

GEM DIAMONDS



Half Year Results

26th August 2009



Disclaimer

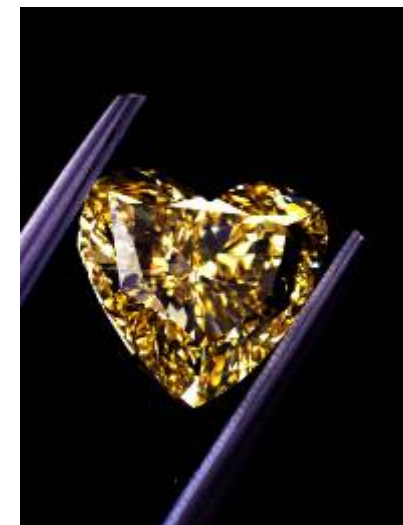
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HIGHLIGHTS

H1 2009 Highlights

- ◆ Gem Diamonds emerges profitably from the downturn
- ◆ Diamond prices rose in the period
- ◆ Successful capital raising of US\$98.8 million (net)
- ◆ All debt repaid in the period
- ◆ Cash of US\$120.5 million at period end
- ◆ Revenue of US\$117.8 million
- ◆ EBITDA of US\$25.1 million
- ◆ Attributable profit of US\$3.3 million (3.60 US cents per share)





