GEM DIAMONDS

2008 Annual Results
US$107m Firm Placing

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Highlights

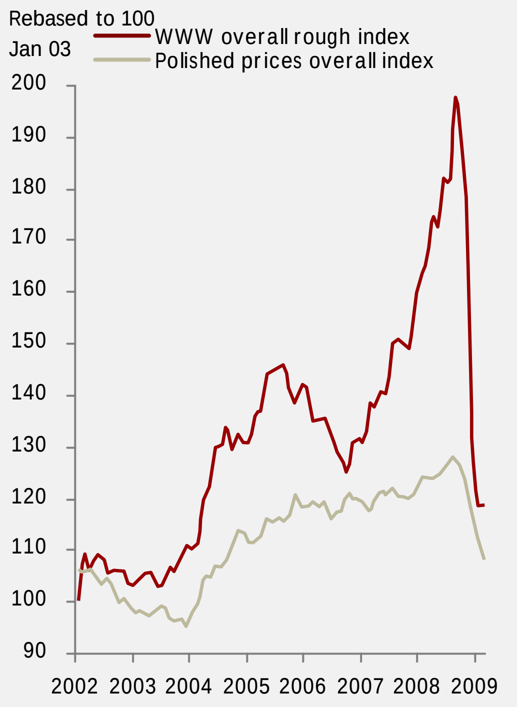
- Robust operational performance in 2008
  - Letšeng doubling of production
  - Ellendale production ramp up
- Recovery and sale of Light of Letšeng for US$18.4 million
- Q108 - Q308: Strong diamond prices despite emerging economic crisis
- Q408: Weak trading conditions in the diamond industry ➔ swift and significant price decline
- Rapid response by management
  - Reduce costs and operating expenditure
  - Preserve capital
- Firm Placing raising US$107m
  - Expected to reduce debt to zero and provide working capital
- Positioning to emerge from downturn in position of strength

GEM DIAMONDS

DIAMOND MARKET OVERVIEW

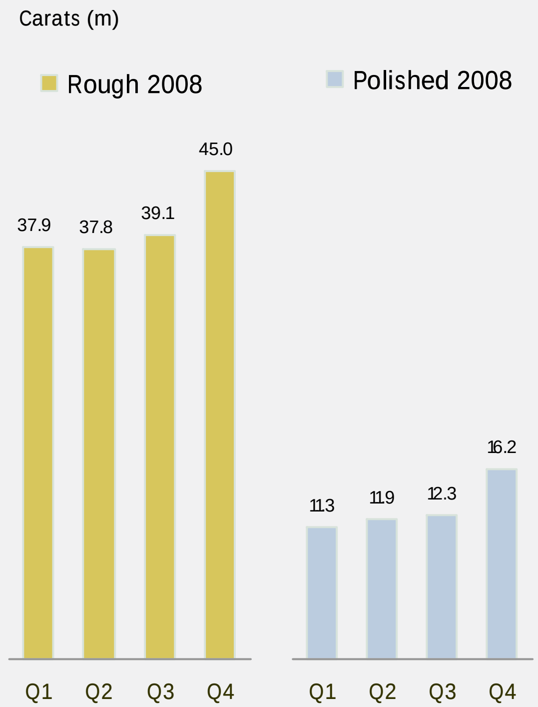
Diamond pricing history

Rough and polished prices



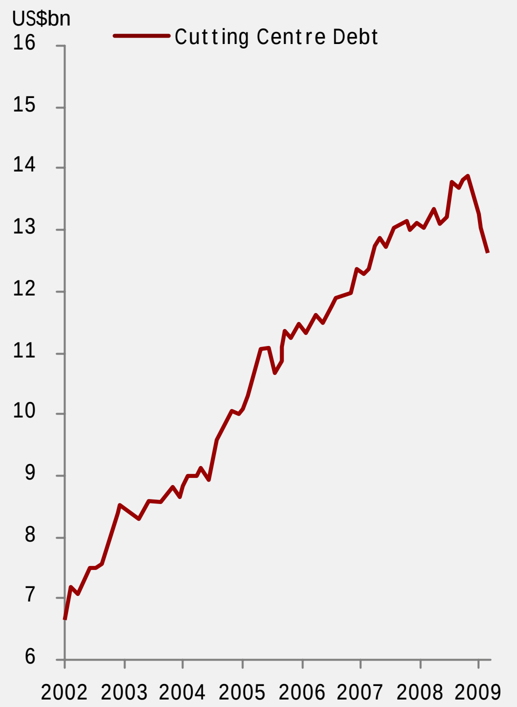
Source: WWW Diamond Forecasts Ltd

Total cutting centre stock



Source: WWW Diamond Forecasts Ltd

Cutting centre debt



Source: De Beers Group

Tightening liquidity in the trading and manufacturing businesses has significantly impacted prices

