High-End Diamonds Continue to Sparkle

Investor Presentation February 2016
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Information in this presentation is correct as at 31 January 2016
Agenda

- Gem Diamonds at a Glance
- Diamond Market
- Financial Highlights
- Operations Overview
- Investment Proposition

Light of Letšeng
478ct
(recovered in 2008)
Background

- Gem Diamonds is a leading global producer of high value diamonds
- The Company owns the Letšeng Mine in Lesotho and is 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

- Lesotho Promise 603ct (2006)
- Letšeng Star 550ct (2011)
- Yellow 299ct (2014)
Gem Diamonds Limited
UK, BVI
2 employees

Gem Diamonds Sales, Marketing and Manufacturing
Belgium
16 employees

Ghaghoo Mine
Botswana
361 employees/contractors

Gem Diamond Technical Services
South Africa
24 employees

Letšeng Mine
Lesotho
1 299 employees/contractors
Diamond Market
Letšeng’s sparkle remains
Diamond Market

- Diamond market for Letšeng’s high end diamonds remained stable but overall market subdued in 2015
- Slow down in Chinese retail demand
- Inventory and liquidity concerns
- Medium to long term market outlook remains strong
- Reduced sales from De Beers and Alrosa leads to firmer prices
- Improved outlook as 2016 starts to show green shoots

Diamond Price Indices

![Diamond Price Indices Chart]

- WWW Large Index
- WWW Overall Index
The US remains the most important market for diamonds (over 40% of demand) and continues to grow strongly.

China has been a strong growth engine for diamonds (2009-2014 CAGR of 18%). Longer term, the shift in the economy from construction to consumption combined with favourable demographic trends should support strong continued growth.

India is an important global jewellery market which has embraced diamonds in recent years.

Polished Diamond Sales by Geography

Source: De Beers Insight report
Letšeng 6 and 12 Month Rolling $/carat

Letšeng
- Price levels maintained due to resilience in +10.8 carat Type II diamonds

Ghaghoo
- Weaker market impacts Ghaghoo production
- Third sale at $150 per carat, down from $210 (February 2015) and $165 (July 2015), dropping in line with WWW Overall index
Financial Highlights
Continued cash generation in challenging markets
Financial Highlights

Revenue

USD Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015*</th>
</tr>
</thead>
</table>

EBITDA

USD Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015*</th>
</tr>
</thead>
</table>

EPS

USD Cents

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015*</th>
</tr>
</thead>
</table>

Attributable profit

USD Millions

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015*</th>
</tr>
</thead>
</table>

* 2015 figures are due to be released in March 2016. The 2015 figures below represent current market consensus.
Operations - Letšeng
Ahead of target on all fronts
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 treatment plants
- Regular recovery of large, top-quality Type Ila diamonds
- Two kimberlite pipes: Main pipe 17.0ha; and Satellite pipe 5.2ha
- Satellite Pipe – higher grade / higher $ per carat
- Letšeng 21 year Life of Mine open pit is wholly contained within the Reserve category
Letšeng

- Strong end to 2015 – production targets achieved
  - Waste mined – 24.0 million tonnes
  - Ore treated – 6.7 millions tonnes
  - Carats recovered – 108 579
  - 1.9 million tonnes of Satellite pipe contribution in 2015

- Prices remain stable
  - Q4 2015 – US$ 2 117 per carat
  - Full year 2015 – US$ 2 299 per carat

- Costs – targets achieved

- Projects successfully implemented
  - Plant 2 Phase 1 Upgrade – additional 250 000 tonnes p.a. being realised
  - Coarse Recovery Plant – addressing diamond damage and enhanced security

- Zero Lost Time Injuries (LTIs) for 2015
Letšeng Large Diamond Recoveries

Frequency of +100 carat recoveries

Investor presentation February 2016
## Letšeng Resource and Reserve

<table>
<thead>
<tr>
<th>As at 1 January 2014</th>
<th>Ore (mT)</th>
<th>Carats (millions)</th>
<th>Grade (cpht)</th>
<th>US$/ct</th>
<th>In-situ value (US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letšeng Indicated Resource</td>
<td>293.9</td>
<td>3.23</td>
<td>1.73</td>
<td>2 086</td>
<td>6.7</td>
</tr>
<tr>
<td>Letšeng Reserve</td>
<td>131.9</td>
<td>2.26</td>
<td>1.71</td>
<td>2 045</td>
<td>4.6</td>
</tr>
</tbody>
</table>