Strategy implemented by Gem Diamonds

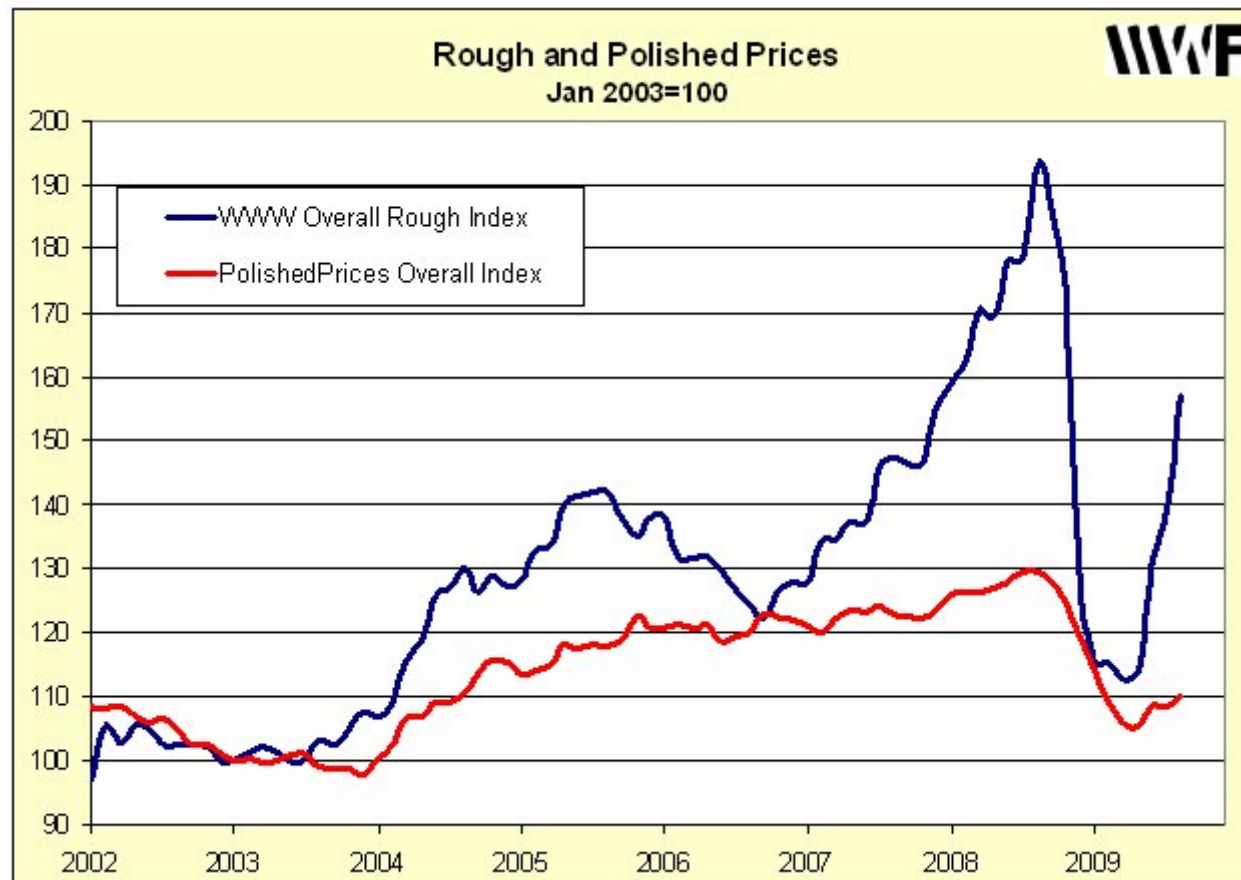
H1 2009

- ◆ Cash preservation and generation
 - ◆ Focused on Letseng and E9 Pipe
- ◆ Care & Maintenance
 - ◆ Australia (E4 Pipe)
 - ◆ CAR, DRC, Indonesia, Angola
- ◆ Botswana - negotiations ongoing
- ◆ Beneficiation suspended
- ◆ Reduced capital expenditure
- ◆ Cost cutting programme implemented
- ◆ Net US\$98.8m capital raising
- ◆ All debt repaid





Fall and recovery of rough versus polished prices



Source WWF forecasting



DIAMOND MARKET REVIEW

The Diamond Market H1 2009

- ◆ Rough:
 - ◆ Prices firmed in H1
 - ◆ Reduced supply of rough diamonds from major producers
 - ◆ Demand for top quality, top colour, large diamonds continues
- ◆ Polished:
 - ◆ Demand still weak in US but slow recovery expected in H2 2009
 - ◆ Good sales levels in ME, Asia (excluding Japan) and especially in China
 - ◆ Sales of diamond wedding jewellery remain strong
- ◆ Diamond Market uncertainties:
 - ◆ Cutting centres diamond stocks remain high
 - ◆ Impact of De Beers and Alrosa resuming supply
 - ◆ US Thanksgiving - Christmas season





OPERATIONAL REVIEW

Letšeng, Lesotho

- ◆ Both plants running at full capacity, continuing to perform optimally
- ◆ Prices averaged US\$ 308/ct for H1 2009 (US\$ 2 512/ct H1 2008)
- ◆ 20 diamonds sold for over US\$20 000/ct, achieving an average price of US\$29 563/ct emphasising high quality large diamonds
- ◆ Plants 1 & 2: combined tonnage record in May
- ◆ Successful testing of optical sorting capabilities on tailings





Ellendale, Australia

- ◆ E4 Operations placed on care and maintenance in Feb 2009
- ◆ Strategy change from high volume, maximum production to cost efficient mining of the E9 pipe
- ◆ Kimberley Diamonds generated a profit in H1 2009
- ◆ Consistently increased plant throughput in recent months
 - ◆ excess of 600 tonnes per hour production rate for June
 - ◆ record of 0.39 million tonnes throughput at E9.





H1 Financial Results

US\$ millions	6 months ended 30 June 2009	6 months ended 30 June 2008
Revenue	117.8	166.8
Cost of Sales	(74.8)	(84.5)
Royalty and selling costs	(11.2)	(14.4)
Corporate expenses	(6.6)	(8.7)
EBITDA	25.1	59.2
Non Cash items		
Depreciation and Amortisation	(11.0)	(31.8)
Share based payments	(4.1)	(5.2)
Foreign exchange gain	7.8	2.3
Net finance (costs) / income	(0.8)	0.6
Profit before tax	17.2	25.2
Income tax	(5.6)	(9.0)
Profit from continuing operations	11.6	16.2
Loss from continuing operations	(3.2)	-
Profit for the period	8.4	16.2
Minority Interests	(5.2)	(14.8)
Attributable profit	3.3	1.3



