Investor Presentation

February 2014
Disclaimer

The following presentations are confidential and are being made only to, and are only directed at, persons to whom such presentations may lawfully be communicated (“relevant persons”). Any person who is not a relevant person should not act or rely on these presentations or any of their contents.

Information in the following presentations relating to the price at which relevant investments have been bought or sold in the past or the yield on such investments cannot be relied upon as a guide to the future performance of such investments. These presentations do not constitute an offering of securities or otherwise constitute an invitation or inducement to any person to underwrite, subscribe for or otherwise acquire securities in any company within the Group. Neither this documentation nor the fact of its distribution nor the making of the presentation constitutes a recommendation regarding any securities. This presentation if for information purposes only.

The presentations contain forward-looking statements which are subject to risk and uncertainties because they relate to future events. These forward-looking statements include, without limitation, statements in relation to the Group’s projected growth opportunities. Some of the factors which may cause actual results to differ from these forward-looking statements are discussed in certain slides of the presentation and others can be found by referring to the information contained under the heading “Key Group risks 2012” in “The Business Review” in our Annual Report for the year ended 2012. The Annual Report can be found on our website (www.gemdiamonds.com).

No statement in this presentation is intended as a profit forecast or profit estimate and no statement in the presentation should be interpreted to mean that earning per share for the current or future financial years would necessarily match or exceed the historical published earnings. The presentations also contain certain non-IFRS financial information. The Group’s management believes these measures 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.

The distribution of this presentation or any information contained in it may be restricted by law in certain jurisdictions, and any person into whose possession any document containing this presentation or any part of it comes should inform themselves about, and observe such restrictions.

Information in this presentation is correct as at 31January 2014
Agenda

- GEM DIAMONDS’ OPERATIONS
- GEM DIAMONDS RESOURCE STATEMENT
- INVESTMENT THESIS
- DIAMOND MARKET OUTLOOK
- LETŠENG
- GHAGHOO
- SALES & MARKETING
- GROUP CASH AND FUNDING
- CORPORATE COSTS
- OUTLOOK
Gem Diamonds’ operations

Gem Diamonds Limited
UK, BVI

Gem Diamonds Marketing Services/Baobab
Belgium

Ghaghoo Mine
Botswana

Gem Diamond Technical Services
South Africa

Letšeng Mine
Lesotho

Gem Diamonds Manufacturing/Calibrated
Mauritius
## Gem Diamonds resource statement as at 1 January 2013

### Letšeng

<table>
<thead>
<tr>
<th>Category</th>
<th>Classification</th>
<th>Tonnes (millions)</th>
<th>Grade (carats/100T)</th>
<th>Carats (millions)</th>
<th>Average Diamond Price US$/carat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>Probable</td>
<td>78.9</td>
<td>1.75</td>
<td>1.38</td>
<td>1 715</td>
</tr>
<tr>
<td>Resources</td>
<td>Indicated</td>
<td>80.8</td>
<td>1.76</td>
<td>1.42</td>
<td>2 185</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>220.9</td>
<td>1.75</td>
<td>3.86</td>
<td>2 194</td>
</tr>
<tr>
<td><strong>Total Resource at Letšeng (inclusive of reserves)</strong></td>
<td></td>
<td>301.7</td>
<td>1.75</td>
<td>5.29</td>
<td>2 191</td>
</tr>
</tbody>
</table>

### Ghaghoo

<table>
<thead>
<tr>
<th>Category</th>
<th>Classification</th>
<th>Tonnes (millions)</th>
<th>Grade (carats/100T)</th>
<th>Carats (millions)</th>
<th>Average Diamond Price US$/carat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserves</td>
<td>Probable</td>
<td>7.5</td>
<td>27.81</td>
<td>2.08</td>
<td>246</td>
</tr>
<tr>
<td>Resources</td>
<td>Indicated</td>
<td>79.4</td>
<td>19.51</td>
<td>15.49</td>
<td>222</td>
</tr>
<tr>
<td></td>
<td>Inferred</td>
<td>28.8</td>
<td>17.52</td>
<td>5.04</td>
<td>220</td>
</tr>
<tr>
<td><strong>Total Resources at Ghaghoo (inclusive of reserves)</strong></td>
<td></td>
<td>108.2</td>
<td>18.98</td>
<td>20.53</td>
<td>222</td>
</tr>
</tbody>
</table>
Investment thesis

Strong diamond market fundamentals.
Ghaghoo Mine coming into production in H2 2014.
Letšeng Mine - highest value diamonds, long life, proven EBITDA margin.