![Graph of Letšeng Resource and Reserve](image-url)
Letšeng Open Pit LoM

- Optimised Life of Mine Plan
  - Increased Satellite pipe contribution - (1.65 mt to 2019; 2.0 mt from 2020 to 2031)
  - Optimal waste profile – (peak of 36 mtpa in 2024)
  - Steeper slope angles (resulting in less waste)
  - Improved NPV

Optimised Life of Mine plan:
- tonnes treated and carats recovered profile
- waste profile
Operations - Ghaghoo

Steady progress in challenging climate
Ghaghoo Overview

Ownership

100% Gem Diamonds Limited

- Located in the South-East portion of the Central Kalahari Game Reserve
- Kimberlite pipe 10.4ha in size
- 25 year mining licence from 2011
- Underground mine: access decline through approx. 80 vertical metres of sand overburden

- Phase 1 Objectives – Proving Up:
  - Grade – potential upside
  - Diamond prices
  - Milling Technology
  - Operating costs
2015 Operational Performance

Ghaghoo

- Phase 1 objectives completed
- Grade remains steady and ahead of Reserve
  - Recovered grade of 28.0 cpht in 2015
  - Reserve grade of 27.8 cpht
- Surge bin successfully commissioned in January 2016 – daily throughput of 2 000 tonnes achieved
- Water fissure
  - Level 1 sealed and mined through
  - Level 2 sealed
  - Long term sustainable solution in place
- Premature caving and sand ingress
  - No injuries or property damage
  - Long term plans in place to minimise dilution
- Three sales concluded
  - US$210; US$165;US$150 per carat
  - Average $ per carat for 2015 - US$162
- Zero LTIs for 2015
# Ghaghoo Resources

<table>
<thead>
<tr>
<th></th>
<th>Ore (mT)</th>
<th>Carats (millions)</th>
<th>Grade (cpht)</th>
<th>US$/ct</th>
<th>In-situ value (US$ billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ghaghoo Indicated Resource</td>
<td>108.2</td>
<td>15.49</td>
<td>19.51</td>
<td>242</td>
<td>3.7</td>
</tr>
<tr>
<td>Ghaghoo Reserve (VKSE Phase Only)</td>
<td>7.5</td>
<td>2.08</td>
<td>27.81</td>
<td>267</td>
<td>0.5</td>
</tr>
</tbody>
</table>

![Diagram of Ghaghoo Resources](image-url)
Ghaghoo Current Status

- Phase 1 objectives achieved
- Depressed diamond market – impacting Ghaghoo type production
- Prudent to downsize in current market conditions
- Optimising production levels to:
  - Reduce cash burn
  - Targeting approx. 300 000 tonnes for 2016
- Ghaghoo remains an important asset for the Group
- Options being assessed to expand when diamond prices improve

1.49ct blue diamond recovered at Ghaghoo
HSSE Performance

- Group – Zero Lost Time Injuries for the full year 2015
  - Letšeng – 430 consecutive days LTI free to 31 December 2015
  - Ghaghoo – 418 consecutive days LTI free to 31 December 2015
- Group – AIFR 2.75 for the full year 2015 (2014 - AIFR 2.93)
- Zero stakeholder or environment incidents for the year
- Continued implementation of international best practice in respect of environmental and social responsibility
HSSE Overview - Group CSI initiatives

Lesotho

Classrooms and office donated to Pae la ithatsoa School in Lesotho

Butha Buthe vegetable project in Lesotho

Lesotho community health workers

Botswana

Educational School tours at Ghaghoo

New Xade Primary School donation ceremony in Botswana

Kaudwane Primary school adopted by Ghaghoo
Sales, Marketing and Manufacturing

Adding value throughout the pipeline
Sales and marketing

- Robust prices achieved for Letšeng’s high quality production - average of US$2,299 per carat in 2015
- 35 rough diamonds achieved a value of greater than US$1.0 million each
- Two + 300 carat exceptional quality Type IIa rough diamonds sold

