax liability			
– Property, plant and equipment	188.8	188.8	—
	188.8	188.8	—
Deferred tax asset			
– Capital allowances	(159.1)	(119.7)	(39.4)
– Provisions and accruals	(28.6)	(20.2)	(8.4)
– Tax losses	(13.4)	—	(13.4)
	(201.1)	(139.9)	(61.2)
Net deferred taxation liability/(asset)	12.3	48.9	(61.2)

US\$ million	Total	2020 Recognised	2020 Unrecognised
Deferred tax liability			
– Property, plant and equipment	169.5	169.5	—
– Prepayment and accruals	—	—	—
	169.5	169.5	—
Deferred tax asset			
– Capital allowances	(144.8)	(118.5)	(26.3)
– Provisions and accruals	(22.2)	(14.1)	(8.1)
– Tax losses	(64.4)	(19.7)	(44.7)
	(231.4)	(152.3)	(79.1)
Net deferred taxation (asset)/liability	(61.9)	17.2	(79.1)

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\$3.4 million (30 June 2020: US\$30.2 million (credit)) in respect of property, plant and equipment and associated capital allowances, US\$2.8 million (30 June 2020: US\$0.9 million credit) comprised of provisions and US\$22.1 million (30 June 2020: US\$21.8 million) in respect of utilised tax losses recognised at Cullinan and Finsch. The US\$3.4 million (30 June 2020: US\$30.2 million credit) movement arises from deductible temporary differences related to the impairments of property, plant and equipment of US\$4.2 million (30 June 2020: US\$11.0 million) and other taxable temporary differences of US\$7.6 million (30 June 2020: US\$19.2 million).

27. 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. Post Year end, the Group entered into a diamond polishing partnership, retaining a 50% interest in the sales proceeds (net of expenses) and value uplift of the polished sale of two rough diamonds from the Cullinan mine, being a 342.92carat white stone and an 18.30 carat blue stone.

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

Details of related parties are disclosed in note 29.

28. 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\$0.5 million (30 June 2020: US\$0.7 million) for the PSP share plan comprises US\$0.5 million (30 June 2020: US\$0.7 million) charged to the Consolidated Income Statement.

There was no charge for the LTIP share plan to the Consolidated Income Statement (30 June 2020: US\$nil).

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	2021	2020
Fair value (PSP absolute TSR/PSP relative TSR/PSP non-market)	n/a	9.5p/10.0p/17.6p
Grant date	n/a	24 October 2019
Share price at grant date	n/a	7.0p
Expected volatility	n/a	55.1%
Life of award	n/a	3 years
Expected dividends	n/a	—
Performance period	n/a	3 years
Correlation	n/a	19.8%
Risk-free interest rate (based on national Government bonds)	n/a	0.5%

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, nil (30 June 2020: 3,613,636) PSP shares were awarded to the Executive Directors at a fair value price of nil pence (30 June 2020: 7.0 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.

The Executive Directors of the Company were not granted deferred awards over Ordinary Shares in the Company during the Year (30 June 2020: 753,460). The deferred share awards in the prior year were fair valued using the market price of the share awards which approximated the fair value in a Black-Scholes model. The awards in the prior year represented 100% of the total bonus in respect of performance for the financial year ended 30 June 2020. The awards vest on 30 June 2021 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 117 to 129.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

28. Share-based payments continued**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	2021	2020
Number of awards	n/a	10,479,660
Fair value	n/a	17.6p
Grant date	n/a	24 October 2019
Share price at grant date	n/a	7.0p
Life of award	n/a	3 years
Foreign exchange rate (ZAR/USD)	n/a	ZAR15.00

During the Year there were no LTIP shares awarded for the FY 2020 – FY 2022 measurement period, there were no vestings or lapses, in respect of the FY 2017 – FY 2019 measurement period. These awards had no exercise price.

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. During the Year the last remaining options lapsed.

	2021		2020	
	Weighted average exercise price (pence)	Number	Weighted average exercise price (pence)	Number
Outstanding at the beginning of the Year	76.4	200,417	47.3	3,304,866
Lapsed	76.4	(200,417)	44.4	(3,104,449)
Outstanding at the end of the Year	—	—	76.4	200,417
Exercisable at the end of the Year	—	—	76.4	200,417

The weighted average market price of the shares in respect of options exercised during the Year was nil pence (30 June 2020: nil pence). There were no options outstanding at 30 June 2021 (30 June 2020: 200,417 outstanding options with an exercise price of 76.4 pence and a weighted average remaining contractual life of five months).

29. Related parties**Subsidiaries and jointly controlled operations**

Details of subsidiaries are disclosed in note 31.

Directors

Details relating to Directors' emoluments are disclosed in note 11 and in the Directors' Remuneration Report on pages 117 to 129. Details relating to Directors' shareholdings in the Company are disclosed in the Corporate Governance Report on page 125. 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 2021	Partner and respective interest as at 30 June 2020
Cullinan	Kago Diamonds (14%)	Kago Diamonds (14%)
Finsch	Kago Diamonds (14%)	Kago Diamonds (14%)
Koffiefontein	Kago Diamonds (14%)	Kago Diamonds (14%)

29. 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	2021	2020
Non-current receivable		
Kago Diamonds ¹	33.5	72.1
	33.5	72.1
Non-current payable		
Kago Diamonds ¹	—	58.5
	—	58.5
Current trade and other receivables		
KEM JV ²	9.7	8.0
Impairment provision ²	(8.4)	(6.9)
	1.3	1.1
Finance income		
Kago Diamonds ¹	3.7	5.1
	3.7	5.1
Finance expense		
Kago Diamonds ¹	3.8	6.4
	3.8	6.4

1. The Kago Diamonds receivable decreased by US\$38.6 million (30 June 2020: US\$17.5 million) mainly attributable to amounts advanced to Kago Diamonds during the Year totalling US\$3.8 million (30 June 2020: US\$7.7 million), a foreign exchange increase of US\$15.4 million (30 June 2020: US\$7.7 million) and offset by the reversal of a prior period expected credit loss provision US\$4.2 million (30 June 2020: US\$5.4 million) and the loan payable of US\$62.1 million by the Group to Kago against the Kago loan receivable.

2. Included in current trade and other receivables is an amount relating to the balance of the KEM JV purchase consideration of US\$1.3 million (30 June 2020: US\$1.1 million). During FY 2021 the Group received payments of US\$nil (FY 2020 US\$0.4 million) from the KEM JV as part settlement of the outstanding purchase consideration. 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\$8.4 million (30 June 2020: US\$6.9 million). The increase in the expected credit loss is attributable to the movement in the foreign exchange rates during the Year.

Interest on the BEE loans receivables is aligned to the Term Loan and charged at South African Jibar plus 5.25% (30 June 2020: South African prime interest rate plus an interest margin ranging between 0% and 2%).

Kago Diamonds is one of the BEE Partners which obtained bank financing from the BEE Lenders to acquire its interests in Cullinan and Finsch.

Rental income receivable

The Group received US\$0.1 million (30 June 2020: US\$0.1 million) from Alufer Mining Ltd. The Group has US\$nil (30 June 2020: US\$0.1 million) receivable from Alufer Mining Ltd. Mr Pryor is a director of Alufer Mining Ltd.

Shareholders

The principal shareholders of the Company are detailed in Supplementary Information on page 215.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

30. Notes to the cashflow statement**Significant non-cash transactions**

(a) Operating and investing activities

US\$ million	2021	2020
Operating activities		
Depreciation of property, plant and equipment	75.9	78.6
Amortisation of right-of-use asset	0.9	4.9
Unrealised gain on lease liability	—	(0.8)
Impairment charge	17.3	92.3
Impairment charge/(reversal) for other receivables	0.4	(0.4)
Impairment of BEE loans receivable – expected credit loss (reversal)/charge provision	(5.8)	10.9
Loss and impairment charge on discontinued operations	43.2	0.1
Profit on disposal of subsidiary	(14.7)	—
Movement in provisions	4.8	(0.1)
Other finance expense – unwinding of present value adjustment for rehabilitation costs	4.3	4.9
Other finance expense – post-retirement medical fund	0.9	0.9
Net unrealised foreign exchange (gains)/losses	(77.1)	82.1
Profit on sale of property, plant and equipment	(0.6)	(0.1)
Share-based payment provision	0.5	0.7
	50.0	274.0
Investing activities		
Non-cash rehabilitation asset adjustment – change in estimate	(5.8)	(0.1)
Non-cash rehabilitation provision adjustment	(0.1)	(0.8)
Non-cash pension and post-retirement fund adjustment – change in estimate	0.8	0.8
Non-cash interest receivable from BEE loans on investing activity	5.2	6.7
	0.1	6.6
Financing activities		
Non-cash transaction costs on Notes unamortised at time of Restructure	2.7	—
Non-cash interest payable on BEE loans on investing activity	7.0	11.9
	9.7	11.9