- Improving consumer confidence.
- Positive outlook on rough and polished diamond prices.
- Letšeng produces the highest value diamonds (US$ 2,533/ct Q4 2013).
- Lower capital intensive production optimisation at Letšeng.
- Strong balance sheet (cash of US$ 71m as at end 2013).
- Facilities of c.US$ 70m available (no draw down to date).
- Unchallenging valuations EV:EBITDA 5.7x
How Gem Diamonds grows value

*Focused on mining and selling diamonds effectively to maximise returns.*

**The flagship asset - Letšeng mine:**
- Enhancing current operating efficiencies.
- Life of mine extensions.
- Focusing on cost reductions.
- Implementing expansion projects
- Optimising timing of underground mining.

**Building the Ghaghoo mine:**
- Significant technical, environmental and social challenges overcome.
- Low capex budget of US$ 96m.
- Bringing mine to production on time and on budget.
- Expansion opportunities.

**Improving revenue achieved for diamonds:**
- Expanding sales and marketing capabilities
- Manufacturing and partnering.
- Selling rough and polished
- Capability to truly understand rough diamond value.
- Respected transparent tender to international buyers.

**Mining sustainably:**
- Long-term, transparent and mutually beneficial relationships with all stakeholders.
- Aiming to sustainably achieve zero harm.
- Ensuring mitigation of impacts upon the receiving environment.

Supported by a vastly experienced management team
Diamond market outlook

- Improved prices in Q4 2013 continuing into Q1 2014.
- Letšeng achieving remarkable prices for its high value production.
- Positive indications for precious gems in the US and China.
- Improved polished trading.
- More balanced demand between 3 major markets: Asia/China; Japan; and the USA.
## Q4 2013 – Letšeng operational review

<table>
<thead>
<tr>
<th>Letšeng</th>
<th>Q4 2013</th>
<th>Q3 2013</th>
<th>% Change</th>
<th>FY 2013</th>
<th>FY 2012</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste mined (mT)</td>
<td>4 079 676</td>
<td>5 136 368</td>
<td>(21%)</td>
<td>19 072 658</td>
<td>17 396 233</td>
<td>10%</td>
</tr>
<tr>
<td>Ore mined (mT)</td>
<td>1 756 516</td>
<td>1 668 160</td>
<td>5%</td>
<td>6 499 133</td>
<td>6 285 127</td>
<td>3%</td>
</tr>
<tr>
<td>Ore treated (mT)</td>
<td>1 621 815</td>
<td>1 569 532</td>
<td>3%</td>
<td>6 225 821</td>
<td>6 551 434</td>
<td>(5%)</td>
</tr>
<tr>
<td>Carat production</td>
<td>27 227</td>
<td>25 559</td>
<td>7%</td>
<td>95 053</td>
<td>114 350</td>
<td>(17%)</td>
</tr>
<tr>
<td>Recovered grade (cpht)</td>
<td>1.68</td>
<td>1.63</td>
<td>4%</td>
<td>1.53</td>
<td>1.73</td>
<td>(12%)</td>
</tr>
<tr>
<td>Carats sold*</td>
<td>29 825</td>
<td>20 405</td>
<td>46%</td>
<td>97 296</td>
<td>107 617</td>
<td>(9.6%)</td>
</tr>
<tr>
<td>Total value (US$m)</td>
<td>75.6</td>
<td>41.3</td>
<td>83%</td>
<td>198.8</td>
<td>207.9</td>
<td>(4.4%)</td>
</tr>
<tr>
<td>Average US$/carat</td>
<td>2 533</td>
<td>2 022</td>
<td>25%</td>
<td>2 043</td>
<td>1 932</td>
<td>5.7%</td>
</tr>
</tbody>
</table>

* Includes carats extracted for manufacturing
Q4 2013 Letšeng operational review

Letšeng:

