

Lucara Diamond  
WHERE BIGGER IS™

H1 - 2016

# Cautionary Statement



## *Forward-looking information*

This investor presentation contains forward-looking statements and information as defined in applicable securities laws including: the estimates of the Company's mineral reserve and resources; estimates of the Company's production and sales volumes, revenue for the Karowe Mine; exploration and development plans and objectives, production costs, exploration and development expenditures. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or achieved.

Forward-looking statements are based on the assumptions, opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks and uncertainties which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. In particular, such risks include general business and economic conditions, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations), cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters and other risks and uncertainties describe under Risks and Uncertainties disclosed under the heading "Risk Factors" in the Company's most recent Annual Information Form available at <http://www.sedar.com>.

Forward-looking statements and information speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.

Readers are cautioned not to place undue reliance on forward-looking statements and information.

This presentation does not constitute an offer or invitation to purchase or subscribe for any securities and no part of it shall form the basis of or be relied upon in connection with any investment decision in relation thereto.

## *Technical information*

NI 43-101 Technical Report on the Feasibility Study for the AK6 Kimberlite Project, Botswana  
Prepared by MSA GeoServices (Pty) Ltd on behalf of Lucara Diamond Corp., dated December 31, 2010. Updated NI43-101 report released on February 4, 2014, based on update Mineral Resource Estimate released by Lucara Diamond Corp., dated December 19, 2013.

The authors of these technical reports are independent of the Company and are qualified persons for the purposes of National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The technical reports are available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

All currencies mentioned in this presentation are in United States Dollars ("US\$") unless otherwise mentioned.

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# Introduction





# Lucara – The Investment Case



Where Bigger Is™	
100% owned Karowe Diamond Mine in Botswana – one of the foremost producers of Type IIa diamonds in the world	✓
Consistent delivery of large and exceptional stones generating strong free cashflow	✓
Regular dividend initiated in H1, 2014 changed to a progressive dividend paid quarterly	✓
Attractive and sustainable growth potential in the prospecting licenses – located within 30km of the Karowe Mine	✓
Strong and growing balance sheet for potential M&A Activity	✓

8.0 carat fancy pink diamond



# Capital Structure



- Lucara is a public Company listed under the symbol “LUC”
  - TSX
  - NASDAQ OMX (Sweden)
  - BSE (Botswana)
- Issued shares                      381M
- Fully diluted shares              383M
- Debt                                      Nil
- Cash on hand                      US\$ 210 million (Q2, 2016)

## Dividend

- Progressive (annual)              CDN \$0.06 per share
- Special                                  CDN \$0.45 per share (record date – Sept 2, 2016)

# Highlights and Key Performance Data



## Highlights

Where Bigger Is™	
0 LTI's recorded in H1, 2016 with more than 2,000,000 LTI free hours being recorded to the end of the June 2016	●
Recovery of 340 diamonds larger than 10.8 carats including 12 diamonds larger than 100 carats	●
Progressive dividend: CND \$0.015 per share paid in Q2 – annual dividends of CND \$0.06	●
Special dividend: CND \$0.45 per share declared which will be paid along with the progressive dividend in Q2	●
One regular tender held with 185,791 carats being sold for a \$191.4 million	●
Bulk sample plant construction complete with processing of BK02 completed	●
The sale, into a partnership, of the 813 carat Constellation Diamond for \$63.1 million	●



The Lesedi La Rona Diamond – 1,109 carats



# Lucara 2016 Guidance



## Karowe

- Forecast 2016 revenues of \$200 - \$220 million
  - Excluding the sale of the two very large exceptional diamonds
- Diamond sales of between 340,000 - 380,000 carats
- Operating costs of \$29.0 - \$31.0 per tonne processed (adjusted downwards at the end of Q2)
- Capital expenditure of up to \$52 - \$58 million split across 2016 and 2017
- Sustaining Capital of up to \$11.0 million (including \$1.5 million for mill relining machine and \$1.5 million for office relocation)

