First Half 2008 in Review

1. Highlights
2. Lesotho
3. Australia
4. Indonesia
5. Botswana
6. Central Africa
7. Beneficiation
H108 Highlights

• Letšeng hard rock processing capacity successfully doubled
  - Second plant commissioned March 2008, full capacity reached August 2008
  - LOM is 45 years—further production increases under investigation
• Ellendale turnaround progressing to schedule
  - Capacity enhanced, production levels increased to record
• Gope mining license application progressed
  - SEIA submitted, feasibility study ongoing
  - S51 negotiations to commence shortly
• Beneficiation strategy formalised
  - Further successful trials on white and yellow diamonds
  - Key technology and skills acquired
H108 Financial Highlights

- Trading environment remains positive despite global economic challenges
- Letšeng continues to perform ahead of expectations
- H108 results in line with internal targets, stronger performance in H208:
  - Letšeng second plant at full production
  - Ellendale in ramp up, expected to contribute positively to 2008 Group earnings
  - Cempaka recommencing mining
- Discussions ongoing with various banks on Gope debt funding, will introduce appropriate gearing to Group
- Cash at period end of US$144 million
## H108 Financial highlights

<table>
<thead>
<tr>
<th>US$ millions</th>
<th>Six months ended June 2008</th>
<th>June 2007</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>166.8</td>
<td>69.8</td>
<td>139%</td>
</tr>
<tr>
<td>Royalty and selling costs</td>
<td>(14.4)</td>
<td>(5.5)</td>
<td>164%</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(87.7)</td>
<td>(20.3)</td>
<td>332%</td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>(8.2)</td>
<td>(9.9)</td>
<td>(17%)</td>
</tr>
<tr>
<td>Share of loss in associate</td>
<td>—</td>
<td>0.5</td>
<td>—</td>
</tr>
<tr>
<td>EBITDA *</td>
<td>56.5</td>
<td>33.6</td>
<td>68%</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(16.4)</td>
<td>(2.1)</td>
<td>681%</td>
</tr>
<tr>
<td>Other income</td>
<td>0.1</td>
<td>0.1</td>
<td>—</td>
</tr>
<tr>
<td>Foreign exchange gain/(loss)</td>
<td>2.3</td>
<td>5.1</td>
<td>(55%)</td>
</tr>
<tr>
<td>Net finance income/(costs)</td>
<td>0.6</td>
<td>10.8</td>
<td>(94%)</td>
</tr>
<tr>
<td>Trading profit</td>
<td>43.1</td>
<td>47.5</td>
<td>(22%)</td>
</tr>
</tbody>
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* EBITDA unless indicated to the contrary, is before exceptional items and share based payments. Exceptional items are significant items of income and expense which due to their nature or expected infrequency are presented separately in the income statement.
Letšeng, Lesotho

- Second plant successfully commissioned
  - Full production in August 2008
- Rough diamond prices continue to appreciate
  - US$2 512 for H108 from all sources (FY07: US$1 976)
- Main Pipe diamond values significantly ahead of CPR expectations
- Further production increases under investigation
  - Results of studies expected by year end
- Six megawatts of generating capacity acquired to mitigate potential power risks
Ellendale, Australia

- Acquisition fully integrated, new MD appointed
- Ore supply improved through significant waste stripping
  - 8.5 million tonnes of waste stripped
- Production significantly ramped up
  - Processing capacity increased
  - Production records broken in June and July
  - 2008 forecast of 8.3 mt and 565 000 carats (6.3 mt and 475 000 carats in 2007)
  - 10.5 mt and 695 000 carats planned for 2009
Cempaka, Indonesia

- Diamond prices strong at US$305 per carat
- Production ramped up in Q108
  - 15 tph DMS plant constructed and commissioned
  - Target production of 216 000 tpm achieved in February
- Flooding in March hampered mining
- Swift response to environmental concerns
  - Mining suspended
  - Successful negotiations with Provincial authorities
  - Water treatment facilities constructed
- Awaiting final approval
Gope, Botswana

