



2009 Full Year Results
16th March 2010



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2009 highlights

- Gem Diamonds maintains profitability during the worst recession faced by the diamond industry
- Management took prompt action
- Capital raising of US\$98.8 million (net) completed in April 2009
- Gross cash of US\$113.8 million at period end and no debt
- Rough diamond prices began recovery in April 2009
- 2009 revenue of US\$244.4 million
- 2009 EBITDA of US\$53.4 million
- 2009 attributable profit of US\$15.5 million versus 2008 loss of US\$552.8 million
- Kimberley Diamonds signs supply agreement with Tiffany
- Market indicators support supply/demand shortage



The diamond market 2009

Rough diamond market:

- Q1 2009 diamond prices fell more than 60% from 2008 highs
- Reduced supply of rough diamonds from major producers
- Rough prices began to recover in April 2009
- Demand strengthens

Retail diamond market:

2008

- Weak US Christmas sales

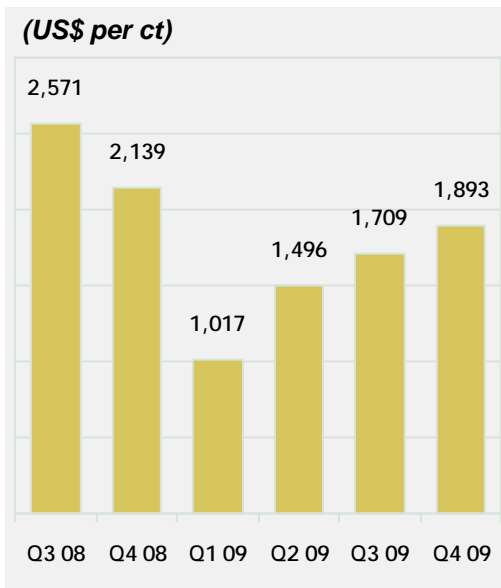
2009

- US retail inventory destocking
- Weak US and Japanese diamond jewellery sales
- But stronger than expected US Christmas sales
- Sales in China and India continue to grow strongly

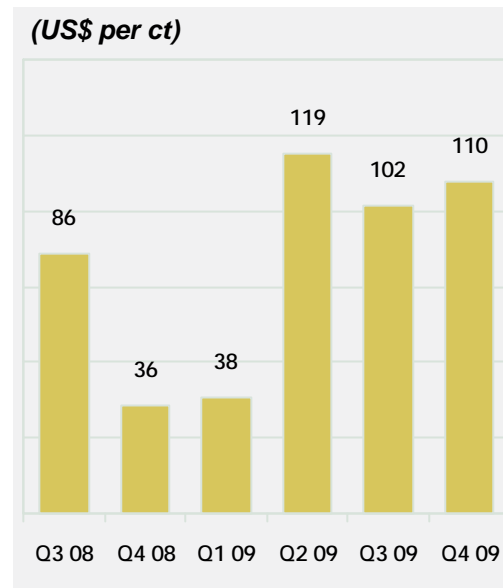


Diamond prices 2009—per quarter average

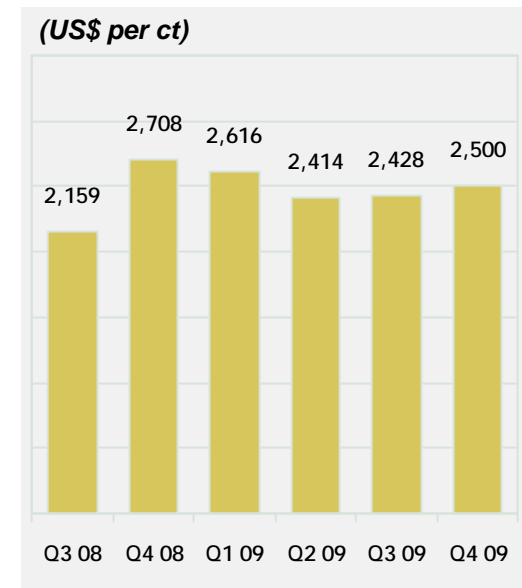
Letšeng (adj)



Ellendale
(excl Tiffany yellows)