Supply side response

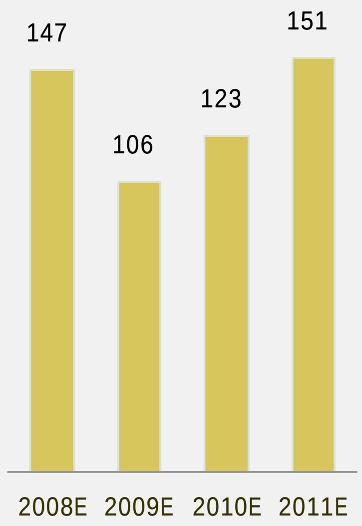
Sector news flow

Nov 08	**Gem Diamonds** operational review focusing on profitability **De Beers** announces production cuts to come
Dec 08	**BHPB** announces plans to withdraw from DRC exploration agreements **Diavik** delays planned underground mining **Petra** reduces exploration—Angola, Botswana & Sierra Leone
Jan 09	**Debswana** suspends production at its four mines **Alrosa** targets non-core cost reductions (excluding underground mining) of c.US$149m for 2009 **Argyle** halts production for 3 months for extended maintenance and slows underground development **Namakwa**—optimisation of margins and maintaining liquidity
Feb 09	**BHPB** reduces production at Ekati **De Beers** cuts production at Snap Lake and Victor mines **Diavik** defers capex and trims opex further **Debswana** confirms Damtshaa and Orapa No.2 closed for 2009
Mar 09	**Namdeb** considers closing production for 3 mths in Namibia

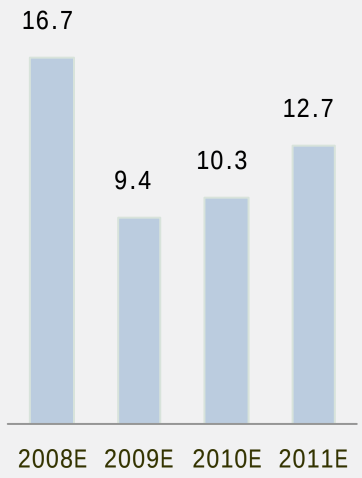
Source: Company announcements, Newswires

Rough diamond production

Carats (m)



Value (US$bn)[1]



Source: WWW Diamond Forecasts Ltd

[1]Based on 2008 diamond prices

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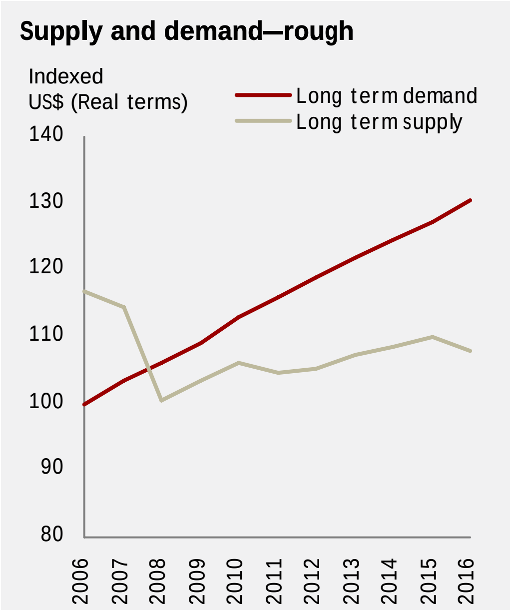
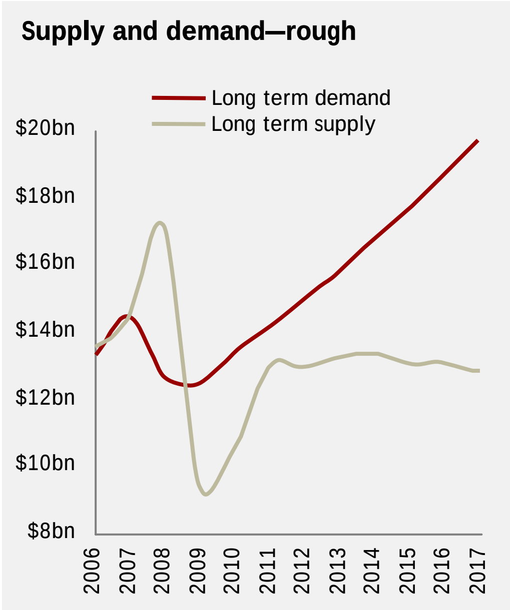
The long-term supply/demand imbalance

