88.4 carat white Letšeng diamond sold during the Period for US$ 48,000 per carat

Investor Presentation - October 2016

presented at the 121 Mining Conference, HK, 18-19 October 2016
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Information in this presentation is correct as at 30 September 2016
Agenda

• Gem Diamonds at a glance

• Diamond Market

• Financial Highlights

• Operations Overview

• Investment Proposition
Gem Diamonds is a leading global producer of high value diamonds

The Company owns the Letšeng Mine in Lesotho and is working towards bringing the Ghaghoo Mine in Botswana into production

Letšeng is famous for the production of large, top colour, exceptional white diamonds, making it the highest average dollar per carat kimberlite in the world

Gem Diamonds has a clear focus on delivering value through optimising the Letšeng mine and ramping up production at the Ghaghoo mine when market conditions allow

The Company seeks to maximise revenue through its internal sales & marketing operations in Belgium and also through additional margin by pursuing cutting and polishing initiatives of its high-end value diamonds

Gem Diamonds aims to continue to return cash to shareholders through annual dividend payments
Major recoveries from Letšeng

- **Letšeng Legacy 493ct**: 2007
- **Letšeng Star 550ct**: 2011
- **Letšeng Destiny 314ct**: 2015
- **Lesotho Promise 603ct**: 2006
- **Leseli La Letšeng 478ct**: 2008
- **Yellow 299ct**: 2014
- **Letšeng Dynasty 357ct**: 2015
Operational Footprint

Gem Diamonds Limited
UK, BVI
2 employees

Gem Diamonds Sales, Marketing and Manufacturing
Belgium
16 employees

Ghaghoo Mine
Botswana
250 employees/contractors

Gem Diamond Technical Services
South Africa
24 employees

Letšeng Mine
Lesotho
1604 employees/contractors
Dia mond Market
Diamond Pricing

**Letšeng**

- Prices achieved for Letšeng's high value large Type II diamonds have remained resilient in H1 2016
- Prices achieved H1 2016 - US$ 1 899* per carat
- 12 month rolling average - US$ 2 113* per carat

**Ghaghoo**

- Weaker market in 2015 negatively impacted the prices achieved for the Ghaghoo production
- First sale in January 2016 achieved US$ 160 per carat
- Second sale in June 2016 achieved US$ 155 per carat

*Includes carats extracted for manufacturing at rough valuation*
Group Financial Performance
Half Year 2016 Results Highlights

**Revenue**

US$109m

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<thead>
<tr>
<th></th>
<th>H1 2014</th>
<th>H2 2014</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
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<td>122</td>
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**EBITDA and EBITDA margin**

US$44m

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<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
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<tr>
<td>42%</td>
<td>34%</td>
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**Basic EPS (pre exceptional items)**

US cents 9.70

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<th>H2 2014</th>
<th>H1 2015</th>
<th>H2 2015</th>
<th>H1 2016</th>
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<td>9.76</td>
<td>10.69</td>
<td>19.05</td>
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**Cash generated by operations**

US$59m

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<td>67</td>
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Letšeng Operational Overview

Aerial view of Letšeng Main and Satellite pits
Letšeng Overview

Ownership

70%  
Gem Diamonds Limited

30%  
Government of Lesotho

• Located in the Maluti mountains of Lesotho
• Highest average US$ per carat globally
• Three treatments plants
• Regular recovery of large, top-quality Type Ila diamonds

• Two kimberlite pipes: Main pipe 17.0ha; and Satellite pipe 5.2ha
• Letseng 21 year Life of Mine open pit is wholly contained within the Reserve category
Letšeng Operational Overview

Strong first half operational performance

- Waste mined - in line with optimised mine plan
- Satellite pipe contribution - 1.0 million tonnes (mt) with Full Year guidance increase to 1.7 - 1.8 mt from 1.65 mt
- Ore treated - Plant 2 upgrade projects resulted in increased daily treated rates
- Grade - 1.72 cpht
- Prices achieved US$ 1 899* per carat impacted by:
  - Area mined in Satellite pipe (historically produced higher grades / smaller stone size)
  - Fewer +100 carat diamonds
- Coarse Recovery Plant - XRT sensitivities optimised and feed preparation methods of ore concentrate improved

*includes carats extracted for manufacturing at rough valuation
Heavy snow falls and extreme winds impacted Letšeng in late July

- Government owned power lines damaged
- Access to mine restricted
- Standby generators operated plants, albeit at reduced rates