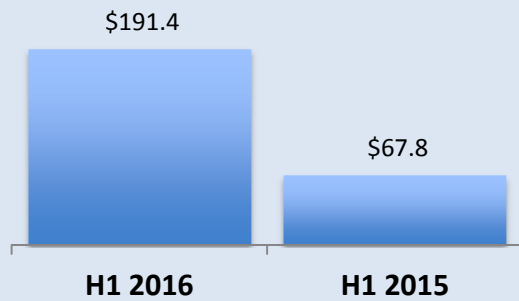
## Exploration

- Two prospecting licenses covering 5 known kimberlite occurrences awarded to Lucara (Boteti)
- Exploration budget of up to \$7 million
- Karowe (AK6) Deep Drilling \$3.7 million

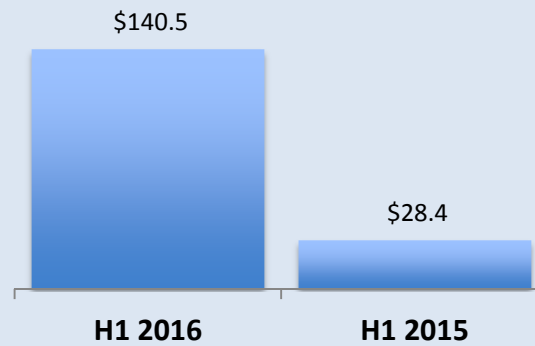
# Karowe Operating Performance



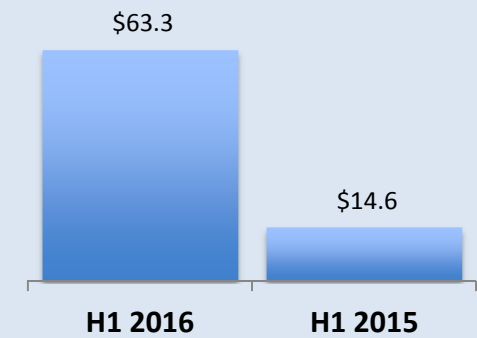
### Revenue (millions)



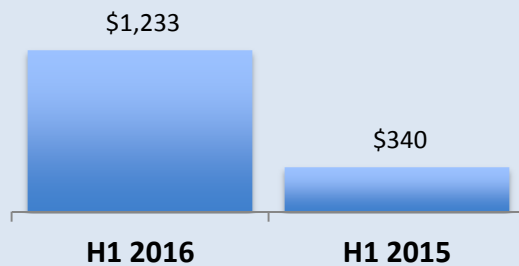
### EBITDA (millions)



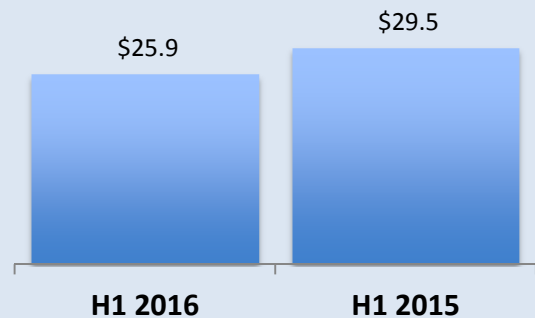
### Net Income (millions)



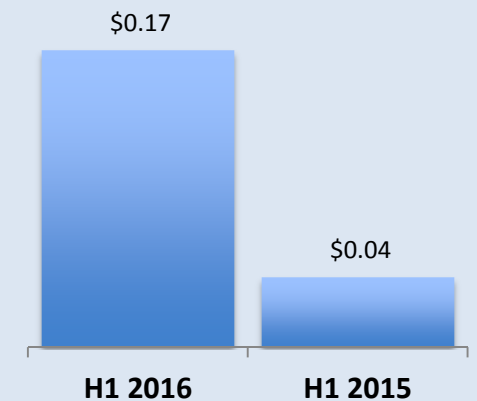
### Total Sales (average dollar per carat)



### Cash Operating Cost (per tonne treated)



### Earnings per share



# Karowe Operating Performance



<b>Production Information</b>	<b>H1 2016</b>	<b>H1 2015</b>
Ore processed (tonnes)	1,332,099	1,110,507
Ore mined (tonnes)	1,802,509	1,284,142
Carats recovered (carats)	190,279	175,791
Plant feed grade (carats per hundred tonnes)	14.3	15.8
Waste mined (tonnes)	6,811,106	7,521,977
<b>Costs</b>		
\$ per tonne processed	25.9	29.5
\$ per carat sold	139	132
<b>Revenues and Operating Margins</b>		
Revenue	191.4	67.8
Carats sold	185,791*	199,150
Revenue (\$ per carat)	1,075	340
Operating margin (\$ per carat)	936	208