Rio Tinto 2008—Rough



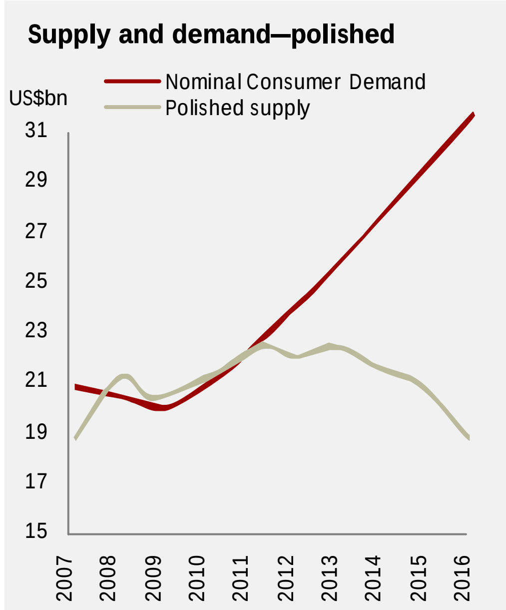
Source: Rio Tinto Diamonds Annual Review 2008

WWW 2009—Rough



Source: WWW Diamond Forecasts Ltd
At Q1 2009 prices

De Beers 2009—Polished



Source: De Beers Group Estimates; Note: Supply figure excludes existing polished stock in pipeline
At November 2008 prices

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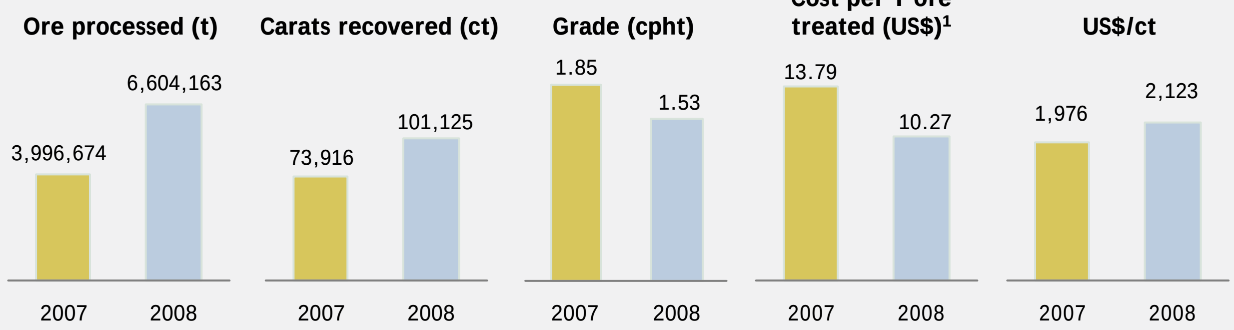
2008 OPERATIONAL REVIEW

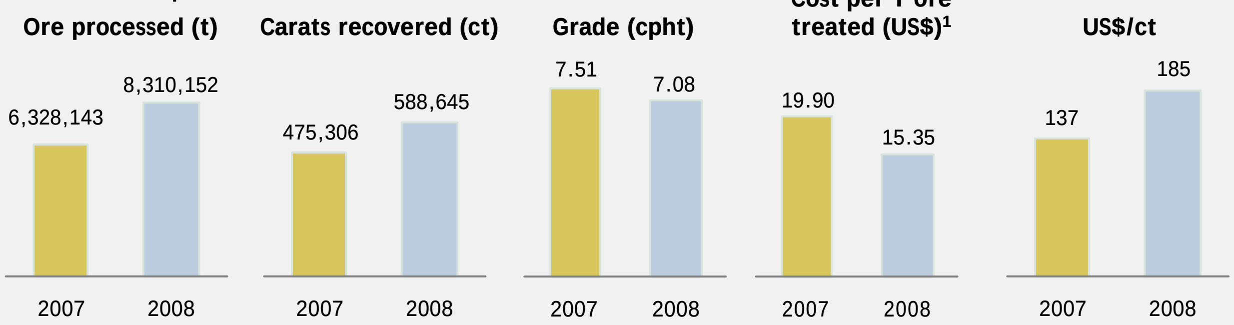
2008 operational report

Letšeng operational statistics



Letšeng in Lesotho

Ellendale operational statistics



Ellendale in Australia

[1] Cost per tonne comprises all operating costs and depreciation and amortisation