Ellendale Tiffany yellow
production





Strategy implemented by Gem Diamonds (late 2008 onwards)

- Cash – preservation and generation in 2009
 - Non cash generating operations placed on care & maintenance
 - Cost reduction programme across the Group
 - Targeted mining strategy at Letšeng Main Pipe and E9 East at Ellendale
 - Capital raising of net US\$98.8 million
 - Repayment of all debt
 - DRC assets sold but Gem Diamonds retains a 65% interest and 3% royalty in any economic kimberlites discovered
- Botswana – Mining Licence Negotiations ongoing at Gope
- Beneficiation trials continue with positive results



Letšeng, Lesotho

- 2009 strategy aimed at profitability in recession
- Original Mine Plan
 - Focus on Main Pipe
 - Waste Stripping build-up deferred
- As prices improved:
 - Rescheduling of Mine Plan to increase Satellite contribution
- 2009 cash cost per tonne of \$10.80 (2008 - \$11.69)
- 2009 prices averaged US\$1 534/ct
- Letšeng produced over 700 gem quality diamonds larger than 10.8 carats
 - 78% of revenue
- 2009 EBITDA US\$58.5 million





Ellendale, Australia

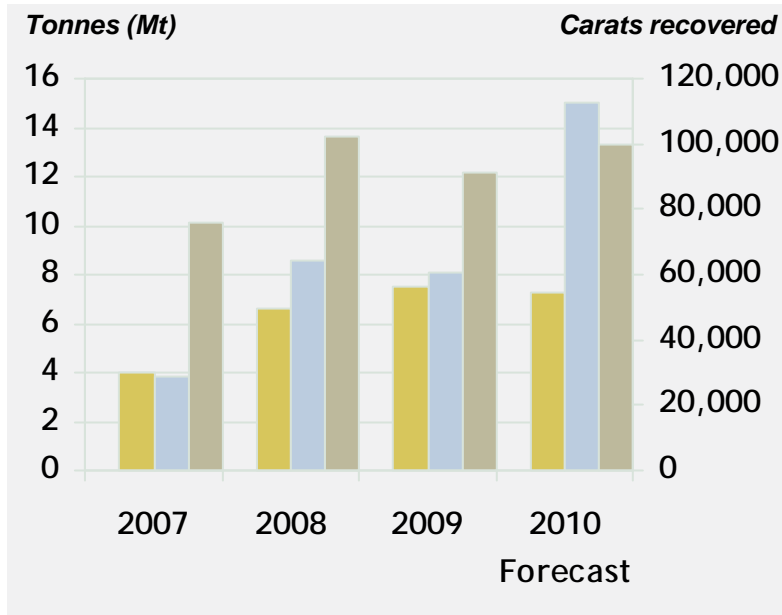
- Suspension of lower value E4 operation
- E9 operations ramped up in H1 2009
- 2009 H1 focus on East side of E9 pipe
- Continued focus on cost reduction
- 2009 production measures and targets achieved or exceeded
- Supply agreement concluded with Tiffany
- 2009 average price of fancy yellow diamonds US\$2 480/ct
- 2009 average price for total Ellendale production achieved US\$232/ct
- 2009 EBITDA US\$11.0 million



