

2009 Full Year Results  
16<sup>th</sup> March 2010



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## 2009 highlights

- Gem Diamonds maintains profitability during the worst recession faced by the diamond industry
- Management took prompt action
- Capital raising of US\$98.8 million (net) completed in April 2009
- Gross cash of US\$113.8 million at period end and no debt
- Rough diamond prices began recovery in April 2009
- 2009 revenue of US\$244.4 million
- 2009 EBITDA of US\$53.4 million
- 2009 attributable profit of US\$15.5 million versus 2008 loss of US\$552.8 million
- Kimberley Diamonds signs supply agreement with Tiffany
- Market indicators support supply/demand shortage

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## The diamond market 2009

### Rough diamond market:

- Q1 2009 diamond prices fell more than 60% from 2008 highs
- Reduced supply of rough diamonds from major producers
- Rough prices began to recover in April 2009
- Demand strengthens

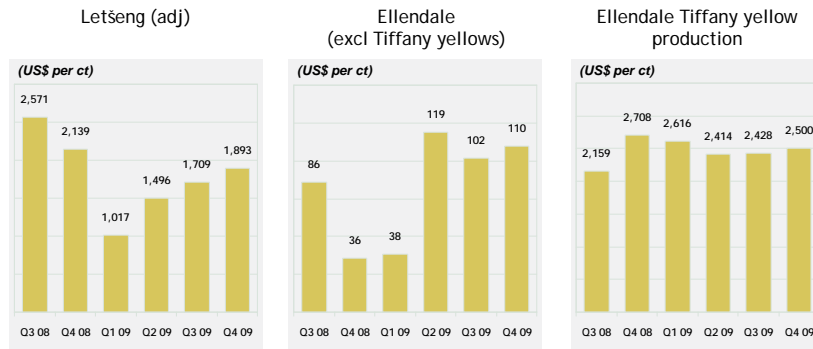
### Retail diamond market:

- 2008
  - Weak US Christmas sales
- 2009
  - US retail inventory destocking
  - Weak US and Japanese diamond jewellery sales
  - But stronger than expected US Christmas sales
  - Sales in China and India continue to grow strongly

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## Diamond prices 2009—per quarter average



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## Strategy implemented by Gem Diamonds (late 2008 onwards)

- Cash — preservation and generation in 2009
  - Non cash generating operations placed on care & maintenance
  - Cost reduction programme across the Group
  - Targeted mining strategy at Letšeng Main Pipe and E9 East at Ellendale
  - Capital raising of net US\$98.8 million
  - Repayment of all debt
  - DRC assets sold but Gem Diamonds retains a 65% interest and 3% royalty in any economic kimberlites discovered
- Botswana — Mining Licence Negotiations ongoing at Gope
- Beneficiation trials continue with positive results

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## Letšeng, Lesotho

- 2009 strategy aimed at profitability in recession
- Original Mine Plan
  - Focus on Main Pipe
  - Waste Stripping build-up deferred
- As prices improved:
  - Rescheduling of Mine Plan to increase Satellite contribution
- 2009 cash cost per tonne of \$10.80 (2008 - \$11.69)
- 2009 prices averaged US\$1 534/ct
- Letšeng produced over 700 gem quality diamonds larger than 10.8 carats
  - 78% of revenue
- 2009 EBITDA US\$58.5 million



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## Ellendale, Australia

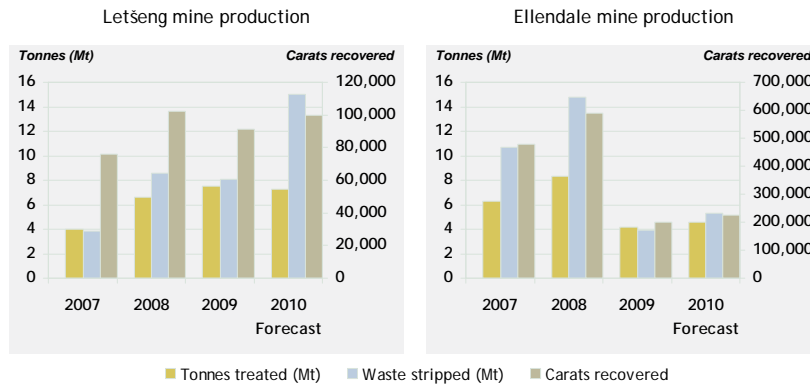
- Suspension of lower value E4 operation
- E9 operations ramped up in H1 2009
- 2009 H1 focus on East side of E9 pipe
- Continued focus on cost reduction
- 2009 production measures and targets achieved or exceeded
- Supply agreement concluded with Tiffany
- 2009 average price of fancy yellow diamonds US\$2 480/ct
- 2009 average price for total Ellendale production achieved US\$232/ct
- 2009 EBITDA US\$11.0 million



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## Letšeng and Ellendale 2010 forecast



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## 2009 financial highlights

- Revenue of US\$244.4 million
- EBITDA of US\$53.4 million
- Profit before tax from continuing operations of US\$37.1 million
- Attributable profit of US\$15.5 million
- EPS 14 US cents per share
- Cash generated by operations of \$72.2 million (pre tax)
- Cost efficiencies and cash conservation across the group
- Central costs reduced by 37% to \$13.2 million
- Capital raising of US\$98.8 million (net)
- All debt repaid during the year
- Sale of DRC operations with retention of interest in kimberlites
- Cash of US\$113.8 million at year end