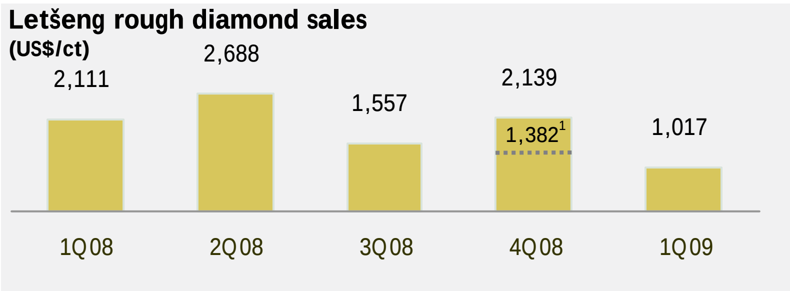
Other projects

Gope, Botswana	Chiri, Angola	DRC&CAR-Central Africa	Cempaka, Indonesia
			

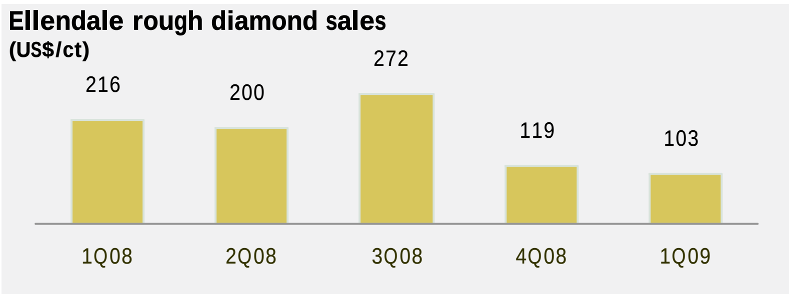
Beneficiation

- Acquired Calibrated Diamonds for US$5.9 million
  - Consistently accurate high speed low labour cutting and polishing technology
- Recruited Matrix Diamond Technology executives
  - Owners of sophisticated proprietary diamond analysis expertise and process
- Successful diamond polishing trials undertaken

Diamond pricing impact on Gem Diamonds



¹ Q4 excluding the sale of the 478ct Light of Letšeng



- Trading conditions weakened further into January
- However, Letšeng February tender pricing up 9.7% from January low
- Improved attendance at February tender
- Numerous parties expressing firm interest in entering into offtake agreements at Letšeng and Ellendale

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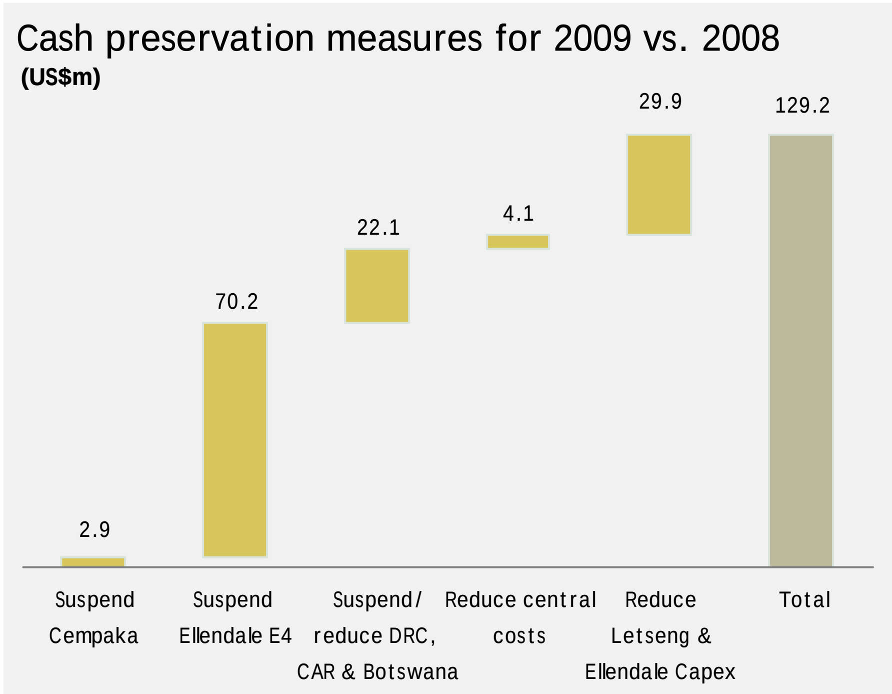
Actions taken to mitigate impact of downturn

- Central cost reduction
  - Reducing Directors' salaries and fees
  - No bonuses in respect of 2008
  - Headcount reduction
- Further reducing operating expenditure and focus on cash preservation
- Offtake agreements to sustain operations
  - Offtake renegotiation at Ellendale
- Opex and capex forecast at US$16.6m per month for 2009 from Q2 onwards