30. Notes to the cashflow statement continued**(b) Financing activities – change in loans and borrowings (per note 23) and change in lease liability (per note 15)**

US\$ million	Senior secured second lien notes 2021	Senior secured lender debt facilities 2021	BEE Lenders guarantee recognised	Lease liability	Total 2021	Senior secured second lien notes 2020	Senior secured lender debt facilities 2020	BEE Lenders guarantee recognised	Lease liability	Total 2020
Loans and borrowings										
At 1 July	676.9	52.1	40.0	4.7	773.7	650.6	—	—	—	650.6
Cash draw-downs	30.0	—	—	—	30.0	—	100.9	—	—	100.9
Cash repayments (capital and interest)	—	(14.1)	(4.7)	—	(18.8)	(23.6)	(46.1)	—	—	(69.7)
Lease payments	—	—	—	(0.7)	(0.7)	—	—	—	(5.0)	(5.0)
Non-cash										
– Initial recognition of lease liability	—	—	—	0.7	0.7	—	—	—	10.0	10.0
– Gain on lease liability	—	—	—	—	—	—	—	—	(0.8)	(0.8)
– Lease terminations	—	—	—	(0.4)	(0.4)	—	—	—	—	—
– Loss on discontinued operation	—	—	—	(3.6)	(3.6)	—	—	—	—	—
Debt for equity conversion	(415.0)	—	—	—	(415.0)	—	—	—	—	—
Extinguishment of remaining Notes	(299.2)	—	—	—	(299.2)	—	—	—	—	—
Issue of new Notes	306.7	—	—	—	(306.7)	—	—	—	—	—
Transaction costs	(20.8)	(1.7)	—	—	(22.5)	—	—	—	—	—
Unamortised transaction costs	2.7	—	—	—	2.7	—	—	—	—	—
– Guarantee obligation transferred/ recognised (refer to notes 16 and 23)	—	45.4	(45.4)	—	—	—	—	40.0	—	40.0
– Interest accruing during the Year	46.0	6.8	4.7	0.1	57.6	49.9	0.2	—	0.5	50.6
– Effect of foreign exchange	—	14.4	5.4	0.2	20.0	—	(2.9)	—	—	(2.9)
At 30 June	327.3	102.9	—	1.0	431.2	676.9	52.1	40.0	4.7	773.7

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

31. Subsidiaries and jointly controlled interests**Significant accounting policies relevant to subsidiaries**

At 30 June 2021 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 2021	Direct percentage held 30 June 2020	Nature of business
Blue Diamond Mines (Pty) Ltd ¹	South Africa	Ordinary	74%	74%	Mining and exploration
Cullinan Diamond Mine (Pty) Ltd ¹	South Africa	Ordinary	74%	74%	Mining and exploration
Ealing Management Services (Pty) Ltd ¹	South Africa	Ordinary	100%	100%	Treasury
Finsch Diamond Mine (Pty) Ltd ¹	South Africa	Ordinary	74%	74%	Mining and exploration
Kalahari Diamonds Ltd	United Kingdom	Ordinary	100%	100%	Investment holding
Petra Diamonds Holdings SA (Pty) Ltd ¹	South Africa	Ordinary	100%	100%	Investment holding
Petra Diamonds Jersey Treasury Ltd ¹	Jersey	Ordinary	100%	100%	Treasury
Petra Diamonds Netherlands Treasury B.V. ¹	Netherlands	Ordinary	100%	100%	Treasury
Petra Diamonds Southern Africa (Pty) Ltd ¹	South Africa	Ordinary	100%	100%	Services provision
Petra Diamonds UK Treasury Ltd ¹	United Kingdom	Ordinary	100%	100%	Treasury
Petra Diamonds US\$ Treasury Plc ¹	United Kingdom	Ordinary	100%	100%	Treasury
Sekaka Diamonds Exploration (Pty) Ltd ²	Botswana	Ordinary	—%	100%	Exploration
Tarorite (Pty) Ltd ¹	South Africa	Ordinary	74%	74%	Beneficiation
Willcroft Company Ltd ¹	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, the Company disposed of its interest in Sekaka Diamonds Exploration (Pty) Ltd; for further detail refer to note 36.

32. 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.

32. 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 2021. 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 10.98% (30 June 2020: 11.50%), and that salaries will be increased at 7.61% (30 June 2020: 7.54%), based on the current South African consumer price index of 6.61% (30 June 2020: 6.54%). Estimated future benefit payments to members for the 12-month period ending 30 June 2021 are US\$1.1 million.

US\$ million	2021	2020
Defined benefit obligations		
Present value of funded obligations	(10.3)	(7.6)
Fair value of plan assets	10.3	7.6
Recognised deficit for defined benefit obligations	—	—
Expense recognised in the income statement		
Current service cost	(0.1)	(0.1)
Net interest on deficit	0.1	—
	—	(0.1)
Change in the fair value of the defined benefit assets		
At 1 July	7.6	10.9
Foreign exchange movement on opening balances	1.8	(2.0)
Return on plan assets – net of actuarial movements	1.6	(1.0)
Benefits paid to members	(0.9)	(0.7)
Contributions by Group – net	0.2	0.4
At 30 June	10.3	7.6
Change in the present value of the defined benefit obligations		
At 1 July	(7.6)	(10.9)
Foreign exchange movement on opening balance	(1.8)	2.0
Benefits paid to members	0.9	0.7
Current service cost	(0.1)	(0.1)
Finance expense	(1.0)	(0.9)
Contributions by members	—	(0.1)
Actuarial gain/(loss)	(0.7)	—
Net transfers in	—	1.7
At 30 June	(10.3)	(7.6)
Analysis of plan assets		
Cash	7.6%	13.8%
Equity	30.3%	20.8%
Bonds	22.0%	24.5%
Property	7.3%	8.4%
Other – offshore and hedge funds	32.8%	32.5%
	100.0%	100.0%

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

32. Pension scheme continued**Defined benefit scheme continued**

US\$ million	2021	2020	2019	2018
Plan assets	10.3	7.6	10.9	11.0
Plan liabilities	(10.3)	(7.6)	(10.9)	(11.3)
Deficit	—	—	—	(0.3)

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:

	2021	2020
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\$0.5 million (30 June 2020: US\$0.3 million). A two-year change in mortality changes the pension obligation by approximately US\$0.4 million (30 June 2020: US\$0.2 million).

33. 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 2021. 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 189.

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 8.0% (30 June 2020: 7.25%), based on the average yield of relevant South African Government long-dated bonds of 11.50% (30 June 2020: 11.25%), and that salaries will be increased at 6.50% (30 June 2020: 5.73%).

33. Post-retirement medical fund continued**Significant judgements and estimates relevant to medical funds continued**

US\$ million	2021	2020
Post-retirement medical fund		
Present value of post-employment medical care obligations	13.4	10.3
Unfunded status at 30 June	13.4	10.3
Movements in present value of the post-retirement medical fund obligations recognised in the Consolidated Statement of Financial Position		
Net liability for the post-retirement medical fund obligation as at 1 July	10.3	11.7
Foreign exchange movement on opening balances	2.2	(2.2)
Net expense recognised in the income statement	1.6	1.1
Membership changes	(0.1)	0.1
Benefit payments	(0.6)	(0.4)
Net liability for post-employment medical care obligations at 30 June	13.4	10.3
Expense recognised in the income statement		
Current service cost	0.2	0.2
Finance expense	1.4	0.9
	1.6	1.1
The expense is recognised in the following line items in the income statement		
Mining and processing costs	0.2	0.2
Finance expense	1.4	0.9
	1.6	1.1
Reconciliation of fair value of scheme liabilities		
At 1 July	10.3	11.7
Foreign exchange movement on opening balances	2.2	(2.2)
Net expense recognised in the income statement	1.6	1.1
Membership changes	(0.1)	0.1
Benefit payments	(0.6)	(0.4)
Liabilities at fair market value at 30 June	13.4	10.3
	2021	2020
Principal actuarial assumptions		
Discount rate	11.50%	11.25%
Healthcare cost inflation	8.00%	7.25%
Future salary increases	6.5%	5.73%
Net replacement ratio	75.0%	75.0%
Net discount rate	3.24%	3.73%
Normal retirement age (years)	60.0	60.0
Fully accrued age (years)	60.0	60.0
	2021	2020
Determination of estimated post-retirement medical fund expense for the Year ended 30 June 2021		
Current service cost	0.2	0.8
Finance expense	1.4	0.5
Benefit payments	(0.5)	(0.5)

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

33. Post-retirement medical fund continued**Significant judgements and estimates relevant to medical funds continued**

US\$ million	2021	2020	2019	2018
Actuarial accrued liability				
Unfunded status	13.4	10.3	11.7	11.8

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 2021	1% increase	1% decrease
Accrued liability	13.4	15.2	11.9
% difference	—	13.4%	(11.1)%

US\$ million	30 June 2020	1% increase	1% decrease
Accrued liability	10.3	11.7	9.2
% difference	—	11.9%	(10.7)%

Average retirement age

The table below shows the impact of a one-year change in the expected average retirement age:

US\$ million	30 June 2021	Retirement one year earlier	Retirement one year later
Accrued liability	13.4	13.8	12.9
% difference	—	3.0%	(3.7)%

US\$ million	30 June 2020	Retirement one year earlier	Retirement one year later
Accrued liability	10.3	10.7	10.0
% difference	—	3.9%	(2.9)%

34. 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.