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## 2009 financial results

|                                   | 12 months ended<br>31 December 2009<br>US\$ millions | 12 months ended<br>31 December 2008<br>US\$ millions |
|-----------------------------------|--|--|
| Revenue                           | 244.4  | 296.9  |
| Cost of sales                     | (155.3)  | (187.4)  |
| Royalty and selling costs         | (22.5)   | (27.1)   |
| Corporate expenses                | (13.2)   | (20.9)   |
| <b>EBITDA</b>                     | <b>53.4</b>  | <b>61.5</b>  |
| <b>Non cash items</b>             |  |  |
| Depreciation and amortisation     | (25.3)   | (61.0)   |
| Share based payments              | (5.6)  | (10.4)   |
| Impairment reversal / (write off) | 0.2  | (338.2)  |
| Other income                      | 0.3  | -  |
| Foreign exchange gain / (loss)    | 14.4   | (19.3)   |
| Net finance costs                 | (0.3)  | (0.1)  |
| <b>Profit before tax</b>          | <b>37.1</b>  | <b>(367.4)</b>                                       |
| <b>Attributable profit</b>        | <b>15.5</b>  | <b>(552.8)</b>                                       |
| <b>Earnings per share (cents)</b> | <b>14</b>  | <b>(884)</b>   |

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## 2009 financial results per operation

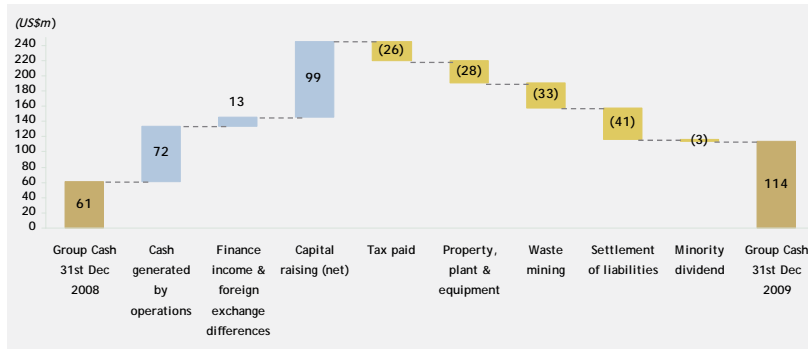
### Segmental Performance

|                               | Letšeng<br>US\$ millions | Ellendale E9<br>US\$ millions |
|-------------------------------|--------------------------|-------------------------------|
| Sales                         | 163.9                    | 64.4                          |
| Cost of sales                 | (87.7)                   | (47.3)                        |
| Royalty and selling costs     | (17.7)                   | (3.8)                         |
| <b>EBITDA</b>                 | <b>58.5</b>              | <b>13.3</b>                   |
| Tonnes treated (Mt)           | 7.55                     | 3.88                          |
| Carats recovered (k)          | 90.9                     | 162.8                         |
| Carats sold (k)               | 101.6                    | 157.4                         |
| Average \$/carat              | 1 534                    | 382                           |
| Average exchange rate to US\$ | 8.42                     | 1.28                          |

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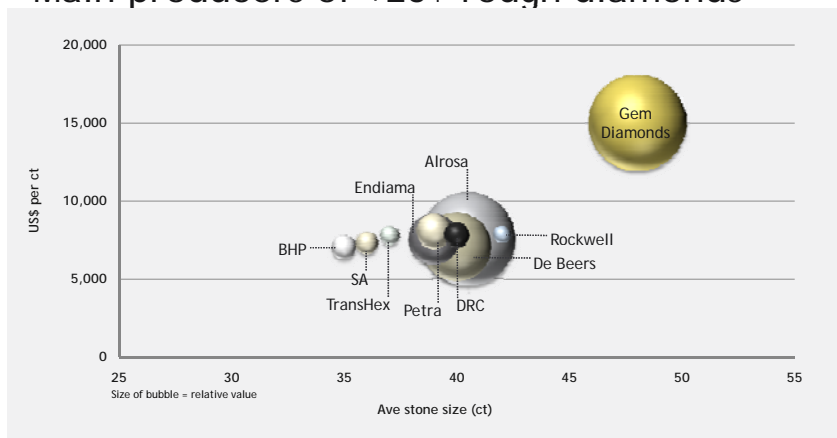
## Group cash



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## Main producers of +25¢ rough diamonds

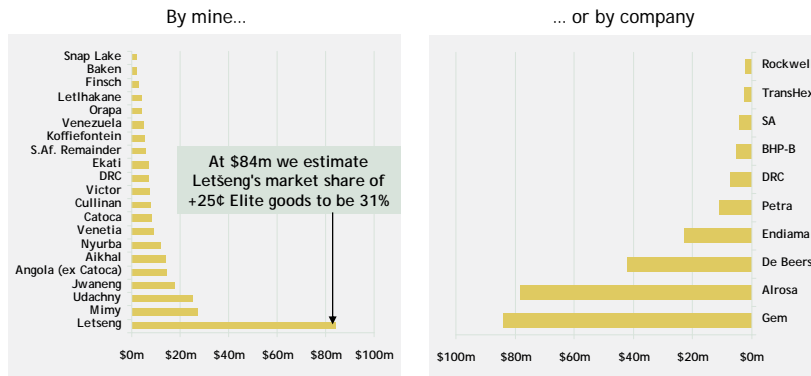


Source: BB Diamond Services

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## Letšeng's market share of +25¢ elite goods



Source: BB Diamond Services  
 Note: Accounts for +/- 95% of +25¢ production

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## Outlook and strategy

- Organic growth workstreams
- Other growth opportunities pursued
- Review of marketing strategy
- Continuation of beneficiation initiatives
- Encouraging supply / demand fundamentals



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