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2008 ANNUAL RESULTS

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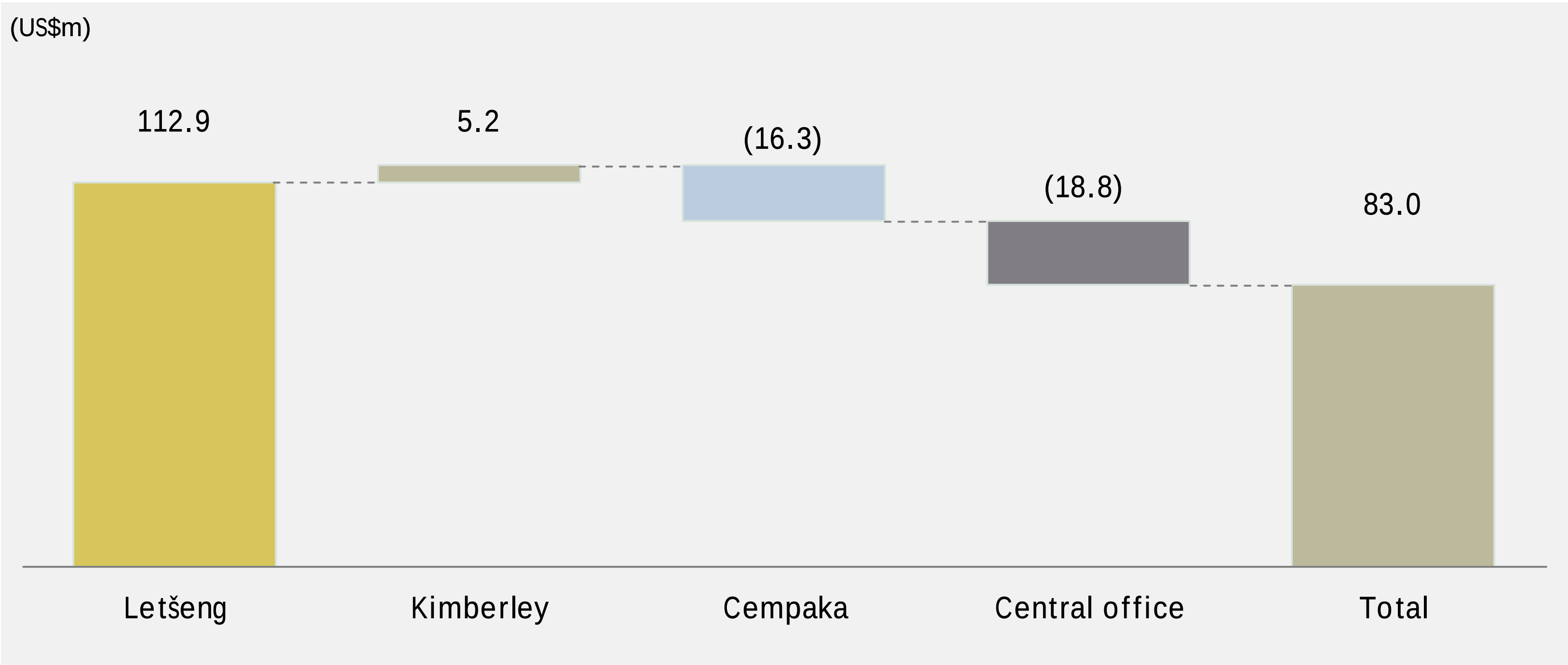
Key financial results 2008

Year ended 31 December	2008			2007
US$m	Pre-exceptional items	Exceptional items	Total	
Revenue	**296.9**	-	**296.9**	**152.7**
Cost of sales	(167.7)	(20.5)	(188.2)	(44.2)
Royalty and selling costs	(27.1)	-	(27.1)	(16.6)
Corporate expenses	(19.1)	(1.8)	(20.9)	(17.4)
Share of loss of an associate	-	-	-	(1.0)
EBITDA[1]	**83.0**	**(22.3)**	**60.7**	**73.5**
Depreciation	(41.6)	-	(41.6)	(7.6)
Amortisation	(19.4)	-	(19.4)	(13.0)
Share based payments	(10.4)	-	(10.4)	(19.5)
Impairment	-	(546.5)	(546.5)	-
Foreign exchange gain	(19.4)	-	(19.4)	14.7
Finance income / (costs)	(0.1)	-	(0.1)	20.1
(Loss) / profit before tax	**(7.9)**	**(568.8)**	**(576.7)**	**68.4**

[1] EBITDA unless indicated to the contrary, is before exceptional items and share based payments. Exceptional items are significant items of income and expense which due to their nature or expected infrequency are presented separately in the Income Statement