Current status

- Power lines repaired and external power supply fully restored within 2½ weeks
- Operations returned to normal - 11 August 2016

Impact on operations

- Guidance reviewed
- Waste tonnes and carats recovered remain within original guidance
- Ore tonnes treated reduced to 6.6 - 6.8mt (from 6.8 - 7.0mt)

Impact on cost guidance

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<td>Direct cash cost per tonne treated</td>
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<tr>
<td>Operating cost per tonne treated</td>
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Ghaghoo Operational Overview

Surge bin and processing mill at Ghaghoo
Ghaghoo Operational Overview

Downsizing progressed
- Production downsized to 300 000 tonnes per annum
- Sink hole buffer zone successfully created
- Retrenchments undertaken

Development progressed well
- Total development metres - 1 168 metres
- Development of all 13 VKSE tunnels on Level 1 completed
- Slot tunnel on Level 1 completed and sub-level cave progressing according to plan
- Development of Level 2 production level commenced

Plant and recovery optimisation work continues
- Tonnes treated - 95 569
- Carats recovered - 20 876
- Mill surge bin commissioned providing stable feed to the mill
- Improved mill retention times and increased diamond liberation
- Undiluted material achieved an average grade of 27.6 cpht vs reserve grade of 27.8 cpht

Impairment provision - US$ 40 million
Operational Performance

Letšeng mine
Group HSSE Performance

- Zero fatalities
- Two Lost Time Injuries
- Group Lost Time Injury Frequency Rate (LTIFR) 0.15
- Group All Injury Frequency Rate (AIFR) 1.87
- Zero major or significant stakeholder or environmental incidents
- The Group continues to strive towards zero harm and implementing international best practice in respect of environmental and social responsibility
HSSE Overview - Group CSI initiatives

Lesotho

Classrooms and office donated to Pae Ia itlhatsoa School in Lesotho

Butha Buthe vegetable project in Lesotho

Lesotho community health workers

Botswana

Educational School tours at Ghagho

New Xade Primary School donation ceremony in Botswana

Kaudwane Primary school adopted by Ghagho
Sales, Marketing & Manufacturing
Sales, Marketing and Manufacturing

Sales and marketing

- Flexible sales strategy
- 20 rough diamonds achieved a value of greater than US$ 1.0 million each
- 11.8 carat pink diamond (pictured) achieved the third highest price per carat for a single Letšeng diamond
- 160.2 carat exceptional quality Type IIa rough diamond recovered

Manufacturing

- 145 carats extracted for manufacturing at a rough value of US$ 1.8 million during the Period
- Uplift on polished sales (previously extracted rough diamonds) achieved >14%
Dividend Policy remains unchanged
Gem Diamonds has a unique set of assets
Strong balance sheet - net cash position
Long term fundamentals for diamonds remain strong

Letšeng
- Produces the highest value diamonds
  (US$2 299 per carat in 2015)
- Is a long life asset
- Is strongly profitable and cash flow generative
- Reducing breakage, improved large stone recovery and increasing ore from the Satellite pipe offer further upside

Ghaghoo
- Ready to ramp up when market conditions allow
- Temporary reduction in production protects the Balance Sheet

Cash flow generative and strong profitability even in current market conditions
Strong Balance Sheet with net cash of US$66.5 million & further US$52.1 million undrawn facilities
Dividend paid for 2016 and on track for 2017
Attractive EV:EBITDA multiple
Thank you
Annexure 1 - Gem Diamonds capital structure

Gem Diamonds share price performance since 1 January 2016

SOURCE: FactSet via JPMorganCazenove as at 30 July 2016

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

| Daily average trading volume (last 6 months) | 117.8k |
| Shares in issue | 138,353,726 |
| Free float | 55.49% |
| Share price (15 September 2016) | £1.21 |
| Market capitalisation (millions) | £172 / US$220 |

Major shareholders as at 15 September 2016

- Graff Diamonds International Ltd: 15.11%
- Lansdowne Partners Ltd: 14.98%
- Gem Diamonds Holdings Ltd: 6.74%
- Majedie Asset Management: 6.31%
- Aberforth Partners: 5.42%
- BlackRock Inc.: 4.92%
- Other Directors’ holdings: 1.57%

Company Officers

- Clifford Elphick: Chief Executive Officer
- Michael Michael: Chief Financial Officer
- Glenn Turner: Chief Legal and Commercial Officer
- Johnny Velloza: Chief Operating Officer