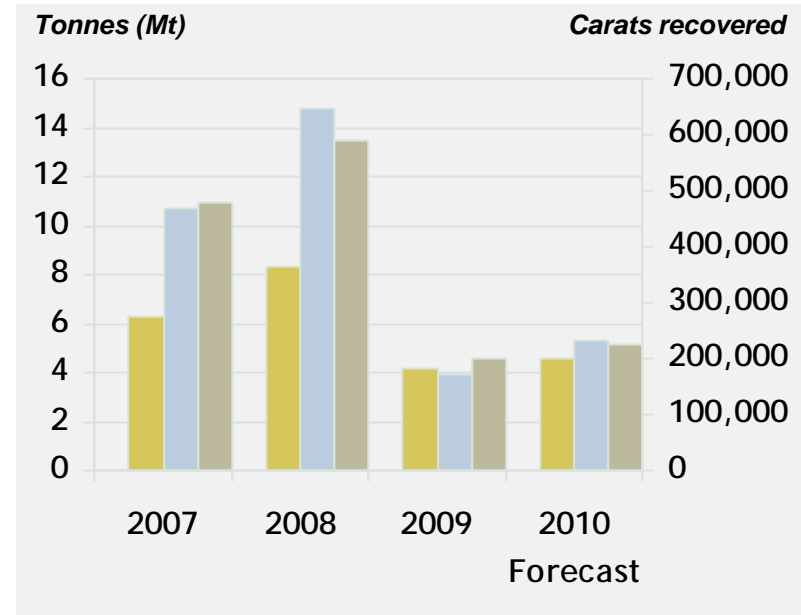


Letšeng and Ellendale 2010 forecast

Letšeng mine production



Ellendale mine production



■ Tonnes treated (Mt) ■ Waste stripped (Mt) ■ Carats recovered



2009 financial highlights

- Revenue of US\$244.4 million
- EBITDA of US\$53.4 million
- Profit before tax from continuing operations of US\$37.1 million
- Attributable profit of US\$15.5 million
- EPS 14 US cents per share
- Cash generated by operations of \$72.2 million (pre tax)
- Cost efficiencies and cash conservation across the group
- Central costs reduced by 37% to \$13.2 million
- Capital raising of US\$98.8 million (net)
- All debt repaid during the year
- Sale of DRC operations with retention of interest in kimberlites
- Cash of US\$113.8 million at year end



2009 financial results

	12 months ended 31 December 2009 US\$ millions	12 months ended 31 December 2008 US\$ millions
Revenue	244.4	296.9
Cost of sales	(155.3)	(187.4)
Royalty and selling costs	(22.5)	(27.1)
Corporate expenses	(13.2)	(20.9)
EBITDA	53.4	61.5
Non cash items		
Depreciation and amortisation	(25.3)	(61.0)
Share based payments	(5.6)	(10.4)
Impairment reversal / (write off)	0.2	(338.2)
Other income	0.3	-
Foreign exchange gain / (loss)	14.4	(19.3)
Net finance costs	(0.3)	(0.1)
Profit before tax	37.1	(367.4)
Attributable profit	15.5	(552.8)
Earnings per share (cents)	14	(884)