EBITDA by Segment 2008



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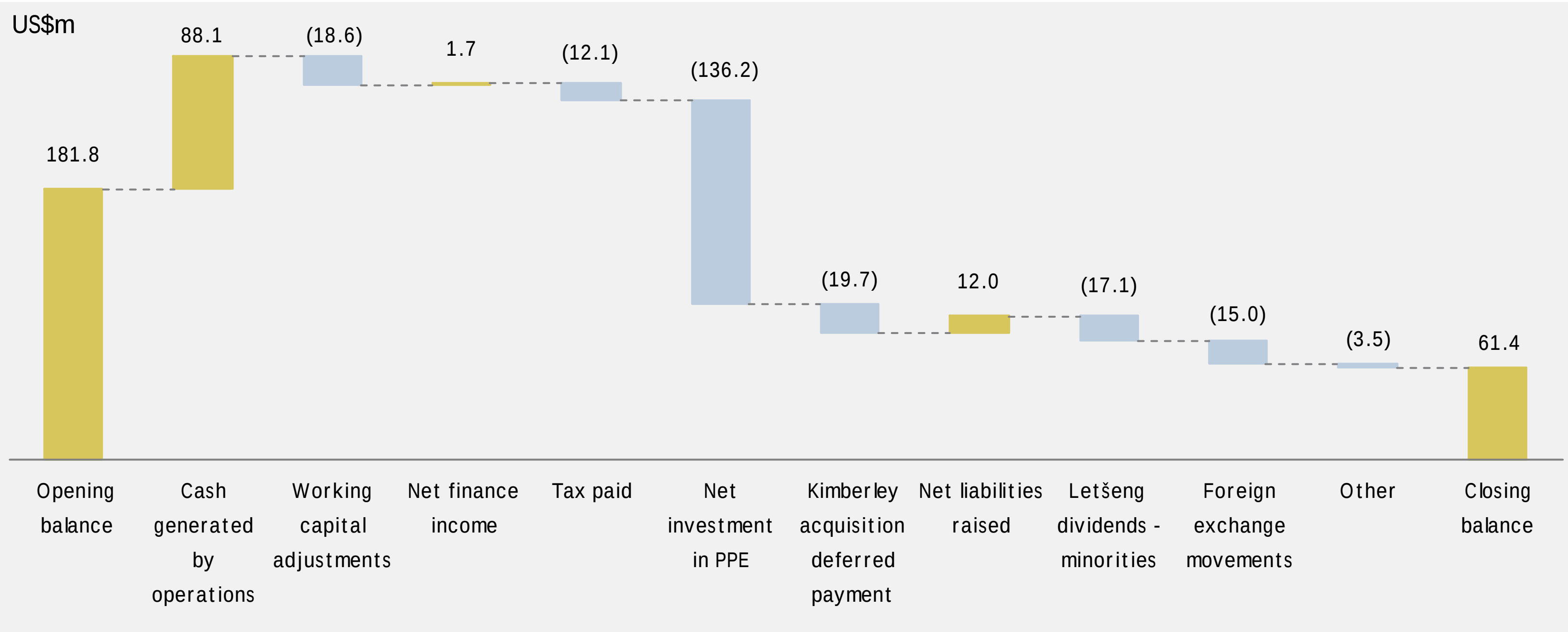
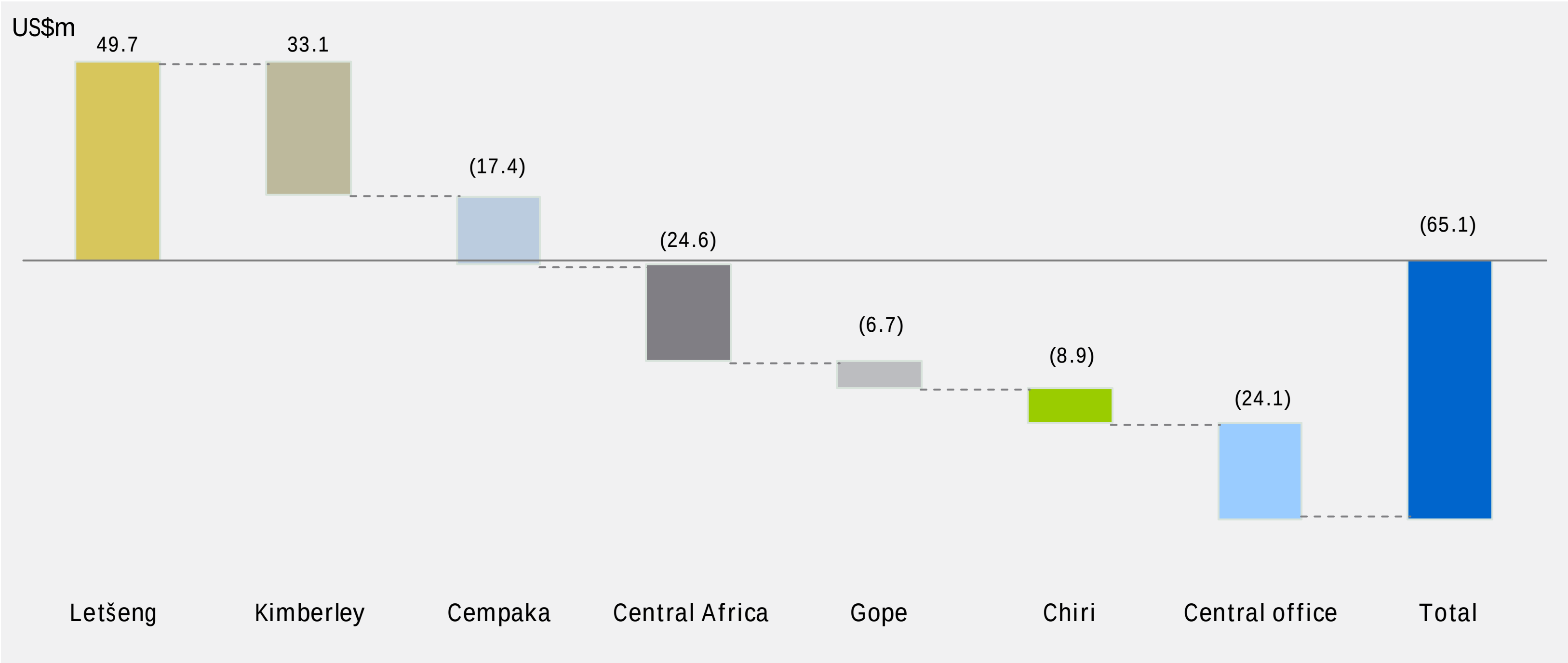
Group cash flow 2008



