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The presentations also contain certain non-IFRS financial information. The Group’s management believes these measure provide valuable additional information in understanding the performance of the Group or the Group’s businesses because they provide measures used by the Group to assess performance. However, this additional information presented is not uniformly defined by all companies, including those in the Group’s industry. Accordingly, it may not be comparable with similarly titled measures and disclosures by other companies.

Additionally, although these measures are important in the management of the business, they should not be viewed in isolation or as replacements for or alternatives to, but rather as complementary to, the comparable IFRS measures such as revenue and other items reported in the consolidated financial statements.
AGENDA

Gem Diamonds - Strategic Overview

Recovery of the Letšeng “550” carat diamond

H1 2011 Results Highlights

Operations

Project Kholo

Project Ghaghoo

Group Liquidity and Project Funding

Questions & Answers
Gem Diamonds – Strategic Overview

- Diamond market highly attractive - supply/demand dynamics increasingly positive
- Gem has two significant growth projects offering long lives and robust returns
- Letšeng - a world class mine, in situ value of $6.9bn * (attributable)
- Ghaghoo - long life ore body, in situ value of $4.6bn * (attributable)
- Cutting and polishing capability
- Strong balance sheet to fund projects
- Gem well positioned to exploit diamond market fundamentals

* based on March 2011 MER
Diamond Market

- Long term supply/demand fundamentals remain very positive
- Little new supply coming on stream
- Cutting centre stocks low
- US retail market growing
- Indian and Chinese retail markets growing strongly
- Impact of recent economic events:
  - Tightening liquidity
  - Prices off highs
### Summary of Group Resources at December 2010

**Mineral Resources of Gem Diamonds’ Principal Mineral Assets** *(Inclusive of Reserves)*

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Resource Classification</th>
<th>Tonnes (t)</th>
<th>Rec. Grade (cpht)</th>
<th>Carats</th>
<th>Value (USD/ct)</th>
<th>Gem Diamonds’ Attributable Carats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letšeng</td>
<td>Indicated</td>
<td>76,970,000</td>
<td>1.61</td>
<td>1,238,100</td>
<td>2,629</td>
<td>866,670</td>
</tr>
<tr>
<td>Ellendale</td>
<td></td>
<td>18,090,000</td>
<td>6.19</td>
<td>1,119,700</td>
<td>245</td>
<td>1,119,700</td>
</tr>
<tr>
<td>Gope</td>
<td></td>
<td>79,390,000</td>
<td>19.51</td>
<td>15,492,000</td>
<td>223</td>
<td>15,492,000</td>
</tr>
<tr>
<td><strong>Total/wt. ave indicated</strong></td>
<td></td>
<td>174,450,000</td>
<td>10.23</td>
<td>17,849,800</td>
<td>391</td>
<td>17,478,370</td>
</tr>
<tr>
<td>Letšeng</td>
<td>Inferred</td>
<td>140,966,000</td>
<td>1.72</td>
<td>2,423,200</td>
<td>2,733</td>
<td>1,696,240</td>
</tr>
<tr>
<td>Ellendale</td>
<td></td>
<td>68,387,000</td>
<td>5.23</td>
<td>3,574,500</td>
<td>215</td>
<td>3,574,500</td>
</tr>
<tr>
<td>Gope</td>
<td></td>
<td>28,777,000</td>
<td>17.52</td>
<td>5,040,300</td>
<td>222</td>
<td>5,040,300</td>
</tr>
<tr>
<td><strong>Total/wt. ave inferred</strong></td>
<td></td>
<td>238,130,000</td>
<td>4.64</td>
<td>11,038,000</td>
<td>771</td>
<td>10,311,040</td>
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<tr>
<td>Letšeng</td>
<td>Total</td>
<td>217,936,000</td>
<td>1.68</td>
<td>3,661,300</td>
<td>2,698</td>
<td>2,562,910</td>
</tr>
<tr>
<td>Ellendale</td>
<td></td>
<td>86,477,000</td>
<td>5.43</td>
<td>4,694,200</td>
<td>222</td>
<td>4,694,200</td>
</tr>
<tr>
<td>Gope</td>
<td></td>
<td>108,167,000</td>
<td>18.98</td>
<td>20,532,300</td>
<td>223</td>
<td>20,532,300</td>
</tr>
<tr>
<td><strong>Total/wt. ave</strong></td>
<td></td>
<td>412,580,000</td>
<td>7.00</td>
<td>28,887,800</td>
<td>536</td>
<td>27,789,410</td>
</tr>
</tbody>
</table>
Group Value and NPV (US$000’s) – includes growth projects

Value (attributable to Gem) of operations* and cash

Combined Group

- Letseng
- Kimberley Diamonds
- Ghaghoo
- Cash on hand

Gem Diamonds Market Cap as at Friday 2 Sept US$487m
c.40% represented by inventory and cash