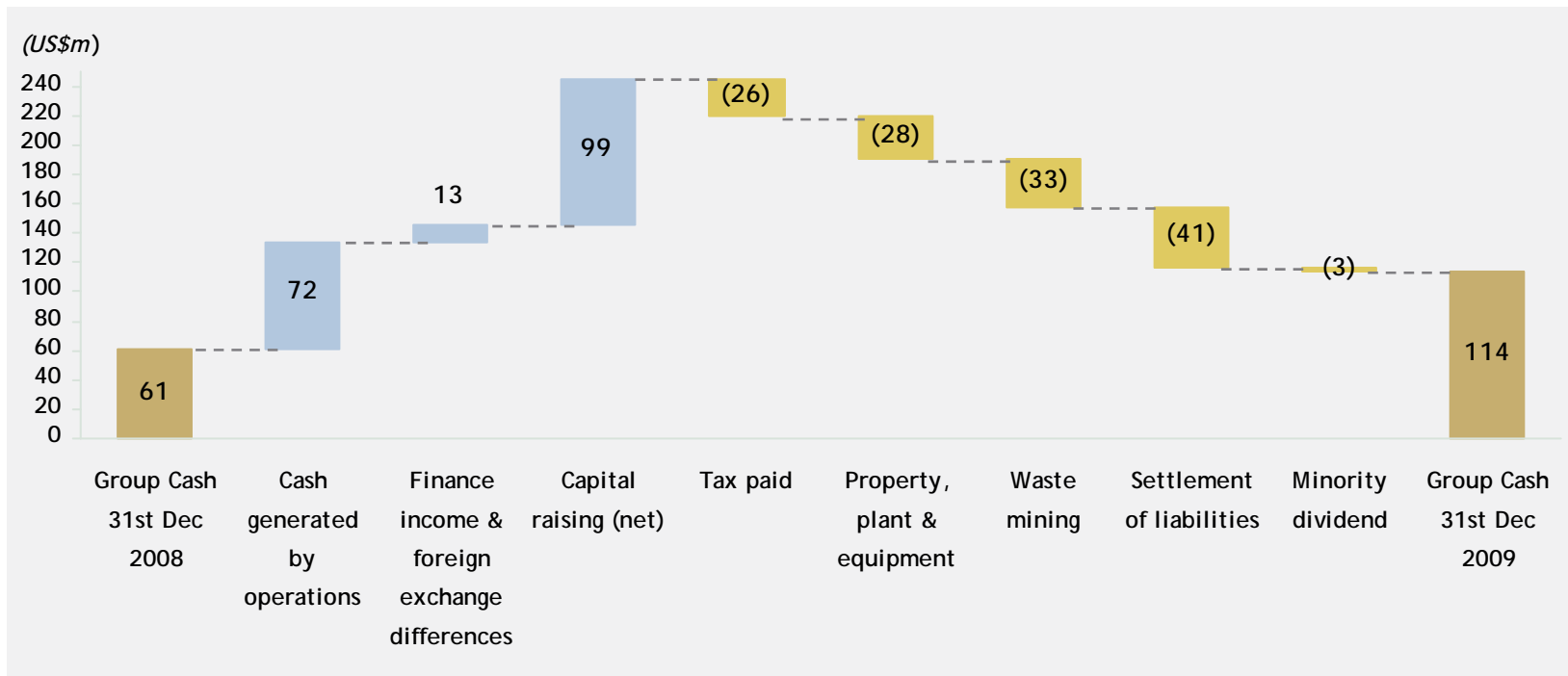
2009 financial results per operation

Segmental Performance

	Letšeng US\$ millions	Ellendale E9 US\$ millions
Sales	163.9	64.4
Cost of sales	(87.7)	(47.3)
Royalty and selling costs	(17.7)	(3.8)
EBITDA	58.5	13.3
Tonnes treated (Mt)	7.55	3.88
Carats recovered (k)	90.9	162.8
Carats sold (k)	101.6	157.4
Average \$/carat	1 534	382
Average exchange rate to US\$	8.42	1.28

