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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

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
Diamond prices 2009—per quarter average

<table>
<thead>
<tr>
<th></th>
<th>Letšeng (adj)</th>
<th>Ellendale (excl Tiffany yellows)</th>
<th>Ellendale Tiffany yellow production</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 08</td>
<td>2,571</td>
<td>90</td>
<td>2,159</td>
</tr>
<tr>
<td>Q4 08</td>
<td>2,139</td>
<td>36</td>
<td>2,414</td>
</tr>
<tr>
<td>Q1 09</td>
<td>1,456</td>
<td>19</td>
<td>2,428</td>
</tr>
<tr>
<td>Q2 09</td>
<td>1,789</td>
<td>38</td>
<td>2,500</td>
</tr>
<tr>
<td>Q3 09</td>
<td>1,893</td>
<td>102</td>
<td>2,616</td>
</tr>
<tr>
<td>Q4 09</td>
<td>1,496</td>
<td>110</td>
<td>2,708</td>
</tr>
</tbody>
</table>

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
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

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
Letšeng and Ellendale 2010 forecast

Letšeng mine production

- **Tonnage (Mt)**
  - 2007: 2
  - 2008: 2
  - 2009: 4
  - 2010: 10

- **Carats recovered**: 120,000

Ellendale mine production

- **Tonnage (Mt)**
  - 2007: 2
  - 2008: 2
  - 2009: 4
  - 2010: 10

- **Carats recovered**: 700,000

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
### 2009 financial results

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

### 2009 financial results per operation

#### Segmental Performance

<table>
<thead>
<tr>
<th></th>
<th>Letšeng US$ millions</th>
<th>Ellendale E9 US$ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>163.9</td>
<td>64.4</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>(87.7)</td>
<td>(47.3)</td>
</tr>
<tr>
<td><strong>Royalty and selling costs</strong></td>
<td>(17.7)</td>
<td>(3.8)</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>58.5</td>
<td>13.3</td>
</tr>
<tr>
<td><strong>Tonnes treated (Mt)</strong></td>
<td>7.55</td>
<td>3.88</td>
</tr>
<tr>
<td><strong>Carats recovered (k)</strong></td>
<td>90.9</td>
<td>162.8</td>
</tr>
<tr>
<td><strong>Carats sold (k)</strong></td>
<td>101.6</td>
<td>157.4</td>
</tr>
<tr>
<td><strong>Average $/carat</strong></td>
<td>1 534</td>
<td>382</td>
</tr>
<tr>
<td><strong>Average exchange rate to US$$</strong></td>
<td>8.42</td>
<td>1.28</td>
</tr>
</tbody>
</table>
Group cash

Main producers of +25¢ rough diamonds

Source: BB Diamond Services
Letšeng's market share of +25¢ elite goods

By mine: 

<table>
<thead>
<tr>
<th>Mine</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letšeng</td>
<td>31%</td>
</tr>
</tbody>
</table>

... or by company:

At $84m we estimate Letšeng's market share of +25¢ Elite goods to be 31%

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

Outlook and strategy

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