- An average value of US$ 2 533 per carat was achieved for the 3 exports during Q4 2013 (US$ 2 022 per carat in Q3 2013 and US$ 1 703 per carat in Q4 2012).
- January 2014 tender achieved an average value of US$ 2 673 per carat.
- 11 rough diamonds achieved a value in excess of US$ 1 million each in Q4 2013, 27 for FY 2013.
- 35 rough diamonds achieved prices greater than US$ 20 000 per carat in Q4 2013, 96 for FY 2013.
- A total of 215 rough diamonds greater than 10.8 carats in size were recovered in Q4 2013, 566 for FY 2013.
Letšeng resource delivering exceptional diamonds in 2013

- 92.9ct sold for US$ 5.3m (US$ 56 494/ct) January 2013
- 94.4ct sold for US$ 4.6m (US$ 48 619/ct) January 2013
- 82.6ct sold for US$ 4.9m (US$ 59 173/ct) October 2013
- 99.9ct sold for US$ 6.5m (US$ 64 631/ct) July 2013
- 12.5ct blue sold for US$ 7.5m (a Letšeng record of US$ 603 047/ct) October 2013
- 94.4ct sold for US$ 4.6m (US$ 48 619/ct) January 2013
- 164ct sold for US$ 9.0m (US$ 54 911/ct) April 2013
- 82.6ct sold for US$ 4.9m (US$ 59 173/ct) October 2013
- 123.12ct sold for US$4.8m (US$38 986/ct) November 2013
- 78.96ct sold for US$5.2m (US$66 082/ct) December 2013

© 2014 GEM DIAMONDS LIMITED
Letšeng – Addressing diamond damage

- Decrease in severe breakage following installation of 4 new Kawasaki cone crushers in Plants 1 & 2.
- 25 +50 carat diamonds recovered since then, to 31 December 2013.
Letšeng – Project review

Advanced Technology Coarse Recovery Plant - (estimated cost US$ 14m)
- To treat the high value, coarse fraction
- Latest XRT technology to ensure total recovery of type II diamonds
- Security improvements
- Advanced technology diamond accounting of all diamonds recovered by these units.

Expansion studies at Letšeng - work continuing
- Phased introduction of technologies to minimise and spread capex
  - Increase tonnage
  - Further reduce diamond damage
  - Increase liberation
  - Waste sorting

Underground studies for Satellite pipe
- Optimal timing
## Corporate Social Investment at Letšeng

<table>
<thead>
<tr>
<th>CSRI</th>
<th>Action taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>32 tertiary scholarships awarded to Basotho nationals to date.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3 woolsheds constructed and handed over to farming communities. 30 latrines and two wells constructed for the Khaphamali community.</td>
</tr>
<tr>
<td>Employment</td>
<td>95% of Letšeng’s workforce are Lesotho nationals, 20% of whom are from Project Affected Communities.</td>
</tr>
<tr>
<td>Health</td>
<td>Two health posts constructed and a laundry machine purchased for the Mokhotlong hospital.</td>
</tr>
<tr>
<td>Donations and SME</td>
<td>Donations made to various organisations including: The High Altitude Summer Marathon, Lesotho National League of Visually Impaired Persons, St. Cecelia Orphanage and the Mokhotlong Hospital.</td>
</tr>
</tbody>
</table>

- Scholarship awardees in 2013
- 30 latrines constructed in the Khaphamali community
- Opening of a woolshed as part of the Wool and Mohair project development
Ghaghoo
Ghaghoo development update

Current Status:
- A total of 1,096 meters of tunnel completed at end January 2014.
- Kimberlite intersected at Level 0 (stockpile at surface).
- Main decline is 50m from break-off to first production Level 1.
- Plant construction completed, commissioning scheduled for Q2 2014.
- Production on target for H2 2014.
- US$ 71m of total capital budget (Phase 1) of US$96m spent as at end 2013. (Balance of US$ 25m to be spent in 2014. Funding raised).

2014 objective:
- Complete construction of Phase 1
- Production build up to nameplate capacity by end 2014. (60k tonnes per month / 720k tonnes per annum)
## Corporate Social Investment at Ghaghoo

<table>
<thead>
<tr>
<th>CSRI</th>
<th>Action taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td>Workplace training conducted. Establishing a vegetable garden at Lephephe Primary school - generating income for the school by supplying the mine’s canteen; teaching learners business skills.</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>4 boreholes drilled and equipped - Mothelelo, Metsiamanong, Molapo, Gope.</td>
</tr>
<tr>
<td>Employment</td>
<td>92% of workforce made up of Botswana nationals, 27% of whom are from Project Affected Communities.</td>
</tr>
<tr>
<td>Health</td>
<td>23 community members treated in the clinic in 2013.</td>
</tr>
<tr>
<td>SME</td>
<td>Needs analysis completed and Community Trust developed and ready for implementation.</td>
</tr>
</tbody>
</table>
Sales and marketing

Strong market knowledge.