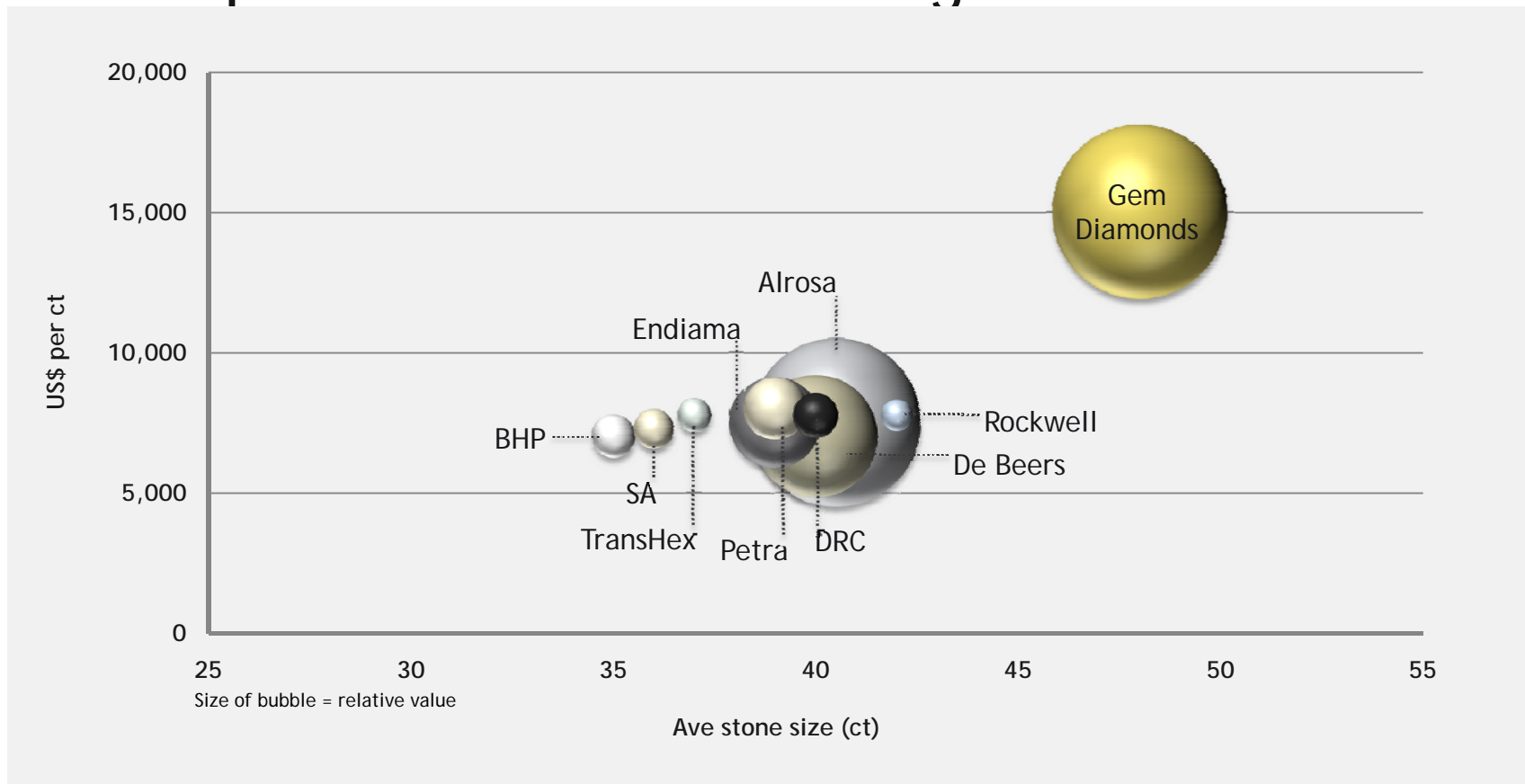


Group cash





Main producers of +25¢ rough diamonds



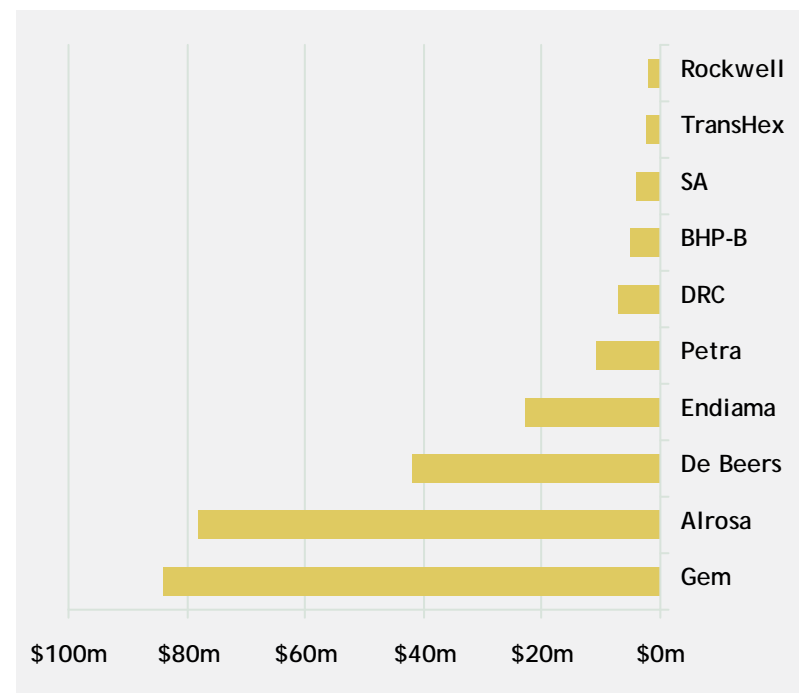


Letšeng's market share of +25¢ elite goods

By mine...



... or by company



Source: BB Diamond Services
 Note: Accounts for +/- 95% of +25¢ production



Outlook and strategy

- Organic growth workstreams
- Other growth opportunities pursued
- Review of marketing strategy
- Continuation of beneficiation initiatives
- Encouraging supply / demand fundamentals