34. 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	Statement of Financial Position 2021	Non-current assets held for sale 2021	Total 2021	Total 2020
Current trade receivables	38.3	—	38.3	4.8
Other receivables (excluding taxation, VAT and prepayments)	2.7	1.1	3.8	3.8
Non-current receivables (excluding VAT)	46.6	—	46.6	137.0
	87.6	1.1	88.7	145.6

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. During the current year, trade receivables were significantly higher at the period end due to the tender's proximity to the Year end. In FY 2020, 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 30 June 2020. 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	Statement of Financial Position 2021	Non-current assets held for sale 2021	Total 2021	Total 2020
Euro	—	—	—	1.1
Pound Sterling	0.6	—	0.6	21.0
South African Rand	46.4	—	46.4	65.1
US Dollar	40.6	1.1	41.7	58.4
	87.6	1.1	88.7	145.6

Financial liabilities

The Group classifies its financial liabilities (excluding derivatives) into one category: other financial liabilities. The Group's accounting policy is as follows:

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	Statement of Financial Position 2021	Liabilities directly associated with non-current assets held for sale 2021	Total 2021	Total 2020
Trade payables	16.8	4.4	21.2	18.5
Other payables (excluding taxation, VAT and derivatives)	31.7	1.5	33.2	22.8
Lease liability	0.5	—	0.5	3.6
Non-current lease liability	0.5	—	0.5	1.1
Non-current trade payables owing to BEE Partners	—	—	—	108.6
	49.5	5.9	55.4	154.6

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

34. 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	Statement of Financial Position 2021	Liabilities directly associated with non-current assets held for sale 2021	Total 2021	Total 2020
Pound Sterling	1.5	—	1.5	9.0
South African Rand	36.8	—	36.8	131.6
US Dollar	11.2	5.9	17.1	14.0
	49.5	5.9	55.4	154.6

Interest-bearing borrowings

Refer to note 23 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	Statement of Financial Position 2021	Non-current assets/liabilities held for sale 2021	Total 2021	Total 2020
Financial assets				
Held at amortised cost:				
– Non-current trade and other receivables (excluding VAT)	46.6	—	46.6	137.0
– Trade receivables	38.3	—	38.3	4.8
– Other receivables (excluding taxation, prepayments and VAT)	2.7	1.1	3.8	3.8
– Cash and cash equivalents – restricted	16.1	—	16.1	14.0
– Cash and cash equivalents – unrestricted	147.7	9.2	156.9	53.6
	251.4	10.3	261.7	213.2
Financial liabilities				
Held at amortised cost:				
– Non-current lease liability	0.5	—	0.5	1.1
– Non-current amounts owing to BEE Partners	—	—	—	108.6
– Non-current loans and borrowings	400.0	—	400.0	—
– Current loans and borrowings	30.3	—	30.3	769.0
– Trade and other payables (excluding taxation, VAT and derivatives)	49.0	5.9	54.9	41.2
– Lease liability	0.5	—	0.5	3.6
	480.3	5.9	486.2	923.5

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.

34. Financial instruments continued

Interest-bearing borrowings continued

The currency profile of the Group's financial assets and liabilities is as follows:

US\$ million	Statement of Financial Position 2021	Non-current assets/liabilities held for sale 2021	Total 2021	Total 2020
Financial assets				
Euro	0.1	—	0.1	1.1
Pound Sterling	55.9	—	55.9	21.2
South African Rand	114.1	—	114.1	108.4
US Dollar	81.3	10.3	91.6	82.5
	251.4	10.3	261.7	213.2
Financial liabilities				
Euro	0.3	—	0.3	0.3
Pound Sterling	12.8	—	12.8	8.7
South African Rand	107.8	—	107.8	220.9
US Dollar	359.4	5.9	365.3	693.6
	480.3	5.9	486.2	923.5

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\$7.7 million (30 June 2020: US\$nil).

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\$0.4 million (30 June 2020: US\$11.5 million derivative liability) recorded in the Statement of Financial Position and a net realised foreign exchange loss of US\$6.1 million (30 June 2020: US\$8.3 million loss) and an unrealised foreign exchange gain on hedges of US\$12.5 million (30 June 2020: US\$12.8 million loss) recorded in the Consolidated Income Statement.

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

34. 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\$0.04 million (30 June 2020: US\$1.1 million).

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 2021			
	Year-end US\$ rate	Year-end amount	US\$ strengthens 10%	US\$ weakens 10%
Financial assets				
Euro	0.8435	0.1	0.1	0.1
Pound Sterling	0.7232	55.9	50.3	61.5
South African Rand	0.0701	114.1	102.7	122.5
US Dollar	1.000	91.6	91.6	91.6
		261.7	244.7	275.7
Financial liabilities				
Euro	0.8435	0.3	0.3	0.3
Pound Sterling	0.7232	12.8	11.5	14.0
South African Rand	0.0701	107.8	97.0	118.6
US Dollar	1.000	365.3	365.3	365.3
		486.2	474.1	498.2

34. Financial instruments continued**Foreign exchange risk continued**

30 June 2020

US\$ million	Year end US\$ rate	Year end amount	US\$ strengthens 10%	US\$ weakens 10%
Financial assets				
Euro	0.8903	1.1	1.0	1.2
Pound Sterling	0.8065	21.2	19.0	23.3
South African Rand	0.0577	108.4	97.6	119.2
US Dollar	1.000	82.5	82.5	82.5
		213.2	200.1	226.2
Financial liabilities				
Euro	0.8903	0.3	0.3	0.3
Pound Sterling	0.8065	8.7	7.8	9.6
South African Rand	0.0577	220.9	198.8	243.0
US Dollar	1.000	693.6	693.6	693.6
		923.5	900.5	946.5

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 24, 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.

30 June 2021

US\$ million	Notes	Interest rate	Total	3 months or less	3-6 months	6-12 months	1-2 years	2-5 years
Cash								
Cash and cash equivalents – unrestricted	20	0.1-4.1%	147.7	147.7	—	—	—	—
Cash – restricted	20	0.1-4.1%	16.1	—	—	—	—	16.1
Total cash			163.8	147.7	—	—	—	16.1
Loans and borrowings								
Bank loan – secured (BEE Partner debt facilities)	23	—%	—	—	—	—	—	—
Bank loan – secured	23	8.93%	34.9	0.6	0.6	1.3	2.5	29.9
Bank loan – secured	23	8.70%	86.2	9.3	9.1	17.7	33.4	16.7
Senior secured second lien notes	23	10.50%	532.4	—	—	—	12.3	520.1
Lease liabilities	15	5.98%	1.1	0.2	0.2	0.2	0.4	0.1
Cashflow of loans and borrowings			654.6	10.1	9.9	19.2	48.6	566.8

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

34. Financial instruments continued**Maturity analysis continued**

US\$ million	Notes	Interest rate	30 June 2020					
			Total	3 months or less	3–6 months	6–12 months	1–2 years	2–5 years
Cash								
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
Total cash			67.6	53.6	—	—	—	14.0
Loans and borrowings								
Bank loan – secured (BEE Partner debt facilities)	23	12.83%	40.0	40.0	—	—	—	—
Bank loan – secured	23	12.83%	23.1	23.1	—	—	—	—
Bank loan – secured	23	7.5%	29.0	29.0	—	—	—	—
Senior secured second lien notes	23	7.25%	676.9	676.9	—	—	—	—
Lease liabilities	15	5.98%	5.0	1.4	1.4	1.5	0.4	0.3
Cashflow of loans and borrowings			774.0	770.4	1.4	1.5	0.4	0.3

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 10.25%. 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\$103.0 million (30 June 2020: US\$92.1 million). In the current Year, the impact of a 100 basis point increase/decrease would result in a financial loss/gain of US\$1.0 million (30 June 2020: US\$0.9 million).

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 2021 and 30 June 2020 are as follows:

US\$ million	2021	2020
Total debt	430.3	769.0
Cash and cash equivalents	(163.8)	(67.6)
Net debt	266.5	701.4
Total equity attributable to equity holders of the parent company	450.8	30.5
Net debt to equity ratio	0.6:1	23.0:1

The Group manages its capital structure by the issue of Ordinary Shares, raising debt finance where appropriate and managing Group cash and cash equivalents.

35. 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. As at 30 June 2021, the Tanzania segment constitutes a discontinued operation and is classified as held for sale per IFRS 5.

Exploration – exploration activities in Botswana (the exploration assets in Botswana were disposed of via the sale of the Group's interest in Sekaka Diamonds Exploration (Pty) Ltd).