* Internal Valuation - Based on current prices, latest WWW index and 3.3% escalation post WWW
**Growth profile**

- Strong cash generation after capital expenditure

Based on current prices, WWW index and 3.3% escalation post WWW
GROWTH STRATEGY

LETŠENG

- Increasing production to 10 million tonnes per annum
- Improving grade though increased liberation
- Reducing diamond damage
- Reducing unit costs
- Increasing value from sales and marketing activities and downstream cutting and polishing
- Current 25 year mining plan with resource extensions expected

GHAGHOO

- Execution of Phase 1 underway
- Production expected to begin in mid-2013
- Long-life ore-body
- Developing optimal mining strategy post Phase 1
“550 ct” Rough Diamond

- 553 ct (pre boiling)
- 15th largest white (documented)
- White D colour
- Type IIa
- No fluorescence
- Being analysed
- To be named
H1 2011 Results Highlights

- Revenue of US$196.5 million (US$103.9 million in H1 2010)
- Record EBITDA of US$90.8 million (US$18.5 million in H1 2010)
- Record attributable earnings of US$28.9 million (US$3 million in H1 2010)
- Record Half Year earnings per share of 20.89 US cents (1.72 US cents per share in H1 2010)
- Cash of US$165.6 million (US$136.6 million attributable) at June 2011; US$129.8 million (US$109.0 million attributable) at December 2010
- Continued implementation of sales and marketing strategy contributes to record rough prices at Letšeng and Ellendale
Operations – Letšeng
**Operations – Letšeng**

**Letšeng 2011 Guidance**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ore mined / treated</td>
<td>6.8 - 7.0 mt</td>
</tr>
<tr>
<td>Waste mined</td>
<td>15 - 17 mt</td>
</tr>
<tr>
<td>Carats recovered</td>
<td>100 - 108 kcts</td>
</tr>
<tr>
<td>Carats sold</td>
<td>95 - 103 kcts</td>
</tr>
<tr>
<td>Cash cost per tonne (excl waste)</td>
<td>83 - 88 Maloti</td>
</tr>
<tr>
<td>Waste cash cost per waste tonne mined</td>
<td>22 - 23 Maloti</td>
</tr>
<tr>
<td>Operating cost per tonne treated *</td>
<td>98 - 103 Maloti</td>
</tr>
</tbody>
</table>

* Pre depreciation and amortisation

- Production performance in-line with plan
- Recovered grades above expectations
- 2011 guidance unchanged
Operations – Ellendale
## Operations – Ellendale

### Ellendale 2011 Guidance

<table>
<thead>
<tr>
<th>Metric</th>
<th>Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ore treated</td>
<td>3.2 - 3.5 mt</td>
</tr>
<tr>
<td>Ore mined</td>
<td>3.8 - 4.0 mt</td>
</tr>
<tr>
<td>Waste mined</td>
<td>6.5 - 7.0 mt</td>
</tr>
<tr>
<td>Carats recovered</td>
<td>127 - 137 kcts</td>
</tr>
<tr>
<td>Carats sold</td>
<td>122 - 132 kcts</td>
</tr>
<tr>
<td>Cash cost per tonne (excl waste)</td>
<td>A$18.23 - A$19.17</td>
</tr>
<tr>
<td>Waste cash cost per waste tonne mined</td>
<td>A$3.60 - A$3.82</td>
</tr>
<tr>
<td>Operating cost per tonne treated *</td>
<td>A$22.00 - A$23.13</td>
</tr>
</tbody>
</table>

* Pre depreciation and amortisation

- Production hampered by heavy rains
- Front end modifications underway
- Resource extension results expected end of 2011
- 2011 guidance (as revised in August 2011)
Letšeng – Project Kholo
**Letšeng: 2011 mining plan**

- **201 Million tonnes and 3.8 million carats**
  - Current prices
    - Sat $3,728/ct
    - Main $2,802/ct

- Drilling program underway, aiming to define additional resources
Letšeng: Project Kholo - Main Objectives

Increase value from the resource by:

- Increasing tonnes treated (new plant)
- Reducing diamond damage
- Improving liberation (which increases diamond recovery)
- Reducing operating costs
- Increasing capacity for down-stream cutting and polishing
# Letšeng: Project Kholo - Snapshot - on 100% basis

