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Unless otherwise defined in this announcement, terms defined in the prospectus of Graff Diamonds Corporation dated 28 May 2012 have the same meanings when used in this announcement.

G R A F F

GRAFF DIAMONDS CORPORATION

(incorporated in Cayman Islands with limited liability)

(Stock Code: 1306)

GLOBAL OFFERING NOT TO PROCEED

Graff Diamonds Corporation (the “**Company**”) confirms that due to adverse market conditions it has decided to postpone its planned Global Offering and listing on the Hong Kong Stock Exchange. Accordingly, the International Placing Agreement in relation to the International Placing will not be entered into and the Hong Kong Underwriting Agreement in relation to the Hong Kong Public Offering will not become unconditional.

The Company is committed to growing its business and will continue to do so irrespective of today’s decision. The Company would like to express its gratitude to its prospective investors for their interest in the Company’s business and strategy, for their support and for their consistently positive feedback during the Global Offering.

RETURN OF CHEQUES OR REFUND OF APPLICATION MONIES

Application monies in respect of applications made on **WHITE** or **YELLOW** Application Forms for Hong Kong Offer Shares (including brokerage of 1.0%, the SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%) will be refunded in full without interest. Refund cheques will be dispatched to the applicants’ address specified in their **WHITE** or **YELLOW** Application Forms by ordinary post on 6 June 2012 at the applicants’ own risk.

If you have applied for less than 1,000,000 Hong Kong Offer Shares, or have applied for 1,000,000 Hong Kong Offer Shares or more and have not indicated in your **WHITE** or **YELLOW** Application Forms that you wish to collect your refund cheque(s) in person, your refund cheque(s) will be dispatched to you by ordinary post without interest to the address indicated on the relevant Application Form on 6 June 2012 at your own risk.

If you have applied for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** or **YELLOW** Application Forms and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) from Tricor Investor Services Limited and have provided all information required in your Application Form, you may collect your refund cheque(s) from the Company’s Hong Kong share registrar, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on 6 June 2012. If you are an individual and you opt for personal collection, you must not authorise any other person to make the collection on your behalf. If you are a corporate applicant which opts for personal collection, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Tricor Investor Services Limited. If you do not collect your refund cheque(s) within the time period specified for collection, they will be dispatched thereafter to you by ordinary post to the address as specified in your Application Form at your own risk.

All refund cheques will be crossed “Account Payee Only” in favour of the applicant (or in the case of joint applicants, the first-named applicant) for all application monies. Part of the applicant’s Hong Kong Identity Card number/passport number, or, if in the case of joint applicants, part of the Hong Kong Identity Card number/passport number of first-named applicant may be printed on the refund cheque.

Cheques received from applicants in respect of invalid applications made on **WHITE** or **YELLOW** Application Forms for Hong Kong Offer Shares have not been cleared and have been returned to the

relevant applicants together with the **WHITE** or **YELLOW** Application Forms (as the case may be) without interest by ordinary post to the address as specified in the relevant Application Forms at the applicants' own risk.

Application monies in respect of applications made under **HK eIPO White Form** service for Hong Kong Offer Shares (including brokerage of 1.0%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) will be refunded in full without interest. In the case of application monies paid from a single bank account, e-Auto Refund payment instructions will be dispatched to the respective application payment accounts on 6 June 2012. In the case of application monies paid from multiple bank accounts, refund cheques will be dispatched to the applicants' respective address specified in their **HK eIPO White Form** applications by ordinary post on 6 June 2012 at the applicants' own risk.

Applicants who applied for Hong Kong Offer Shares by giving electronic application instructions to HKSCC will have all amounts paid on application (including brokerage of 1.0%, SFC transaction levy of 0.003% and the Hong Kong Stock Exchange trading fee of 0.005%) credited to their designated bank accounts or the designated bank accounts of their brokers or custodians without interest on 6 June 2012.

Applicants who have instructed their brokers or custodians to give electronic application instructions on their behalf can check the amounts of refund monies payable to them with those brokers or custodians.

Applicants who applied as a CCASS Investor Participant can check the amounts of refund monies payable to them via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on 6 June 2012. Immediately after the credit of refund monies to the applicants' bank accounts, HKSCC will also make available to them an activity statement showing the amounts of refund monies credited to their designated bank accounts.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

By order of the board of
Graff Diamonds Corporation
Laurence Graff
Chairman

Hong Kong
31 May 2012

As at the date of this announcement, the executive Directors are Mr. Laurence Graff, Mr. François Graff and Mr. Nicholas Paine. The independent non-executive Directors are Mr. Douglas Daft, Mr. Graeme Jack, Mr. Manuel Lino Silva De Sousa Oliveira (known as Ollie Oliveira) and Mr. Philippe Pascal.