Corporate – administrative activities in the United Kingdom.

Beneficiation – beneficiation activities in South Africa.

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\$712.1 million (30 June 2020: US\$769.8 million), Tanzania US\$32.0 million (30 June 2020: US\$80.5 million), and United Kingdom US\$0.5 million (30 June 2020: US\$1.0 million).

The Group's property, plant and equipment included in non-current assets are located in South Africa of US\$665.4 million (30 June 2020: US\$608.9 million), Tanzania of US\$31.3 million (30 June 2020: US\$66.7 million), and United Kingdom of US\$0.1 million (30 June 2020: US\$0.2 million).

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

35. Segment information continued

Operating segments US\$ million	South Africa – mining activities			Tanzania – mining activities	Botswana	United Kingdom	South Africa	Inter- segment 2021	Consolidated 2021
	Finsch 2021	Cullinan 2021	Koffiefontein 2021	Williamson ⁶ 2021	Exploration ⁴ 2021	Corporate and treasury 2021	Beneficiation ⁵ 2021		
Revenue	123.5	250.6	27.9	—	—	—	0.3	—	402.3
Segment result ¹	(0.5)	76.8	(8.1)	—	—	(21.2)	(1.6)	(1.6)	43.8
Impairment charge - operations	(15.1)	—	(2.2)	—	—	—	—	—	(17.3)
Impairment charge – other receivables	—	—	—	—	—	(0.4)	—	—	(0.4)
Impairment of BEE loans receivable – expected credit loss release	—	—	—	—	—	5.8	—	—	5.8
Other direct income	1.0	0.6	0.1	—	—	—	—	—	1.7
Operating profit/(loss) ²	(14.6)	77.4	(10.2)	—	—	(15.8)	(1.6)	(1.6)	33.6
Financial income									84.1
Financial expense									(74.0)
Gain on extinguishment of Notes and unamortised costs									213.3
Profit on disposal of subsidiary									14.7
Income tax charge									(23.0)
Loss on discontinued operation (net of tax) ⁶									(52.1)
Non-controlling interest									(9.5)
Profit attributable to equity holders of the parent company									187.1
Segment assets ³	249.9	559.0	6.9	59.6	—	3,488.7	4.5	(3,290.0)	1,078.6
Segment liabilities ³	119.7	559.2	22.1	33.5	—	2,134.7	5.5	(2,236.4)	638.3
Capital expenditure	4.0	16.8	1.7	0.3	—	1.0	—	—	23.8

1. Total depreciation of US\$75.9 million included in the segmental result comprises depreciation incurred at Cullinan of US\$52.2 million, Finsch of US\$23.0 million, Koffiefontein US\$ 0.1 million and corporate and treasury US\$0.6 million.

2. Operating profit is equivalent to revenue of US\$402.3 million less total costs of US\$368.7 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 operating results in respect of Botswana have been reflected in note 36. In FY 2021, Petra sold its exploration assets in Botswana to Botswana Diamonds PLC via the sale of its interest in Sekaka Diamonds Exploration (Pty) Ltd. (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.

6. The operating results in respect of Williamson have been reflected within loss on discontinued operation and the assets and liabilities classified as held for sale (refer to note 37).

35. Segment information 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 ⁴ 2020	Corporate and treasury 2020	Beneficiation ⁵ 2020		
Revenue	101.1	116.5	25.7	—	—	—	—	—	243.3
Segment result ¹	(5.1)	21.6	(6.2)	—	(0.6)	(8.7)	(0.7)	(4.5)	(4.2)
Impairment charge	(27.6)	(11.6)	(11.7)	—	—	—	—	—	(50.9)
Impairment charge – other receivables	—	—	—	—	—	0.4	—	—	0.4
Impairment of BEE loans receivable – expected credit loss provision	—	—	—	—	—	(10.9)	—	—	(10.9)
Other direct income	0.7	—	0.3	—	—	—	—	—	1.0
Operating loss ²	(32.0)	10.0	(17.6)	—	(0.6)	(19.2)	(0.7)	(4.5)	(64.6)
Financial income									7.9
Financial expense									(160.8)
Income tax credit									52.5
Loss on discontinued operation (net of tax) ⁶									(58.0)
Non-controlling interest									33.0
Loss attributable to equity holders of the parent company									(190.0)
Segment assets ³	303.5	494.0	135.9	94.5	—	2,876.6	4.1	(2,865.9)	1,042.7
Segment liabilities ³	176.6	566.7	266.2	297.8	—	2,018.9	4.8	(2,300.0)	1,031.0
Capital expenditure	8.4	16.4	3.8	8.0	—	1.0	—	(1.2)	36.4

1. Total depreciation of US\$69.9 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, exploration of US\$0.1 million and corporate administration of US\$0.8 million.

2. Operating loss is equivalent to revenue of US\$243.3 million less total costs of US\$307.9 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\$0.6 million and liabilities of US\$nil were classified as non-current assets held for sale in FY 2018 (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.

6. The operating results in respect of Williamson have been reflected within loss on discontinued operation (refer to note 37).

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

36. Disposal of operations**Significant accounting policies relevant to disposal operations**

Where an operation within the Group is disposed of, the assets 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.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale (the Botswana exploration assets met the criteria of IFRS 5 and were classified as held for sale in FY2020) 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 and the discontinued criteria are met.

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") to Botswana Diamonds PLC 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 include the Company's three existing Prospecting Licences in Botswana, which includes the KX36 project, a 3.5 hectare 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 disposal of Sekaka was not a result of the recent sales process, as announced on 26 June 2020, undertaken by the Group with respect to the Restructuring.

The purchase price of US\$300,000 will be payable in two equal instalments of US\$150,000 each, on or before 20 November 2021 and 20 November 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 disposal completed during November 2020.

Effect of the transaction

The transaction had the following effect on the Group's assets and liabilities:

(i) Net assets:

US\$ million	As at 30 November 2020 ¹
Mining property, plant and equipment	0.2
Trade and other receivables	—
Total assets	0.2
Trade and other payables	—
Total liabilities	—
Net assets disposed	0.2

1. As at 30 June 2020, the net assets of Sekaka were US\$0.3 million.

(ii) Post-tax loss on disposal of Sekaka at:

US\$ million	Period ended 30 November 2020
Fair value consideration receivable on disposal	0.3 ¹
Less: net assets disposed of	(0.2)
Add: foreign currency translation recycled on disposal	13.3
Profit on disposal of discontinued operation	13.4
Add: net profit for the period ²	1.3
Profit on disposal including associated impairment, net of tax	14.7

1. The Company has attributed US\$nil fair value to the 5% royalty given the uncertainty and time taken to convert an exploration project to a commercially viable mine.

2. The Company incurred US\$0.1 million in cash costs and unrealised foreign exchange gains of US\$1.2 million during the Period.

37. Non-current assets held for sale

Williamson

Significant judgements and estimates relevant to non-current assets held for sale

The Group applies judgement when determining whether an asset should be classified as held for sale. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. The following factors are considered by Management in determining whether a sale is highly probable: Management must be committed to a plan to sell the asset; an active programme to locate a buyer and complete the plan must have been initiated; the asset must be actively marketed for sale at a reasonable price and any transaction should be expected to be completed within 12 months of classification of the asset as held for sale.

Judgement is required when determining whether a component of an entity classifies as a discontinued operation. Judgement is required when determining whether the component represents a separate major line of business or geographical area of operations. This was applied to the classification of the Williamson mine as a discontinued operation. The Williamson mine is considered a major geographical area of operations which has been reported as a separate segment in the past, and as such we have determined the classification of a discontinued operation to be appropriate. In terms of the measurement requirements of IFRS 5, once classified as held for sale, the assets are required to be measured at the lower of their carrying amount and fair value less costs to sell. Judgement is required in order to determine the fair value of the disposal group. In determining the fair value used to calculate the appropriate write down, Management took into consideration, current discussions with vendors, the latest LOM plan assessment and the best available information at the present time.

Significant accounting policies relevant to non-current assets held for sale

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. 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 resell. The results of discontinued operations are presented separately in the statement of profit or loss.

Unrealised foreign exchange gains and losses on historic retranslation of the subsidiaries results into US Dollars are 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 Board reviewed its strategic options at Williamson and the asset has therefore been classified as an asset held for sale. As a result, the assets and liabilities of the Williamson mining operation (being Petra's 75.0% interest) have been classified as held for sale in the Statement of Financial Position at 30 June 2021, in accordance with IFRS 5. The financial results of the Williamson operation for the Year have been disclosed in the Consolidated Income Statement in Loss on discontinued operation. The Williamson mining operation is a separate operating segment for the purposes of the Group's segmental reporting.