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Sept 2011</th>
<th>Mar 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total project capital expenditure</td>
<td>$262m</td>
<td>$257m</td>
</tr>
<tr>
<td>Annual treatment capacity (mtpa)</td>
<td>10</td>
<td>8.5</td>
</tr>
<tr>
<td>Base diamond price (average for both pipes)</td>
<td>$3,158/ct</td>
<td>$2,660/ct</td>
</tr>
<tr>
<td>Annual real diamond price escalation (from 2012)</td>
<td>WWW *</td>
<td>4.0%</td>
</tr>
<tr>
<td>Diamond damage revenue improvement - for new capacity</td>
<td>9%</td>
<td>5%</td>
</tr>
<tr>
<td>Revenue improvement from additional liberation - for new capacity</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Opex decrease - total Letšeng</td>
<td>$2.00 per tonne</td>
<td>$2.00 per tonne</td>
</tr>
<tr>
<td>Revenue available for Cutting &amp; Polishing</td>
<td>Building up to 50%</td>
<td>Building up to 50%</td>
</tr>
<tr>
<td>Cutting &amp; Polishing margin uplift</td>
<td>10.0%</td>
<td>10.0%</td>
</tr>
<tr>
<td>Exchange rate</td>
<td>R7.00/US$</td>
<td>R7.00/US$</td>
</tr>
<tr>
<td>Project NPV @ 8% (100%)</td>
<td>$660 million</td>
<td>$303 million</td>
</tr>
<tr>
<td>IRR</td>
<td>32%</td>
<td>30%</td>
</tr>
<tr>
<td>Payback (from start of project - 2012)</td>
<td>4.5 years</td>
<td>5.5 years</td>
</tr>
</tbody>
</table>

* 3.3% price escalation beyond 2025
Letšeng: Project Kholo - Production Profile

C.200,000 carats per annum compared to C.100,000 carats from current production

Opportunity to reduce waste by starting Satellite u/g sooner

Overall Stripping Ratio: 3.5:1

Dashed lines indicate LoM extension
Letšeng: Project Kholo – Mining Operations

- Simulations on mining fleet indicating 10 -15% upside available on planned ore and waste tonnes
- Ongoing work to optimise pit designs and waste stripping schedule
- Review of mining fleet and mining contracting arrangements
- A vehicle management system is being considered to manage and improve fleet performance
A NEW THIRD PLANT UTILIZING DIAMOND FRIENDLY TECHNOLOGY, SIMULTANEOUSLY INCREASING REVENUE, IMPROVING LIBERATION AND REDUCING COSTS

NAMEPLATE CAPACITY 10 MILLION TONNES PER ANNUM

- Plant 1 - 2.0 (de-rated to accommodate production sampling)
- Plant 2 - 2.8 million tonnes per annum
- Plant 3 - 5.2 million tonnes per annum

DESIGN SPECIFICS

- Improved comminution to reduce diamond damage and improve liberation
- High volume X-Ray sorting replacing coarse DMS to simplify process flow and operations while reducing costs
- TCOS increased from 50 mm to 60 mm - reduces diamond damage
- MCOS reduced from 27 mm to 15 mm - increases liberation
AERIAL VIEW OF LETŠENG PLANT AREA
**Comminution Improvements**

**Secondary Crushing**
- Change to more advanced cone crushing technology
- Improved fragmentation reduces diamond damage

**Re-crushing**
- High pressure grinding roll (HPGR) preferred solution to achieve liberation of encapsulated diamonds
- Reduces overall plant size

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**MSI grooved liner concept**
High Pressure Grinding Rolls

- Widely used across industry
- Uses inter-particle crushing
- Considered best practice
- 750 tonnes per hour feed rate
- 2.8m diameter rolls
Coarse Concentration: X-Ray Technology – Two Options

- High volume pulsed X-ray luminescence sorters (XRF)
- High volume X-ray transmissive sorters (XRT)
- Reduced cost, power, water, complexity and plant footprint compared to coarse DMS

- Test work carried out on-mine with excellent results
- $8.4m worth of diamonds recovered from test-work
Letšeng: Diamond Damage Reduction

**Basis of study**
- Actual monthly diamond breakage evaluated for all +5ct stones for 12 month period from July 2010 to June 2011
- 20% of +5 ct stones damaged over the period
- Crushers responsible for most of the breakage
- Almost all of Letšeng diamonds are smaller than 35mm
- New plant (HPGR) will use 38mm smallest crusher gap (currently 22mm)

**Benefit expected from Diamond Friendly Processing**
- Reduction of Type I diamond damage of 70%
- Reduction of Type II damage of 40% due to their brittle nature
- Net overall revenue benefit through new plant of 9% based on above
Letšeng: Diamond Damage Example
# Project Kholo - Time Line / Execution Program

## Time-line based on Board approval in November 2011

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Feasibility Study</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Option selection complete</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Procurement</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Long lead Items</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Detail Design</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Early Works Bulk Earthworks</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Early Works Site Preparation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Civil work start</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Construction Period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Ramp to full production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Full Production Plant 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Time-line based on Board approval in November 2011*
PROJECT KHOLO - RISKS / OPPORTUNITIES

- Resource
- Power supply - timing risk
- Increased water supply
- Mining equipment lead times
Letšeng – Further Upside