\* Includes diamonds sold with revenues collected in Q3

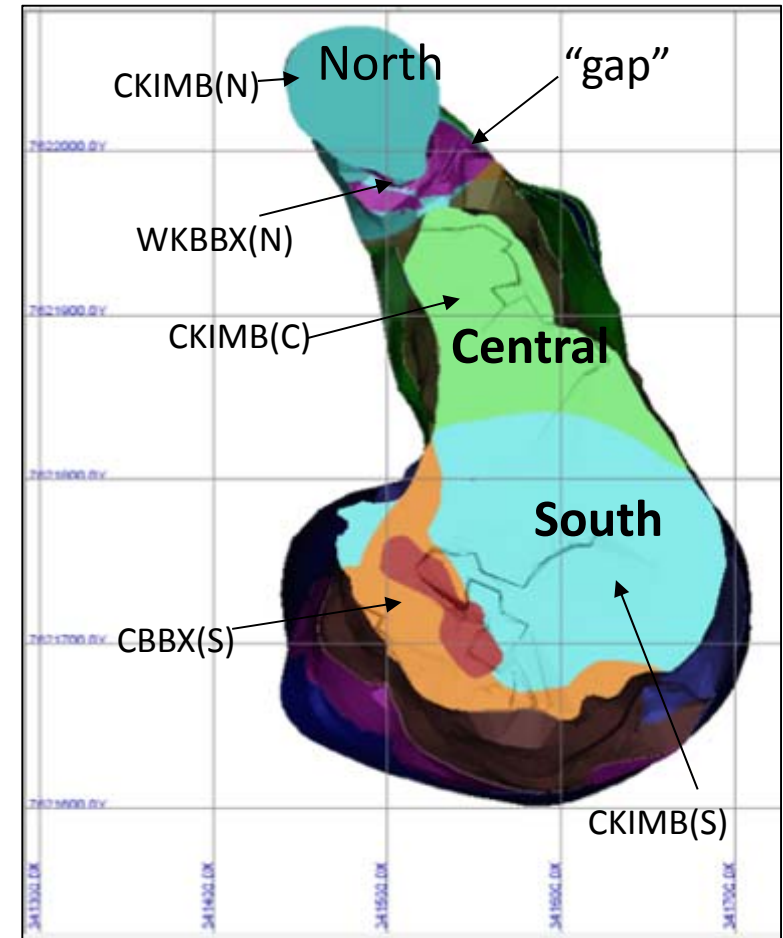
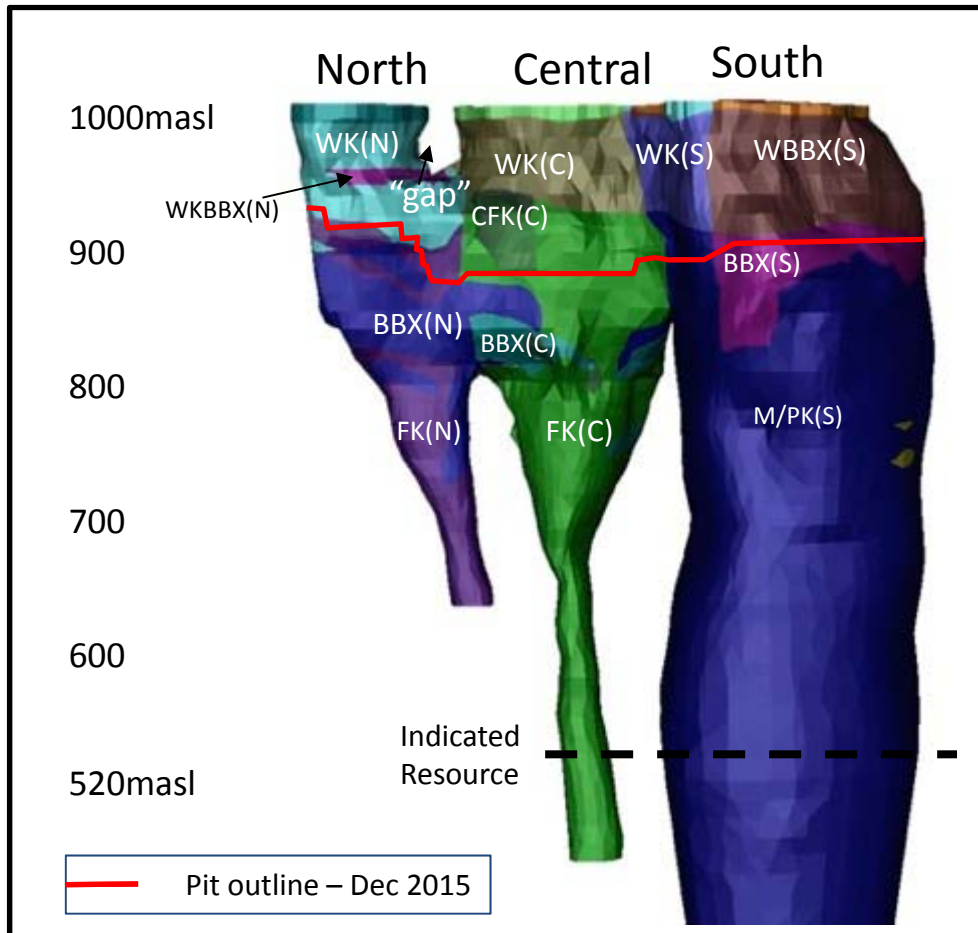