Net assets of Williamson:

US\$ million	Book value prior to reclassification of as held for sale	Impairment	30 June 2021
Mining property, plant and equipment	52.7	(21.4) ¹	31.3
Non-current trade and other receivables	0.7	—	0.7
Trade and other receivables	2.9	—	2.9
Inventory	15.5	—	15.5
Cash and cash equivalents	9.2	—	9.2
Non-current assets held for sale	81.0	(21.4)	59.6
Environmental liabilities, provisions and other non-current trade and other payables ²	(22.9)	—	(22.9)
Trade and other payables and provisions ²	(10.6)	—	(10.6)
Non-current liabilities associated with non-current assets held for sale	(33.5)	—	(33.5)
Net assets	47.5	(21.4)	26.1

Notes to the Annual Financial Statements

For the Year ended 30 June 2021 continued

37. Non-current assets held for sale continued**Williamson continued**

Significant accounting policies relevant to non-current assets held for sale continued

Result of Williamson:

US\$ million	1 July 2020 – 30 June 2021	1 July 2019 – 30 June 2020
Revenue	4.6	52.5
Cost of sales	(13.8)	(68.7)
Gross loss	(9.2)	(16.2)
Impairment charge – operations	—	(34.6)
Impairment reversal / (charge) - other receivables	0.7	(6.8)
Provisions for unsettled and disputed tax claims	(19.5)	—
Financial income	—	0.6
Financial expense	(2.7)	(0.8)
Loss before tax	(30.7)	(57.8)
Income tax charge	—	(0.2)
Loss after tax before impairment charge	(30.7)	(58.0)
Impairment charge ¹	(21.4)	—
Net loss for the Year	(52.1)	(58.0)
Attributable to:		
Equity holders of the parent	(52.1)	(58.0)
Non-controlling interest	—	—
	(52.1)	(58.0)

1. The US\$21.4 million impairment loss recorded on the Williamson assets represents the difference between the assets measured at the lower of their carrying amount and fair value less costs to sell. In determining the fair value used to calculate the appropriate write down, Management took into consideration the best available information at the present time. The impairment charge of US\$21.4 million is recognised to reduce assets of Williamson to equal the fair value less costs to sell.

2. Included in Environmental liabilities, provisions and other non-current trade and other payables are provisions for lump sum severance amounts upon death, ill-health retirement and compulsory retirement for employees, provision for the estimated cost of the environmental rehabilitation at Williamson, which is based on current legal requirements, existing technology and the Group's planned rehabilitation strategy and provision for unsettled and disputed tax claims.

The consolidated cash flow statement includes the following amounts relating to Williamson:

US\$ million	1 July 2020 – 30 June 2021	1 July 2019 – 30 June 2020
Operating activities	(5.2)	7.9
Investing activities	(0.3)	(7.9)
Net cash utilised in discontinued operations	0.6	(4.2)

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	Adjusted EBITDA is stated before depreciation, amortisation of right-of-use asset, costs and fees relating to investigation and settlement of human rights abuse claims, share-based expense, net finance expense, tax expense, loss on discontinued operations, net of tax, impairment charges, expected credit loss release/ (charge), gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary and net unrealised foreign exchange gains and losses.	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	Adjusted EPS from continuing operations is stated before impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary, costs and fees relating to investigation and settlement of human rights abuse claims, net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge.	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	Adjusted net profit/(loss) after tax is net profit/(loss) after tax stated before impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge.	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	Bank loans and borrowings plus US\$ loan notes, less cash and diamond debtors.	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 2021

US\$ million	2021	2020	2019	2018	2017
Income statement					
Revenue (gross) ¹	402.3	243.3	463.6	495.3	394.8
Adjusted mining and processing costs ²	(261.2)	(169.3)	(301.7)	(291.4)	(311.3)
Profit from mining activity ³	142.8	75.0	161.1	205.1	168.5
Adjusted EBITDA ³	135.4	67.3	153.0	195.4	157.2
Adjusted net (loss)/profit after tax ³	(16.1)	(54.7)	(13.2)	1.6	29.0
Net profit/(loss) after tax – Group	196.6	(223.0)	(258.1)	(203.1)	20.7
Statement of financial position					
Current assets	274.4	191.1	206.7	413.5	354.8
Non-current assets	744.6	851.3	1,087.5	1,329.2	1,500.0
Non-current assets held for sale	59.6	0.3	0.6	46.5	—
Total assets	1,078.6	1,042.7	1,294.8	1,789.2	1,854.8
Borrowings (short and long term)	430.3	769.0	650.6	754.8	757.1
Current liabilities (excluding borrowings)	49.1	52.5	54.9	130.8	136.7
Liabilities directly associated with non-current assets held for sale	33.5	0.1	—	27.8	—
Total equity	440.3	11.7	326.1	566.6	646.4
Movement in cash					
Net cash generated from operating activities	139.5	27.0	156.4	67.9	152.5
Net cash utilised in investing activities	(25.4)	(51.0)	(137.9)	(201.9)	(292.6)
Net cash generated from/(utilised in) financing activities	(8.0)	52.4	(102.7)	169.7	291.1
Net (decrease)/increase in cash and cash equivalents	93.6	(6.7)	(141.6)	35.7	151.0
Ratios and other key information					
Basic earnings/(loss) per share attributable to the equity holders of the Company – US\$ cents	5.22	(21.96)	(20.18)	(15.85)	3.14
Adjusted basic (loss)/earnings per share from continuing operations attributable to the equity holders of the Company – US\$ cents ³	(0.46)	(5.04)	(2.63)	0.83	5.50
Capex	23.8	36.4	86.9	145.5	300.1
Cash at bank (including restricted)	163.8	67.6	85.2	236.0	203.7

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 Williamson for FY 2021 and FY 2020 and the KEM JV for FY 2019 to FY 2017. 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 Williamson for FY 2021 and FY 2020, 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 203.

FY 2021 Summary of Results and Non-GAAP Disclosures

US\$ million	2021	Restated 2020
Revenue	402.3	243.3
Adjusted mining and processing costs ¹	(261.2)	(169.3)
Other direct income	1.7	1.0
Profit from mining activities²	142.8	75.0
Exploration expense	—	(0.5)
Adjusted corporate overhead	(7.4)	(7.2)
Adjusted EBITDA³	135.4	67.3
Depreciation and amortisation of right-of-use asset	(76.8)	(69.8)
Share-based expense	(0.5)	(0.7)
Net finance expense	(67.0)	(70.8)
Tax (expense) / credit (excluding taxation credit / charge on impairment charge and unrealised foreign exchange gain / (loss)) ⁴	(7.2)	19.3
Adjusted net loss after tax⁵	(16.1)	(54.7)
Impairment charge ⁶	(17.7)	(50.5)
Impairment of BEE loans receivable – expected credit loss provision ⁷	5.8	(10.9)
Gain on extinguishment of Notes net of unamortised costs	213.3	—
Profit on disposal of subsidiary ⁸	14.7	—
Costs and fees relating to investigation and settlement of human rights abuse claims	(12.7)	—
Net unrealised foreign exchange (loss)/gain	77.1	(82.1)
Taxation (charge) / credit on unrealised foreign exchange gain / (loss) ⁴	(19.9)	22.2
Taxation credit on impairment charge	4.2	11.0
Profit / (loss) from continuing operations	248.7	(165.0)
Loss on discontinued operations, net of tax ⁹	(52.1)	(58.0)
Net profit / (loss) after tax	196.6	(223.0)
Earnings per share attributable to equity holders of the Company – US\$ cents		
Basic profit/(loss) per share – from continuing operations	6.67	(15.26)
Adjusted loss per share – from continuing operations ¹⁰	(0.46)	(5.04)

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, costs and fees relating to investigation and settlement of human rights abuse claims, share-based expense, net finance expense, tax expense, loss on discontinued operations, net of tax, impairment charges, expected credit loss release/ (charge), gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary and net unrealised foreign exchange gains and losses.
- Tax expense / credit is the tax (expense) / credit for the Year excluding taxation credit / charge on impairment charge and unrealised foreign exchange gain / (loss) generated during the Year; such exclusion more accurately reflects resultant Adjusted net profit / (loss).
- Adjusted net loss after tax is net profit/(loss) after tax stated before impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge.
- Impairment charge of US\$17.7 million (30 June 2020: US\$50.5 million) was due to the Group's impairment review of its operations and other receivables. Refer to note 8 for further details.
- Reversal of impairment of BEE loans receivable of US\$5.8 million (30 June 2020: US\$10.9 million impairment charge) is due to the Group's expected credit loss assessment of its BEE loans receivable. Refer to note 16 for further details.
- The profit on disposal of subsidiary of US\$14.7 million includes the reclassification of foreign currency translation reserve, net of tax of Sekaka Diamonds (Pty) Ltd.
- The loss on discontinued operations reflect the results of the Williamson operation (net of tax), including impairment, of US\$52.1 million (FY 2020 results have been amended for comparability) as per the requirements of IFRS 5). Refer to note 37 for further details.
- Adjusted EPS from continuing operations is stated before impairment charge, expected credit release (loss) provision, gain on extinguishment of Notes net of unamortised costs, profit on disposal of subsidiary, costs and fees relating to investigation and settlement of human rights abuse claims, net unrealised foreign exchange gains and losses, and excluding taxation (charge) credit on net unrealised foreign exchange gains and losses and excluding taxation credit on impairment charge.