- Mining optimisation exercise underway
- Upgrade of 1 and 2 plant
- Installed plant capacity of 10.8 mtpa
- Satellite pipe underground opportunity
Letšeng: Satellite U/G Opportunity

- U/G to follow on from open-pit
- Opportunity exists to start u/g earlier to improve cash flows (considering high waste stripping planned)
- Concept study completed, PFS underway and due by early 2012

<table>
<thead>
<tr>
<th>Satellite Pit</th>
<th>Ore (mt)</th>
<th>Waste (mt)</th>
<th>SR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cut 3E</td>
<td>3</td>
<td>3</td>
<td>1.1</td>
</tr>
<tr>
<td>Cut 4W</td>
<td>9</td>
<td>29</td>
<td>3.3</td>
</tr>
<tr>
<td>Cut 4E</td>
<td>4</td>
<td>32</td>
<td>7.8</td>
</tr>
<tr>
<td>Cut 5W</td>
<td>14</td>
<td>61</td>
<td>4.4</td>
</tr>
<tr>
<td>Total to end Cut 5W</td>
<td>30</td>
<td>125</td>
<td>4.2</td>
</tr>
<tr>
<td>Cut 6</td>
<td>31</td>
<td>306</td>
<td>9.8</td>
</tr>
<tr>
<td>Total</td>
<td>61</td>
<td>431</td>
<td>7.1</td>
</tr>
</tbody>
</table>

Total cost of Cut 6 waste = $1bn

Cut 6 waste starts 2017
Cut 6 ore starts in 2023
**LETŠENG: FINANCIALS (100% BASIS)**

- Assuming current prices and R7.00:US$
- Includes cash on hand as at 31 August 2011
- Letšeng generates strong cash flows
- Letšeng able to self fund Project Kholo

### Expansion capex (US$m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expansion Capex (US$m)</th>
<th>Annual FCF (Pre Expansion Capex (US$m))</th>
<th>Annual FCF (Post Expansion Capex (US$m))</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>13</td>
<td>112</td>
<td>99</td>
</tr>
<tr>
<td>2012</td>
<td>38</td>
<td>125</td>
<td>87</td>
</tr>
<tr>
<td>2013</td>
<td>189</td>
<td>144</td>
<td>-45</td>
</tr>
<tr>
<td>2014</td>
<td>22</td>
<td>102</td>
<td>80</td>
</tr>
<tr>
<td>2015</td>
<td>0</td>
<td>147</td>
<td>147</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>153</td>
<td>153</td>
</tr>
<tr>
<td>Total</td>
<td>262</td>
<td>783</td>
<td>521</td>
</tr>
</tbody>
</table>

### Price escalation

<table>
<thead>
<tr>
<th>Project Kholo NPV $m</th>
</tr>
</thead>
<tbody>
<tr>
<td>4%</td>
</tr>
<tr>
<td>2%</td>
</tr>
<tr>
<td>WWW</td>
</tr>
<tr>
<td>1 048</td>
</tr>
<tr>
<td>722</td>
</tr>
<tr>
<td>660</td>
</tr>
</tbody>
</table>
**Ghaghoo, Botswana**
Ghaghoo: The Prize

- 20.5 million carat ore-body
- NPV “3 phase” Base Case of US$234 million (current WWW price index)
- However Gem believes potential value upside exists in the key value drivers - Grade, revenue (US$/carat) and cutting and polishing
- NPV “3 phase” Base Case + 10% = US$304 million
- NPV “3 phase” Base Case + 20% = US$368 million
- Given capital constraints and conversion of the Retention Licence, Gem adopted a phased approach to confirm the upside to the project
- Options under review post Phase 1 include - double up of present capacity, accelerated UG expansion and open pit
Ghaghoo: Ore-Body

Kalahari Sand

Basalt

Sandstone
Ghaghoo: Phase 1

► BWP565m capital (US$85m @ BWP6.65)
► 600,000 tonnes per annum treatment capacity
► Production to start in Q3 2013
► Latest reserve value of US$279/ct (US$203/ct)
Ghaghoo – site activities (10 August 2011)
**Ghaghoo – current status**

- Key operational personnel recruited
- Site construction activities underway
  - earth-works for decline, plant and tailings dam
- Project on schedule and on budget
  - 40% of contract value awarded
- Community water supply project underway
GROUP LIQUIDITY AND PROJECT FUNDING

- Cash on hand 31 August 2011: US$133m (Gem: US$90m / Letšeng: US$43m)
- Current inventory on hand at last tender prices: cUS$90m
- 2011 dividends paid to date by Letšeng: US$83m (net US$52m to Gem)
- Letšeng working capital facility term sheet signed - legal agreements being drafted: US$35m
- Letšeng cash flows sufficient to fund Project Kholo and future dividends
- Current corporate office cash sufficient to fund Ghaghoo
Thank You