Segmental Performance

US\$ (millions)	Letseng Diamonds	Kimberley Diamonds
Sales	84.1	32.5
Cost of Sales	(43.8)	(28.2)
Royalty and selling costs	(9.1)	(2.1)
EBITDA	31.2	2.2
D&A	(7.8)	(2.3)
Share based payments	(0.2)	(0.2)
Forex (loss) / Gain	(0.9)	1.7
Operating Profit	22.3	1.4

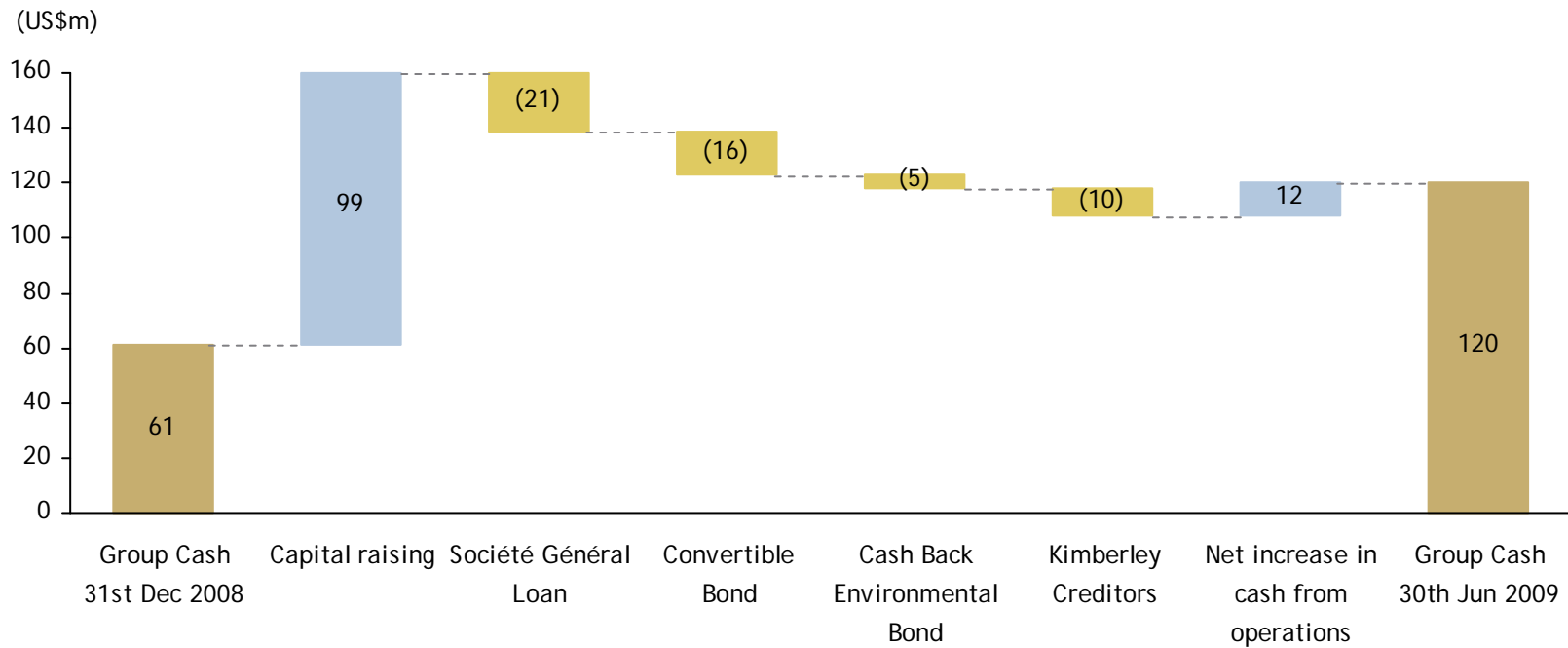


Group Cash

	US\$ million
Group Cash December 31st 2008	61
Capital Raising	99
Settlement of Capital raising obligations	(52)
Net increase in cash from operations	12
Group Cash June 30th 2009	120



Group Cash





Strategy and outlook

- ◆ Cost cutting at the centre and non profitable operations continuing
- ◆ Cash preservation ongoing
- ◆ Optimising producing assets
- ◆ Resumption of beneficiation
- ◆ Other assets - continuing evaluation