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.

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 2021 Operations Results Tables

Cullinan – South Africa

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$m	250.6	116.5	+115%
Diamonds sold	Carats	2,261,058	1,183,745	+91%
Average price per carat	US\$	111	98	+13%
ROM production				
Tonnes treated	Tonnes	4,614,802	3,972,682	+16%
Diamonds produced	Carats	1,761,490	1,482,482	+19%
Grade ¹	Cpht	38.2	37.3	+2%
Tailings production				
Tonnes treated	Tonnes	445,538	257,549	+73%
Diamonds produced	Carats	182,452	95,918	+90%
Grade ¹	Cpht	41.0	37.2	+10%
Total production				
Tonnes treated	Tonnes	5,060,339	4,230,231	+20%
Diamonds produced	Carats	1,943,942	1,578,400	+23%
Costs				
On-mine cash cost per tonne treated	ZAR	260	270	-4%
Capex				
Expansion Capex	US\$m	14.5	13.0	+12%
Sustaining Capex	US\$m	2.3	3.4	-32%
Total Capex	US\$m	16.8	16.4	+2%

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 2021	FY 2020	Variance
Sales				
Revenue	US\$m	123.5	101.1	+22%
Diamonds sold	Carats	1,602,312	1,348,181	+19%
Average price per carat	US\$	77	75	+3%
ROM production				
Tonnes treated	Tonnes	2,311,195	2,719,389	-15%
Diamonds produced	Carats	1,237,219	1,603,678	-23%
Grade ¹	Cpht	53.5	59.0	-9%
Tailings production				
Tonnes treated	Tonnes	0	211,541	-100%
Diamonds produced	Carats	0	39,890	-100%
Grade ¹	Cpht	0	18.9	-100%
Total production				
Tonnes treated	Tonnes	2,311,195	2,930,930	-21%
Diamonds produced	Carats	1,237,219	1,643,568	-25%
Costs				
On-mine cash cost per tonne treated	ZAR	536	477	+12%
Capex				
Expansion Capex	US\$m	1.7	6.1	-72%
Sustaining Capex	US\$m	2.3	2.3	0%
Total Capex	US\$m	4.0	8.4	-52%

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 2021 Operations Results Tables continued

Koffiefontein – South Africa

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$m	28.0	25.7	+9%
Diamonds sold	Carats	66,650	66,326	0%
Average price per carat	US\$	419	387	+8%
ROM production				
Tonnes treated	Tonnes	754,369	891,705	-15%
Diamonds produced	Carats	59,151	69,077	-14%
Grade	Cpht	7.8	7.7	+1%
Total production				
Tonnes treated	Tonnes	754,369	891,705	-15%
Diamonds produced	Carats	59,151	69,077	-14%
Costs				
On-mine cash cost per tonne treated	ZAR	651	510	+28%
Capex				
Expansion Capex	US\$m	0.6	2.7	-78%
Sustaining Capex	US\$m	1.1	1.1	0%
Total Capex	US\$m	1.7	3.8	-55%

Williamson – Tanzania

	Unit	FY 2021	FY 2020	Variance
Sales				
Revenue	US\$m	4.6	52.5	-91%
Diamonds sold	Carats	30,339	297,245	-90%
Average price per carat	US\$	150	177	-15%
ROM production				
Tonnes treated	Tonnes	0	3,980,438	-100%
Diamonds produced	Carats	0	287,356	-100%
Grade	Cpht	0	7.2	-100%
Alluvial production				
Tonnes treated	Tonnes	0	302,567	-100%
Diamonds produced	Carats	0	10,774	-100%
Grade	Cpht	0	3.6	-100%
Total production				
Tonnes treated	Tonnes	0	4,283,005	-100%
Diamonds produced	Carats	0	298,130	-100%
Costs				
On-mine cash cost per tonne treated	US\$	n/a	10.2	n/a
Capex				
Expansion Capex	US\$m	0.0	0.0	0%
Sustaining Capex	US\$m	0.3	8.0	-96%
Total Capex	US\$m	0.3	8.0	-96%

FY 2021 Resource Statement

Petra Diamonds Limited ("Petra" or "the Company" or "the Group") manages one of the world's largest diamond resources of ca. 230 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.

Gross resources

As at 30 June 2021, the Group's gross diamond resources (inclusive of reserves) decreased 5% to 230.64 Mcts (30 June 2020: 243.51 Mcts), predominantly due to depletions at all mining assets further to ore mined in FY 2021 and the sale of Petra's exploration assets in Botswana to Botswana Diamonds PLC, which has removed the KX36 kimberlite pipe (Resource of 8.73 Mcts) from the Resource Statement.

Gross reserves

The Group's gross diamond reserves decreased 14% to 33.33 Mcts (30 June 2020: 38.86 Mcts) primarily due to mining depletions, the impact of increased pit scaling and waste ingress on the remaining reserves in the current SLC at Finsch, changes to the mine plan and mining method for the future block at Finsch and Williamson remaining on care and maintenance. The following table summarises the gross reserves and resources status of the combined Petra Group operations as at 30 June 2021.

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Reserves			
Proved	—	—	—
Probable	116.3	28.7	33.33
Sub-total	116.3	28.7	33.33
Resources			
Measured	—	—	—
Indicated	329.1	47.2	155.38
Inferred	1,292.3	5.8	75.27
Sub-total	1,621.3	14.2	230.64

Cullinan

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Reserves			
Proved	—	—	—
Probable	38.6	38.8	14.97
Sub-total	38.6	38.8	14.97
Resources			
Measured	—	—	—
Indicated	224.0	59.2	132.63
Inferred	169.5	10.1	17.19
Sub-total	393.6	38.1	149.82

1. Resource bottom cut-off: 1.0mm.
2. Reserve bottom cut-off: 1.0mm.
3. 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.
4. C-Cut Resource stated as in-situ.
5. Reserves based on PCBC simulations on C-Cut phase 1 and PCSLC simulations for the CC1E.
6. 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.
7. 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%.
8. US\$/ct values of 95-105 for ROM, excluding Exceptional Stones, and 35-45 for tailings based on expected sales values (with reference to FY 2021 sales results and considering rough diamond prices recovering to levels before the COVID-19 pandemic) and production size frequency distributions.

FY 2021 Resource Statement continued

Finsch

Category	Gross		
	Tonnes (millions)	Grade (cphT)	Contained diamonds (Mcts)
Reserves			
Proved	—	—	—
Probable	26.8	55.2	14.81
Sub-total	26.8	55.2	14.81
Resources			
Measured			
Indicated	27.0	68.7	18.56
Inferred	40.6	47.2	19.16
Sub-total	67.6	55.8	37.72

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. Increased pit scaling and waste ingress have been included in the Reserve models.
5. Block 5 and Block 6 Resource stated as in situ.
6. Remaining Block 5 Reserves are based on CA3D software simulations.
7. US\$/ct values of 90-100 for ROM, based on expected sales values (with reference to FY 2021 sales results and considering rough diamond prices recovering to levels before the COVID-19 pandemic) and production size frequency distributions.

Koffiefontein

Category	Gross		
	Tonnes (millions)	Grade (cphT)	Contained diamonds (Mcts)
Reserves			
Proved	—	—	—
Probable	2.3	8.2	0.19
Sub-total	2.3	8.2	0.19
Resources			
Measured			
Indicated	14.6	7.6	1.11
Inferred	124.1	3.3	4.14
Sub-total	138.7	3.8	5.25

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 470-520 for ROM, based on expected sales values (with reference to FY 2021 sales results and considering rough diamond prices recovering to levels before the COVID-19 pandemic) and production size frequency distributions.

Williamson

Category	Gross		
	Tonnes (millions)	Grade (cpht)	Contained diamonds (Mcts)
Reserves			
Proved	—	—	—
Probable	48.6	6.9	3.36
Sub-total	48.6	6.9	3.36
Resources			
Measured			
Indicated	63.4	4.9	3.08
Inferred	958.0	3.6	34.77
Sub-total	1,021.4	3.7	37.86

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 adjusted with nine months removed from Life of Mine plan (to end of Mining Licence in 2030).
5. Reserves based on mine scheduling in XPAC, including care and maintenance.
6. US\$/ct values of 180-230 for ROM, based on expected sales values (with reference to FY 2020 and FY 2021 sales results and considering rough diamond prices recovering to levels before the COVID-19 pandemic) and production size frequency distributions.

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 2021 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 21 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 41 years' relevant experience in the diamond mining industry, who was appointed as an independent consultant by the Company for this purpose.