Cash generation/consumption by Segment 2008[1]



[1] The impact of cash taxes has been included in the cash generated/consumed
Segmental analysis excludes investment in Beneficiation

Impairments as at end 2008

Asset	Impairment (US$m)	Rationale
DRC	190.7	● All alluvial operations placed on care and maintenance ● Impaired full carrying value of resources and development costs ● No residual value attributed to kimberlite exploration
CAR	17.6	● All alluvial operations placed on care and maintenance ● Impaired full carrying value of resources and development costs
Cempaka	95.3	● Mine placed on care and maintenance in January 2009 ● Full value of goodwill and asset impaired
Kimberley	242.9	● Ellendale 4 pipe placed on care and maintenance February 2009 (higher grade/lower quality) ● Mining, capital, deferred stripping assets impaired along with goodwill
TOTAL	**546.5**	

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Cash / (debt) position

US$m as at 31 Dec 08	
External borrowings:	
• Convertible	(16.1)
• Bank debt	(20.9)
• Bonding facility	(4.5)
Total	(41.5)
Cash and cash equivalents	61.4
Net cash / (debt)	19.9

- Convertible bond
  - US$16m/160 units outstanding
  - Repayment: 2 October 2009
  - Interest rate: 6%
  - Conversion price: $17.01
- Société Générale loan
  - A$30m/US$20.9m outstanding
  - Agreed repayment: 2 business days after completion of the Placing
  - Interest rate: Bank bill swap bid rate + 125 bps
  - Bond guaranteed to State of Western Australia for Kimberley environmental provisions: c. A$6.4m/US$4.5m drawn
  - Total A$36.4m/US$25.4m

FIRM PLACING

Capital raising terms

Firm Placing	New shares issued	up to 75,000,000
	Placing price	100p per share
	Discount to previous close	33%
	Total proceeds	£75m / $107m
	Total number of shares in issue, post capital raising	137,977,853

USD:GBP rate = 1.4331 as at 31 March 2009, Bank of England close price

Expected timetable

Timetable	Announcement	1 April
	Publish Prospectus / Circular	3 April
	General meeting	20 April
	Firm Placing settlement	22 April
	Admission	22 April

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Use of proceeds & importance of capital raising

Use of proceeds

- Repay existing debt
  - Repay US$16.5m convertible bonds and c.US$25.4m Soc Gen loan and environmental bond
  - Debt expected to reduce to zero
- Balance will fund working capital requirements
  - Repay Kimberley creditors due c. US$10.2m

Importance of capital raising

- Allows Company to meet its debt obligations
- Creates a suitable capital structure to allow operations to weather a prolonged downturn
- Alternative to Firm Placing
  - Renegotiating terms and repayment dates of convertible bond and Société Générale loan—prospects uncertain and likely to be costly
  - Entering into offtake agreements at Letšeng and Ellendale
    - Risk of receiving sub-optimal terms if the Company is under financial duress

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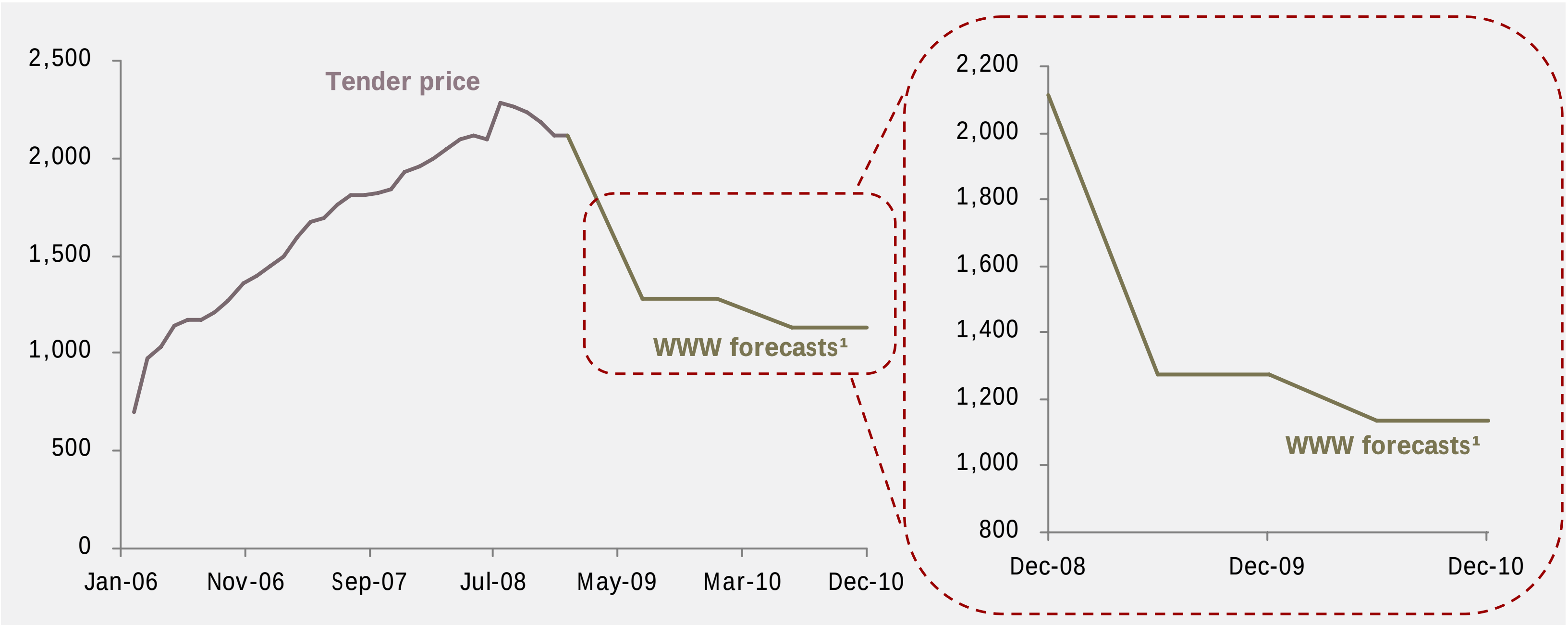
OUTLOOK & STRATEGY

