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LSE: PDL

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

Petra to acquire an interest in the Kimberley Mines in South Africa

Petra Diamonds Limited announces the acquisition of an interest in the Kimberley Mines in South Africa from De Beers Consolidated Mines Proprietary Limited ("DBCM"), in a consortium with Ekapa Mining (Pty) Ltd ("Ekapa Mining"), an established Kimberley-based diamond tailings producer ("the Transaction").

Highlights

- Ekapa Minerals (Pty) Limited ("Ekapa Minerals"), the consortium's acquisition vehicle owned by Ekapa Mining (50.1%) and Petra (49.9%), has entered into a binding agreement with DBCM to acquire the Kimberley Mines as a going concern.
- The acquisition consideration of ZAR102 million (ca. US\$7.2 million) will be funded by Ekapa Mining and Petra according to their percentage interests in the consortium, with Petra's share being ZAR50.9 million (ca. US\$3.6 million).
- The Kimberley Mines acquisition comprises a number of tailings dumps in Kimberley (Tailings Mineral Resources - "TMR"), associated plant (the Combined Treatment Plant, the "CTP"), employees and all other assets and liabilities, acquired by Ekapa Minerals on a going concern basis.
- The Kimberley Mines TMRs have resources of 2.8 Mcts, as well as further potential for the treatment of other TMR deposits, containing an estimated 4.4 Mcts (as at 31 December 2014); grade of the TMRs is expected to be circa 11 cpht for the first three years of operation by Ekapa Minerals, reducing to circa 6 cpht thereafter, when the higher grade tailings have been treated.
- The CTP is a relatively modern plant incorporating 'state of the art' technology and currently has a 6 Mtpa capacity. It is capable of treating a range of ore sources, including TMRs and run-of-mine ("ROM") material.
- Ekapa Minerals expects to produce circa 700,000 ctpa in the first three years of operation of the Kimberley Mines, with revenue of ca. ZAR920 million (ca. US\$65 million) per annum, based on an assumed diamond price of ca. US\$95 per carat.
- Kimberley Mines are expected to be cashflow positive in their first year of operation subsequent to completion of the Transaction; initial working capital of ZAR200 million (ca. US\$14 million) will be financed 100% by Ekapa Minerals on a standalone basis.
- Ekapa Mining will be the lead operator of the Kimberley Mines business and will be managed by Jahn Hohne, a highly respected and successful operator of tailings in the Kimberley area.
- The consortium between Ekapa Mining and Petra offers synergy opportunities with regards to joint resources and the potential to leverage the combined skills and capabilities of each company. There is considerable potential to combine the various operations in order to extend the life of mine ("LOM") of the Kimberley Mines TMRs, as well as Petra's existing assets in Kimberley (the Kimberley Underground mines), thereby contributing to the future sustainability of the Group's operations and employee base in Kimberley.

Johan Dippenaar, Petra's CEO, commented:

"We are delighted to have formed this consortium with Ekapa Mining in the acquisition of an interest in the Kimberley Mines, and we look forward to working with them to build upon their proven capabilities in tailings retreatment operations in Kimberley, as well as their strong local relationships. Together we are showing our commitment to shaping a new future for the diamond mining operations of Kimberley, to the benefit of our employees, shareholders and all stakeholders."

Jahn Hohne, the CEO of Ekapa Mining also commented:

"The most compelling aspect of this Transaction is the extension of the mining and processing of Kimberley's TMRs far into the future. Ekapa Minerals will be operated and managed in Kimberley by the people of Kimberley and to the benefit of the area. Ekapa Mining could not wish for a better partner than Petra, who provide depth of knowledge and experience to the Kimberley operations. The consortium, Ekapa Minerals, has a shareholding reflective of HDSA compliance, with Kimberley and Northern Cape content."

Background

Kimberley is famous as the heart of South Africa's early diamond rush, with a number of diamond mines developed in the town and its immediate surrounds from the 1860's onwards.

The long-term mining and treatment of the primary kimberlite pipes of Bultfontein, Dutoitspan, Wesselton (which now form Petra's Kimberley Underground operations), as well as the De Beers and Kimberley mines resulted in the accumulation of various TMRs, which still contain economically viable quantities of diamonds as a result of historically inefficient processing techniques.

The re-treatment of old TMRs has therefore been a major source of diamond production in Kimberley since 1978 and Kimberley Mines owns a number of these assets.