TCFD Report

Theme	TCFD Recommendation	What Petra Does	References
Governance	a) Describe the board's oversight of climate related risks and opportunities.	<p>Petra's Board duly formed and appointed a sub-committee responsible for Health, Safety and Environmental matters ("HSE Committee") which is chaired by an iNED. The CEO is a permanent member and the Group HSEQ Manager a permanent co-opted member of the HSE Committee. The HSE Committee meets at three-monthly intervals with a set annual discussion plan. The HSE Committee produces quarterly reports for the Board, which are reviewed and discussed at Board meetings. The topics of risk and strategy are scheduled for discussion at every meeting as the need arises. Therefore there is the continuous opportunity to have insight into the risks, opportunities and strategies around climate change and adaptation planning.</p> <p>Further to the finalisation of the Petra Climate Change Adaptation Strategy, Petra's performance against its carbon emissions targets will be monitored and reviewed by the Board at least quarterly.</p> <p>The Board will receive ongoing training on climate-related risks and opportunities in order to stay abreast of this rapidly changing area.</p>	CDP Disclosure: C1.1b; C1.2; C1.2a
	b) Describe management's role in assessing and managing climate related risks and opportunities.	<p>With the implementation of the Petra Climate Change Adaptation Strategy, the HSE Committee has access to the information to monitor progress against targets and action plans for addressing climate-related issues.</p> <p>At an operational level, the assigned responsibilities for climate-related issues are aligned to the well-entrenched Environmental Management System and structures for risk management.</p>	
Strategy	a) Describe the climate related risks and opportunities the organization has identified over the short, medium, and long term.	<p>The Climate Change Vulnerability Assessment of FY 2021 identified 80 potential impacts at an operational and corporate level. Of these, none were rated as 'high' vulnerabilities, but 17 were rated to be of 'moderate' significance.</p> <p>The Vulnerability Assessment process also identified a number of opportunities.</p>	CDP Disclosure: C2.1a; C2.3; C2.3a; C2.4; C2.4a; C3.1; C3.1a C3.1b; C3.1d; C3.1e; C3.1f Petra ESG and SR pg.60
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<p>As climate change has been identified as a key environmental risk, particularly when considering its impact on the availability of water and the related financial implications, it is considered as part of one of Petra's principal risks – 'license to operate'.</p> <p>Due to the nature of its product and market, Petra must consider market requirements, including being a signatory to the Kimberley Process; a member of the Natural Diamonds Council; and partaking in the CDP, as part of its financial planning.</p> <p>Market requirements (and market analysts) for good governance are increasingly including carbon emissions and climate change indicators into the evaluation of companies such as Petra. These related ratings influence the level of confidence of investors and could thereby influence the share price / market value of the Company.</p>	
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>Petra uses the World Bank Climate Change Knowledge Portal ("CCKP") to determine climate change impacts and opportunities. It also assesses its vulnerabilities based on climate change scenarios. The projections used in the CCKP are based on a combination of 35 Global Climate Models and specifically those that are used by the IPCC in the AR5 (Climate Change 2014 Synthesis Report Summary for Policymakers).</p> <p>Petra's scenario analysis:</p> <ul style="list-style-type: none"> is based on two scenarios. Firstly the Company looks at a RCP 2.6 scenario (best-case scenario). This refers to the concentration of carbon that delivers global warming at an average of 2.6 watts per square metre across the planet. The RCP 2.6 pathway delivers a temperature increase of about 1.8°C by 2100, relative to pre-industrial temperatures. The second scenario considered by Petra is the RCP 8.5 scenario (worst-case scenario), which would deliver a total warming of about 4.3°C by 2100; focuses on site-specific watersheds rather than regional or country-specific views, as this is more accurate and appropriate to our operations; involves the analysis of eight identified climate change indicators; and is done for three timeframes of 20-year intervals relevant over the timespan of the current Petra operations for most of the scenarios: 2020 - 2039 (operational); 2040 - 2059 (decommissioning); 2060 - 2079 (post-closure). 	

Theme	TCFD Recommendation	What Petra Does	References
Risk Management	a) Describe the organization's processes for identifying and assessing climate related risks.	The climate change vulnerability assessment process is based on climate-related risk categories (acute physical risk; chronic physical risk; financial risk; reputational risk; legal risk; and climate change opportunity), exposures, sensitivities, potential impacts and adaptive capabilities. Estimation criteria to be used when performing the vulnerability estimation are: extent of the risk/vulnerability, duration of the risk, intensity of the impact of the risk, likelihood of the impact and the significance determined as a combination of all these criteria.	CDP Disclosure: C2.1; C2.2; C2.2a Petra ESG and SR pg. 61
	b) Describe the organization's processes for managing climate related risks.	The Petra Climate Change Adaptation Strategy consists of eleven steps. Step 8 of the PCCAS requires operations to evaluate the adaptive needs and allocate suitable 'Adaptation Action Plans' to all of these. The climate change adaptation plans include the action steps, timeframes for completion, responsible employees and all other resources required to successfully complete each action step. Step 9 requires the prioritisation of the documented adaptation plans. This is done by taking account of the vulnerabilities' significance as well as the financial and operational capability to implement the action plans. Quarterly progress reviews are completed as part of the operational environmental management systems. The progress of all Climate Change Adaptation Plans is presented to the HSE Committee, on an annual basis. The HSE Committee has full oversight of the process and may require an adjustment to prioritisation of plans, depending on strategic or operational needs.	
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate-related risk management is integrated into the operational environmental management system. All high-rated climate-related risks will be included in Petra's ERM process with full Board oversight.	
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Petra sets annual objectives and targets (KPIs) at an operational level. These objectives aim to address some of the climate-related risks and opportunities that are identified through the risk assessment and climate change vulnerability assessment processes. In FY 2021, Petra focused on the following climate-related matrices: <ul style="list-style-type: none"> • Electricity efficiency (kWh/tonne) • Diesel efficiency (L/tonne) • Water efficiency (m³/tonne) • Water recycling (% recycled) • Waste reduction (tonne waste disposed) 	CDP Disclosure: C4.1; C4.1a; C4.1b; C4.2; C4.2a; C4.2b; C6.1; C6.3; C6.5; C9.1 Petra ESG and SR pg. 51 – 64
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scopes 1, 2 and 3 GHG emissions are calculated on a quarterly basis and disclosed on an annual basis in the Company's ESG and Sustainability Report as well as to the CDP. Trends of tCO ₂ e per Scope as well as the normalised carbon footprint (tCO ₂ e/Ct.; tCO ₂ e/t; tCO ₂ e/USD) since FY 2013 are available with restated base years. Associated risks are also available in the Company's ESG & Sustainability Report and the CDP reports.	
	c) Describe the targets used by the organization to manage climate related risks and opportunities and performance against targets.	Short-term targets are set annually and focus on resource efficiency and waste management practices. Medium-term targets aim to reduce the Company's carbon footprint (measured in tCO ₂ e/Ct.) over five-year intervals. Performance against these targets is presented at Board level, disclosed to the CDP and included in the Company's annual ESG and Sustainability Reports.	

Shareholder and Corporate Information

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Group management office

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Corporate Communications team

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Company registration number

EC 23123

Company Secretary

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Corporate Brokers

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Peel Hunt

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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
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Standard financial calendar

Accounting period end	30 June
Annual Report published	September
Annual General Meeting	November
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 depository interests representing the underlying Ordinary Shares issued by Link Market Services 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").

Dividend

Distribution covenants were not met for the measurement period to 30 June 2021 and the Company will therefore not declare a dividend for FY 2021.

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 September 2021.

Shareholder	Number of shares	Percentage of issued share capital
Vontobel Holding AG	1,552,643,275	15.99%
Monarch Master Funding 2 (Luxembourg) S.a r.l.	1,165,210,713	12.00%
Invesco Ltd.	818,560,526	8.43%
Bank of America Corporation	738,937,794	7.61%
Franklin Templeton Investment Management Limited	618,532,687	6.37%

Shares in issue

There were a total of 9,710,089,272 Ordinary Shares in issue at 30 September 2021.

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.

Share capital

The Company has one class of shares of 0.001 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 22 to the Financial Statements.

Power to issue shares

At the AGM held on 17 December 2020 ("the 2020 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 £28,847,711.40 (being 288,477,114 Ordinary Shares); and
- ii) equity securities (as defined in the Bye-Laws) for cash (a) on a non-pre-emptive basis pursuant to a rights issue or other offer to shareholders and (b) in any case up to a maximum aggregate nominal amount of £4,327,156.70, representing approximately 5% of the issued share capital of the Company as at 13 November 2020.

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 2021 AGM will be held at 9:30am on 19 November 2021 at Ashurst LLP, London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW. Details of the AGM are included in the accompanying Notice of AGM.

Shareholder voting

In advance of the AGM in November 2021, the Company would like to remind 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) 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.

Shareholder and Corporate Information continued

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;
- so required by the Company's share dealing code pursuant to which 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 34 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. 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.

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.