- Bankable feasibility study targeted for completion H208
  - Capex estimated at US$450 - 500 million
- S51 negotiations to commence shortly
  - By law these take a maximum of 6 months
- SEIA report submitted
  - Two rounds of PPM’s—community support strong
- Management and project team strengthened
- Financing discussions with and preliminary due diligence work commenced by major international banks
Central Africa—Alluvial

- **DRC**
  - Mbelenge grade improvement as sampling moves from terraces to flood plains and finally modern river
  - Lubembe sampling continued to yield high grades
    - Mass mining technique remains to be determined
  - Terrace and river resource definition ongoing at Longatshimo
    - Sampling of terraces and river planned for H208

- **CAR**
  - Significant grade improvement in river — 25 cpht average for H108
  - Diamonds valued at US$175/ carat
  - In situ value of US$43/ tonne
  - Resource evaluation ongoing through bulk sampling of river gravels
Central Africa— DRC Kimberlite

- Kimberlite exploration in the DRC ongoing
  - Stream sediment sampling
  - Geophysical anomaly drilling
- Ten higher interest anomalies drilled in H108, no kimberlite intersected
- 27 higher interest anomalies remain to be followed up with ground geophysics and drilling
- Detailed stream sediment sampling indicates two key target areas in Lubembe and one in Longatshimo
Angola

- Appropriate site established and operational
- Geophysical survey completed and initial results derived
  - Sub-surface expression of 50–60 ha
  - Significant thickness of fine grained kimberlite sediments
- Diamond drilling to refine geophysical model commenced
  - LDD to follow
- 10tph DMS sampling plant on site and commissioned
- 2 000 tonnes treated, 500 carats recovered - 25 cpht
- First diamonds recovered, valuations expected to be circa US$150–200 per carat
**Beneficiation**

- Trials on Letšeng and Ellendale diamonds
  - Margin up to 100%, averaged 30%
- Beneficiation strategy being implemented
  - Facilities being established in Dubai
  - Matrix Diamond Technology team recruited
  - Fully operational from 2009 onwards
- Some 60% of all +5 carat polished D colour diamonds estimated to come from Letšeng*

* Based on Bloomberg research and Company estimates
Beneficiation captures significant extra margin
1. Market overview
2. Impact of HNWI growth
3. Impact of emerging economies
4. Long term outlook

Diamond Market Review
“Long term diamond industry fundamentals suggest that at the aggregate level, diamond demand will exceed supply, resulting in sustained price growth over the next decade.”
Rio Tinto, Diamonds Annual Review 2008

“Polished demand and corresponding price growth was strongest for large stones and smaller, better quality diamonds. This was driven by strong demand from China and consumers trading up in the US.” Rio Tinto, Diamonds Annual Review 2008


<table>
<thead>
<tr>
<th>Stone size—Carats</th>
<th>% Growth in Prices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melee</td>
<td>(20)%</td>
</tr>
<tr>
<td>0.5</td>
<td>(2.5)%</td>
</tr>
<tr>
<td>1</td>
<td>11.0%</td>
</tr>
<tr>
<td>1.5</td>
<td>2.0%</td>
</tr>
<tr>
<td>2</td>
<td>7.0%</td>
</tr>
<tr>
<td>3</td>
<td>10.0%</td>
</tr>
<tr>
<td>4</td>
<td>35.0%</td>
</tr>
<tr>
<td>5</td>
<td>78.0%</td>
</tr>
<tr>
<td>6</td>
<td>66.0%</td>
</tr>
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Source: Tacy Ltd. 2008
While demand for high-end diamonds is likely to remain robust, the smaller, lower qualities, which are more dependent upon US demand, are expected to remain subdued.”
De Beers H108 financial results

“The average cumulative increase in DTC rough diamond prices since the beginning of 2008 has been 16.0%. Some boxes have been affected more than others, and the strongest increases this year have been predominantly in rough that produces highly sought after SI+ and +1ct polished.”
DTC announcement August 2008
“Our jewellery business has turned in exceptional sales growth, principally from global customers beyond the US...”
Harry Winston Q109 financial results