Kimberley Mines' other key asset, the CTP, is a relatively modern plant incorporating 'state of the art' technology, which has a treatment capacity of 6 Mtpa. It was originally commissioned by De Beers in 2002 in order to treat both TMRs and material mined from the remaining underground operations, however since the sale of the Kimberley Underground mines to Petra in September 2007, it has treated solely TMRs.

Details of the Transaction

Kimberley Mines will be acquired as a going concern from DBCM by Ekapa Minerals, an HDSA (historically disadvantaged South Africans) controlled consortium vehicle. Ekapa Mining owns 50.1% of the issued share capital of Ekapa Minerals with Petra, through a wholly owned South African subsidiary, owning the remaining 49.9%.

Ekapa Minerals will acquire the TMRs, CTP and other related sale assets as moveable assets. An application for a Section 11 transfer of the DBCM mining right in relation to Kimberley Mines to Ekapa Minerals will be made to the Department of Mineral Resources of South Africa.

The cash consideration of ZAR102 million will be funded by way of shareholder loans from Ekapa Mining and Petra, pro-rata to their shareholding. In addition, Ekapa Minerals will assume liabilities relating to environmental rehabilitation, employee related liabilities and certain accounts payable.

Conditions

The effective date of the transaction is subject to fulfilment of suspensive conditions standard to a sale of this nature including, *inter alia*, a Competition Commission filing. Suspensive conditions are expected to be fulfilled during Petra's Q3 FY 2016 (1 January to 31 March 2016).

Mine Plan

The TMRs comprise mineral resources of 26 Mt, containing an estimated 2.8 Mcts (as at 31 December 2014), with the further potential for the treatment of 97 Mt of other TMR deposits (including TMR 29), containing an estimated 4.4 Mcts (as at 31 December 2014).

Ekapa Minerals expects to produce circa 700,000 ctpa in the first three years of operation, with revenue of ca. ZAR920 million per annum, and the Kimberley Mines are anticipated to be cashflow positive in their first year of operation subsequent to completion of the Transaction.

The mine plan will involve the optimisation of processing at the CTP. In addition to this, an optimal economic plan will be developed for the treatment of the majority of TMR 29, which is not included in the current mine plan to 2018, thereby affording the potential to extend the LOM significantly beyond this date.

Looking to the future, Ekapa Mining and Petra are investigating the merits of combining the operations and pooling the resources of Ekapa Mining and its wholly owned subsidiary, Super Stone Mining (Pty) Ltd, which has an existing tailings retreatment operation, and Petra's Kimberley Underground mines. The establishment of this larger, combined Kimberley operation could add to the LOM, employment and sustainability of both the processing and mining

operations conducted in Kimberley.

Notes

1. An exchange rate of ZAR14.20:US\$1 has been used for this announcement
2. The following definitions have been used in this announcement
 - a. cpht: carats per hundred tonne
 - b. ctpa: carats per annum
 - c. LOM: life of mine
 - d. Mcts: million carats
 - e. Mt: million tonnes
 - f. Mtpa: million tonnes per annum
 - g. ROM: run-of-mine; i.e. mined production from the primary orebody
 - h. tailings dumps: these dumps represent the coarse (larger sized) reject material that has already been through the processing plant

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About Petra Diamonds Limited

Petra Diamonds is a leading independent diamond mining group and an increasingly important supplier of rough diamonds to the international market. The Company has interests in five producing mines: four in South Africa (Finsch, Cullinan, Koffiefontein and Kimberley Underground) and one in Tanzania (Williamson). It also maintains an exploration programme in Botswana.

Petra has a core objective to steadily increase annual production to ca. 5 million carats by FY 2019. The Group has a significant resource base of ca. 300 million carats.

Petra conducts all operations according to the highest ethical standards and will only operate in countries which are members of the Kimberley Process. Petra is quoted with a premium listing on the Main Market of the London Stock Exchange under the ticker 'PDL' and is a member of the FTSE 250. For more information, visit the Company's website at www.petradiamonds.com.

About Ekapa Mining (Pty) Ltd

Ekapa Mining is a medium sized TMR processing business, which has been operating in Kimberley, South Africa, for over 25 years. Ekapa Mining currently owns a 60.6% share in 40 Mt of TMRs in Kimberley sourced from the famous five cluster of old Kimberley mines. The company, which has experience in a comprehensive range of the most modern and advanced mining, processing and recovery technologies, operates a highly efficient processing plant, with an effective throughput of 3 Mtpa.

Mr Jahn Hohne, Ekapa Mining's CEO and founder, is a qualified GIA Gemmologist and has accumulated a wide spectrum of mining and recovery experience in both alluvial and kimberlite diamond mining.

This information is provided by RNS
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