Shareholder Portal

The Company has set up an online Shareholder Portal, 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.

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.

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. 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.

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.

Glossary

"AGM"	Annual General Meeting
"AHG"	ad hoc group of holders of the Company's US\$650 million 7.25% senior secured second lien notes due in May 2022, prior to the Restructuring
"alluvial"	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
"APM"	alternative performance measure
"ASM"	artisanal small-scale mining
"BEE"	black economic empowerment, a policy of the South African Government to redress past economic imbalances
"BEE Partners"	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 https://www.petradiamonds.com/about-us/who-we-are/group-structure/
"beneficiation"	the refining of a commodity; in the case of diamonds, refers to the cutting and polishing of a rough stone
"block caving"	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'
"BRE"	business re-engineering project
"BSI"	British Standards Institute
"C-Cut"	the 'Centenary Cut' a major resource of 133 million carats located beneath the B block of the Cullinan orebody
"Capex"	capital expenditure
"carat" or "ct"	a measure of weight used for diamonds, equivalent to 0.2 grams
"CC1E"	the CC1 East area of the Cullinan orebody
"CCKP"	World Bank Climate Change Knowledge Portal
"CDP"	Carbon Disclosure Project, a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts
"CEO"	Chief Executive Officer
"Code"	the UK Corporate Governance Code 2018
"conflict free"	i.e. not 'conflict diamonds', which are defined by the Kimberley Process as 'rough diamonds used to finance wars against governments'
"Contops"	continuous operations, involving a seven-day working week, as opposed to the standard five-day working week
"COVID-19"	COVID-19 is an infectious disease caused by a newly discovered coronavirus
"Cpht"	carats per hundred tonnes
"CY"	calendar year
"dB(A)"	A-weighted decibels are an expression of the relative loudness of sounds in air as perceived by the human ear
"DMRE"	the South African Department of Minerals Resources and Energy

"EBITDA"	earnings before interest, tax, depreciation and amortisation
"EPS"	earnings per share
"ERM"	enterprise risk management
"ESG"	environmental, social and governance
"Exceptional Stones"	Petra classifies 'exceptional' stones as rough diamonds that sell for US\$5 million or more each
"Exco"	Executive Committee
"FRC"	the UK's Financial Reporting Council
"FY"	Petra's financial year (1 July to 30 June)
"GAAP"	Generally Accepted Accounting Principles; issued by the Financial Accounting Standards Board
"GDP"	Gross Domestic Product
"Gen Z"	Generation Z is considered to be those born between 1995 and 2012
"GHG"	greenhouse gases
"GHG Protocol"	the Greenhouse Gas Protocol provides standards, guidance, tools and training for businesses and Governments to measure and manage climate-warming emissions
"GoT"	Government of the United Republic of Tanzania
"grade"	the content of diamonds, measured in carats, within a volume or mass of rock
"greywater"	wastewater generated in households of office buildings from streams without faecal contamination, such as sinks, showers, washing machines or dishwashers
"H1" or "H2"	first half, or second half, of the financial year
"ha"	hectares
"hard rock"	hard rock diamond mining is based on kimberlite or lamproite primary orebodies, as opposed to alluvial mining (i.e. deposits of diamonds which have been removed from the primary kimberlite source)
"HDSA"	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
"HIV/AIDS"	human immunodeficiency virus infection and acquired immune deficiency syndrome
"HSE"	health, safety and environment
"HSEQ"	health, safety, environmental and quality

Glossary continued

"IASB"	International Accounting Standards Board
"ICT"	information and communications technology
"IFRIC"	International Financial Reporting Interpretations Committee
"IGM"	independent grievance mechanism at Williamson in Tanzania, which will have the capacity to investigate and resolve potential human rights violations through an independent panel of Tanzanian experts applying Tanzanian law and with complainants having access to free and independent advice from local lawyers
"IMF"	International Monetary Fund
"iNED"	independent Non-Executive Director
"Inferred Resource"	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)
"IPDET"	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
"IPCC"	the Intergovernmental Panel on Climate Change is the United Nations body for assessing the science related to climate change
"ISO standards"	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
"JIBAR"	Johannesburg Interbank Average Rate; the money market rate used in South Africa
"KEM JV"	former joint venture; Petra disposed of its interest in KEM JV during FY 2019
"Kimberley Process"	the Kimberley Process is a joint Governments, industry and civil society initiative to remove conflict diamonds from the global supply chain
"kimberlite"	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
"KPI"	key performance indicator
"LDP"	Leadership Development Programme
"LED"	local economic development
"LGD"	laboratory-grown diamond
"Loan Notes"	the Company's US\$336.7 million senior secured second lien notes due in March 2026
"LOM"	life of mine
"LTI"	lost time injury; a work-related injury resulting in the employee/contractor being unable to attend work on the day following the injury
"LTIFR"	lost time injury frequency rate; the number of LTIs multiplied by 200,000 and divided by the number of hours worked

“major producers”	the major diamond producers, namely De Beers and ALROSA
“Mcts”	million carats
“Measured Resource”	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
“Millennials”	the Millennials generation is considered to be those born between 1980 and 1994
“Minerals Council SA”	the Minerals Council of South Africa
“Mt”	million tonnes
“Mtpa”	million tonnes per annum
“NDC”	Natural Diamond Council
“NED”	Non-Executive Director
“new Mining Charter”	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
“New Money”	US\$30.0 million contribution by holders of the Company's previous loan notes
“New Notes”	the Company's new US\$336.7 million senior secured second lien notes due in March 2026
“NGO”	non-governmental organisation
“NIHL”	noise induced hearing loss
“NUM”	National Union of Mine Workers in South Africa
“OECD”	Organisation for Economic Co-operation and Development
“open pit”	mining in which ore that occurs close to the Earth's surface is extracted from a pit or quarry
“Opex”	operating costs
“OGM”	operational grievance mechanism; i.e. a formalised company procedure that is put in place to receive complaints submitted by affected stakeholders regarding negative company impacts
“orebody”	a continuous well-defined mass of material of sufficient ore content to make extraction feasible

Glossary continued

"pa"	per annum
"Paterson A, B and C-Lower Bands"	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
"PCBC"	GEOVIA PCBC™ is a highly sophisticated software package designed specifically for the planning and scheduling of block cave mines
"PCCAS"	Petra Climate Change Adaptation Strategy
"PCSLC"	a highly sophisticated software package designed specifically for the planning and scheduling of SLCs
"Probable Reserves"	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
"Proved Reserves"	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
"Project 2022"	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
"PSP"	Performance Share Plan
"Q"	quarter of the financial year
"RARs"	Results action review meetings; weekly Project 2022 review meetings
"RCF"	revolving credit facility
"RCPs"	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
"rehabilitation"	the process of restoring mined land to a condition approximating to a greater or lesser degree its original state
"Restructuring"	the capital restructuring carried out by the Group during the Year, the key terms of which are set out on pages 169 to 171
"ROM"	run of mine, relating to production from the primary orebody

"SAMREC"	South African Code for Reporting of Exploration Results, Mineral Resources and Mineral Reserves
"SDGs"	the United Nation's Sustainable Development Goals
"SED"	Social, ethics and diversity
"SEM"	stakeholder engagement and management
"SEP"	stakeholder engagement plan
"Severity Rate"	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
"shaft"	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
"SLC"	sub level cave
"SLP"	social and labour plans
"SML"	Special Mining Licence area of the Williamson mine
"SMMEs"	Small, medium and micro enterprises
"South African Lender Group"	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
"SRM"	stakeholder relationship management
"stockpile"	a store of unprocessed ore
"stripping"	the removal of waste overburden at an open pit mine
"sub level caving"	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
"Synergy"	Synergy Global Consulting, a specialist international consultancy with over 20 years' experience working with companies, governments and community-based organisations
"tailings"	material left over after processing ore
"tailings dump"	dumps created of waste material from processed ore after the economically recoverable metal or mineral has been extracted
"TB"	tuberculosis
"TCFD"	Task Force on Climate-related Financial Disclosures; the Financial Stability Board created the TCFD to improve and increase reporting of climate-related financial information
"TERS"	Temporary Employment Relief Scheme in South Africa as a result of COVID-19
"TIFR"	total injury frequency rate
"tonnage"	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
"TPF"	Tanzanian Police Force
"TSR"	total shareholder return
"Tunajali Committee"	a sub-committee of the Board comprised of independent NEDs established for the purpose of carrying out the independent investigation into the allegations of human rights abuses at the Williamson mine in Tanzania and which was disbanded in May 2021 upon the conclusion of the investigation
"Type II diamonds"	<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"> • 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 • 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

Glossary continued

"USD"	US Dollar
"VPSHR"	The Voluntary Principles on Security and Human Rights
"WCF"	working capital facility
"WDL"	Williamson Diamonds Limited, the owner and operator of the Williamson mine in Tanzania
"XRL"	X-Ray luminescence, a method of sorting in the diamond recovery process
"ZAR"	South African Rand



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