“The current quarter saw continuing price rises in the larger, better-quality rough diamonds, while the price of lower-quality rough diamonds remained unchanged in response to softening US demand. The demand in the Asian markets remained robust in all price ranges”
Harry Winston Q109 financial results

“The global luxury diamond jewelry market continued to show strength in the first quarter of calendar 2008. Luxury retailers with operations outside of the US have experienced solid sales results, especially in the Asian, Russian and Middle Eastern markets.”
Harry Winston Q109 financial results
Rise of HNWI wealth augurs well for larger diamonds

- HNWI (US$1 million +) constitutes a growing segment of the global population
- UHNWI (US$30 million +) are growing at greater rate
  - 11% YOY growth 2006
  - 13% CAGR 2002—2006
- HNWI growth greatest in emerging markets, where diamond consumption is also growing

Source: 2006 Global Wealth Report
Emerging economies set to make significant impact

“Brand investment by retailers and manufacturers in China and India is strong and there is a cultural preference to display wealth and invest in jewellery. As urban incomes increase, diamond jewellery demand is expected to track luxury goods consumption.” Rio Tinto, Diamonds Annual Review 2008
Emerging economies set to make significant impact

- Growth in emerging middle class in new economies
- Diamond engagement ring gaining acceptance in mainland China
  - 51% of Shanghai engagements celebrated with a diamond
- Diamond content in Indian jewellery increasing

![India—Value of Diamond Content in Jewellery (US$ million)](source: Tacy Ltd. 2008)
Long term diamond market outlook

Remaining rough diamond reserves¹

World diamond jewellery sales (US$ billion)

Source: BHP Billiton

¹ Reserves of major operating mines at annual production

Source: De Beers
Letšeng rough diamond prices continue to show strong appreciation
Gem Diamonds Investment Case
One of the largest independent diamond companies

Listed Diamond Companies’ Market Capitalisations
US$ millions

- Gem Diamonds*, $1,226
- Harry Winston, $1,218
- Petra Diamonds, $348
- Shore Gold, $321
- Trans Hex, $113
- Rockwell, $74
- Mountain Province, $255
- Namakwa, $298

Total Diamond Revenue
US$ millions

- Gem Diamonds*, $360
- Harry Winston, $414
- Trans Hex, $122
- Rockwell, $45
- Namakwa, $21
- Petra Diamonds, $76

Market capitalisations as at August 2008 and forecast production is for 2008 year ends
Gem Diamonds Investment Case

Production growth from four mines

Revenue forecasts based on current diamond prices
Letšeng is a long life, low risk asset

- Two kimberlites and two plants — lower risk
- Long life mine - 45 years at current extraction rates
- Significant resource of 3.94 million carats, in-situ value of US$9.9 billion
- Located in low soft currency cost base geography vs. hard currency revenue
- Stable political and fiscal regime
Current share price only captures Letšeng’s value

- Letšeng’s value accounts for 91% of Gem Diamonds’ current value
- At average market valuations of 15.6% of in-situ value*, 70% of Letšeng = US$1.1 billion
- Cash of US$144 million
- Implies negative valuation for remaining assets

* Based on RBC Capital Markets Equity research
Opportunities for expansion

- Beneficiation will deliver extra margin
- Potential further increase in Letšeng production
- Ellendale resource extensions and increases
  - 42 undeveloped lamproites
  - Potential resource extension on E4 and E9
- Cempaka ramp up
  - Could increase production by a multiple
  - Lower unit costs
- Mambéré grades suggest mine development
- Diamonds recovered at Chiri—initial favourable results
Conclusion

- Current share price undervalues assets
- Track record of delivery extended
- Global foot print of producing assets in ramp up
- Existing and future kimberlite mines secure supply for the long term
- Blue sky opportunities remain an important part of the portfolio
- Margin capture from beneficiation
- Investment opportunity with niche exposure to UHNWI
Contact details

Gem Diamonds Limited
+44 203 043 0280

Gem Diamond Technical Services
+27 11 560 9600