Manufacturing

- 336 carats extracted at a rough value of US$4.6 million for manufacturing during 2015
- Uplift achieved >20 %
Investment Proposition
Adding value and returning cash
Gem Diamonds has a unique set of diamond assets and a strong Balance Sheet
Long term fundamentals for diamonds strong
(driven by US GDP growth and demographic trends in China and India)

Letšeng is a world class diamond mine
✦ 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 mine – Phase 1 complete
✦ 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$55 million & further US$50 million undrawn facilities
Dividend paid for 2014 and on track for 2015
Attractive EV:EBITDA multiple
Annexure 1 - Corporate Profile

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

- Daily average trading volume across all platforms (last 6 months): 110k
- Shares in issue: 138,296,460
- Free float (excl. holders above 5%, ESOP and Directors holdings): 56.3%
- Share price (31 January 2016): £1.18
- Market capitalisation (millions): £166 / US$236

Major shareholders as at 15 January 2016:

- Graff Diamonds International Limited: 15.08%
- Lansdowne Partners Limited: 14.98%
- Gem Diamonds Holdings Limited: 6.74%
- Majedie Asset Management: 6.26%
- BlackRock Investment Management: 4.44%
- Lazard Asset Management: 4.04%
- Other Directors’ holdings: 1.59%

Company officers:

- Clifford Elphick: Chief Executive Officer
- Alan Ashworth: Chief Operating Officer
- Michael Michael: Chief Financial Officer
- Glenn Turner: Chief Legal and Commercial Officer

Gem Diamonds share price performance since 1 January 2015

Source: FactSet as of 29 January 2016
## Annexure 2 - Global Diamond Producers

### As of February 1, 2016

<table>
<thead>
<tr>
<th>Mine</th>
<th>Location</th>
<th>Est. production in 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Carats</td>
<td>US$ Millions</td>
</tr>
<tr>
<td>Jwaneng</td>
<td>Botswana</td>
<td>10,500,000</td>
</tr>
<tr>
<td>Jubilee</td>
<td>Russia</td>
<td>9,200,000</td>
</tr>
<tr>
<td>Diavik</td>
<td>Canada</td>
<td>7,000,000</td>
</tr>
<tr>
<td>Orapa</td>
<td>Botswana</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Debmarine Namibia</td>
<td>Namibia (Offshore)</td>
<td>1,400,000</td>
</tr>
<tr>
<td>Catoca</td>
<td>Angola</td>
<td>6,500,000</td>
</tr>
<tr>
<td>Ekati</td>
<td>Canada</td>
<td>5,100,000</td>
</tr>
<tr>
<td>Grib</td>
<td>Russia</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Argyle</td>
<td>Australia</td>
<td>16,800,000</td>
</tr>
<tr>
<td>Nyurbinskaya</td>
<td>Russia</td>
<td>4,500,000</td>
</tr>
<tr>
<td>Almazy-Anabara Placers (A)</td>
<td>Russia</td>
<td>4,400,000</td>
</tr>
<tr>
<td>Udachnaya (Pit &amp; UG)</td>
<td>Russia</td>
<td>4,000,000</td>
</tr>
<tr>
<td>International</td>
<td>Russia</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Aikhal</td>
<td>Russia</td>
<td>3,300,000</td>
</tr>
<tr>
<td><strong>Letšeng</strong></td>
<td>Lesotho</td>
<td>110,000</td>
</tr>
<tr>
<td>Victor</td>
<td>Canada</td>
<td>550,000</td>
</tr>
<tr>
<td>Venetia</td>
<td>South Africa</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Nizhne-Lenskoye Placers (A)</td>
<td>Russia</td>
<td>2,600,000</td>
</tr>
<tr>
<td>Karowe</td>
<td>Botswana</td>
<td>350,000</td>
</tr>
<tr>
<td>Mir</td>
<td>Russia</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Nyurba Placers (A)</td>
<td>Russia</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Finsch</td>
<td>South Africa</td>
<td>2,400,000</td>
</tr>
<tr>
<td>Marange (A)</td>
<td>Zimbabwe</td>
<td>3,500,000</td>
</tr>
<tr>
<td>Gahcho Kue</td>
<td>Canada</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Botuobinskaya</td>
<td>Russia</td>
<td>1,500,000</td>
</tr>
</tbody>
</table>

Source: www.paulzimnisky.com (2016)