Diamond price outlook

Rough diamond pricing (US$/Ct) - Letšeng 6 month rolling average historic, WWW index forecasts



Near term WWW forecasts expect a stabilisation in high quality rough diamond prices

Source: Gem Diamonds, WWW Diamond Forecasts Ltd, (prices in real terms), Equity research
Note: Historical pricing is on a 6-month rolling basis and includes 3 “special” stones discovered at Letseng mine
[1] WWW Diamond Forecasts Ltd fine large rough diamond forecasts (the majority of Letšeng's production) on an annual basis, applied to Letšeng 2008 dollar per carat price achieved

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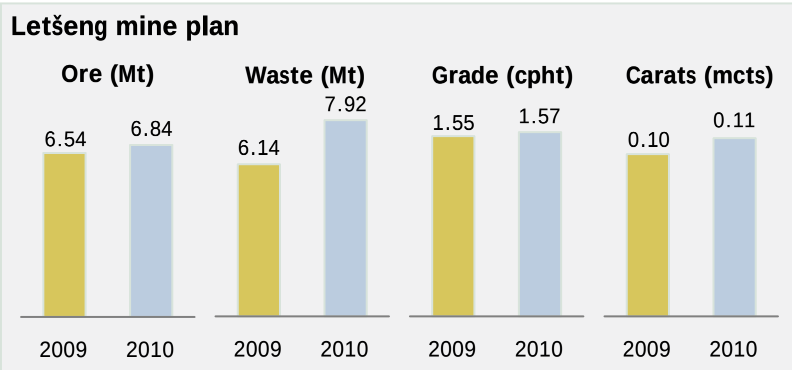
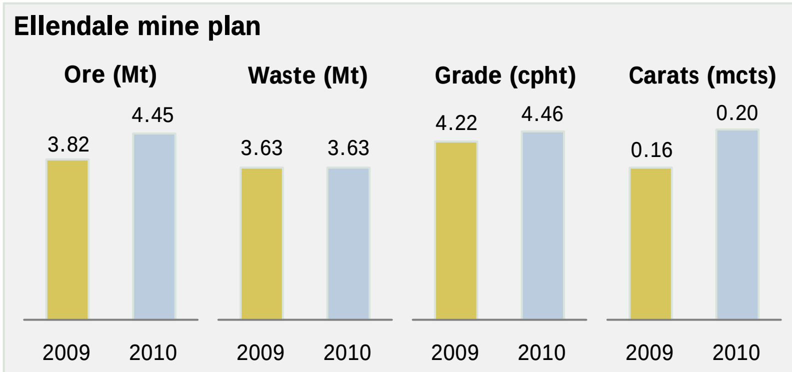
Strategy: Survival through the cycle

Short-term plan to weather downturn

- Continue to mine and develop higher margin operations at Letšeng and Ellendale
- Conserve cash
- Position Gem Diamonds to emerge from downturn in a position of strength





Emerge from downturn in position of strength

- Letšeng
  - Two independent kimberlite pipes and two plants – low production risk
  - Producer of large top quality diamonds
  - Life of mine 33 years
- Ellendale
  - Producer of vivid and intense fancy yellow diamonds
  - Significant portion of fancy yellow market
  - Off-take heads of terms signed
- Longer term development projects - Gope, DRC kimberlites
- Experienced management team
- Capital raising to ensure balance sheet strength and growth optionality maintained
- Long term supply demand imbalance remains
- Future capital returns to shareholders as conditions permit