In-house hi-tech analytical and manufacturing ability.

Mapping and analysis of Letšeng rough diamonds, increases understanding of the high value, high quality diamonds.

Rough sales strategy

- Achieving highest prices for rough through competitive international tender.
- Hi-tech mapping and analysis of exceptional diamonds to determine true value.
- Understanding true value - drives higher pricing.

Polished sales strategy

- Hi-tech manufacturing capability.
- Polishing and sales of select high value diamonds.
- Strategic partnering on the manufacture and sale of select exceptional high value diamonds.
Group Health, Safety, Social & Environment

- 3 LTI’s occurred in the Group during 2013.
- 2013 LTIFR 0.13 (2012 LTIFR 0.30).
- The Letšeng mine awarded 5-star rating following 2013 IRCA audit for health, safety and environment.
- Zero major stakeholder or environmental incidents occurred in 2013.
- Continued implementation of international best practice in respect of environmental and social responsibility.

Lining the slimes dam at Ghaghoo
Conducting routine water quality tests at Letšeng
Fully equipped clinic and ambulance Letšeng
Group cash and funding

Cash:

- 31 December 2013 Group cash of US$ 71m; US$ 62m attributable to Gem Diamonds. (30 June 2013 Group cash was US$ 61m).

Funding / Facilities:

- Malotl 250m (US$ 25m) 3-year unsecured revolving credit at Letšeng.
- US$ 20m 3-year revolving credit at Gem Diamonds.
- US$ 25m facility for the remaining capital expenditure at Ghaghoo (facility signed in January 2014).
- 31 January 2014 no draw-downs have been made.
- Finalisation of US$ 14m funding for the Letšeng Coarse Recovery Plant underway.
Corporate costs

- Alignment of costs to current asset base.
- Restructuring undertaken in 2013.
- Steady state costs in 2014 - down to US$ 12m (from US$ 15m).
Outlook

- Complete development of Ghaghoo - production H2 2014.
- Mining in Satellite pipe continues in 2014 - updated medium-term planning to ensure more regular production from Satellite pipe.
- Benefits of decreased diamond damage.
- Detailed design and estimate on improved recovery plant.
- Strong diamond market.
Appendix 1 – Capital structure

Gem Diamonds Limited - LSE:GEMD

<table>
<thead>
<tr>
<th>Price (GBp)</th>
<th>Volume ('000)</th>
</tr>
</thead>
</table>

Gem Diamonds Limited is listed on the Main Board of the London Stock Exchange

| Daily average trading volume (last 12 months) | 126 000 |
| Shares in issue (unchanged since 2009) | 138,267,181 |
| Free Float | 79% |
| Share price (23 January 2014) | £ 1.63 |
| Market Capitalisation (23 January 2014) | US$ 374m |

Major Shareholders at 15 Jan 2014

<table>
<thead>
<tr>
<th>Major Shareholders</th>
<th>at 15 Jan 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Graff Diamonds International Limited</td>
<td>15.12%</td>
</tr>
<tr>
<td>Lansdowne Partners Ltd</td>
<td>14.99%</td>
</tr>
<tr>
<td>BlackRock Investment Management</td>
<td>12.67%</td>
</tr>
<tr>
<td>FIL Limited/FMR LLC</td>
<td>11.07%</td>
</tr>
<tr>
<td>Capital Group Companies Inc.</td>
<td>7.67%</td>
</tr>
<tr>
<td>Gem Diamonds Holdings Ltd</td>
<td>6.74%</td>
</tr>
<tr>
<td>JP Morgan Asset Management</td>
<td>2.76%</td>
</tr>
<tr>
<td>Other Directors’ holdings</td>
<td>2.11%</td>
</tr>
</tbody>
</table>

Company officers

| Clifford Elphick | Chief Executive Officer |
| Alan Ashworth | Chief Operating Officer |
| Michael Michael | Chief Financial Officer |
| Glenn Tuner | Chief Legal & Commercial Officer |