# Geological Model



Lucara Diamond

## Plan View of Geological Model

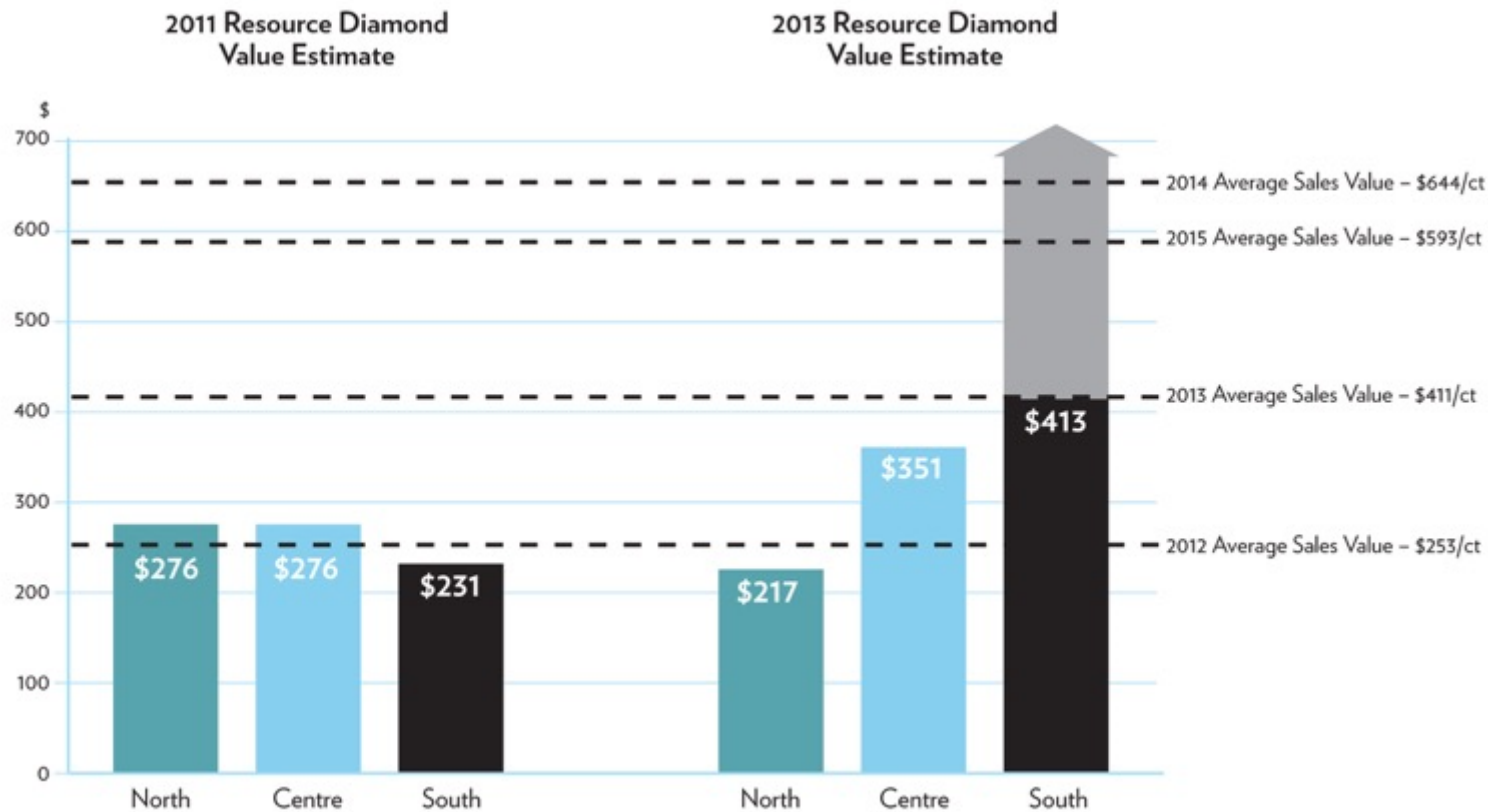




# Resource Performance



- Resource continues to deliver a significant quantity of stones greater than 10.8 carats with more than 340 being recovered during the first half of 2016 at an average stone size of **27.1 carat/stone**
- During H1, 2016, 12 diamonds larger than 100 carats were recovered

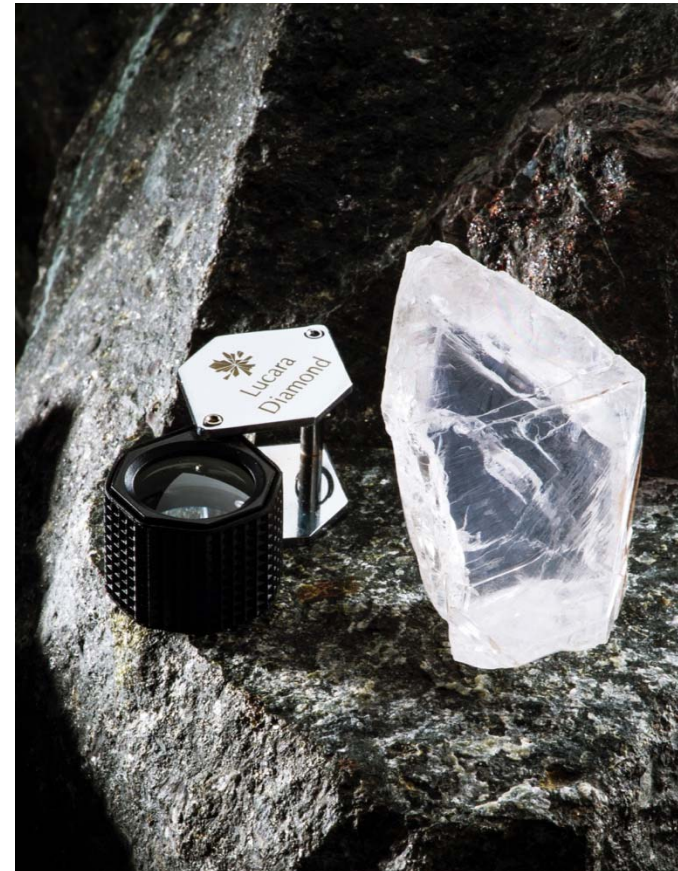


# Sales Update



- **Regular Tender**
  - Two regular and tender were held in H1
  - 185,791 carats were sold for \$85.2 million
  - Average price: \$459 per carat
- **Exceptional stone tenders:**
  - First EST of 2016 closed in April 2016
  - 10 diamonds weighing 1,525 carats were sold for \$51.3 million
  - Average price: \$33,632 per carat
- **Constellation Diamond**
  - In May, the 812.77 carat Constellation Diamond (6<sup>th</sup> largest gem quality ever recovered) was sold for a world record \$63.1 million (\$77,649 per carat)

**Total sales to date - \$191.4 million**



Highest price ever paid for a single diamond, rough or polished- The Constellation Diamond weighing 812.77 carats





- Lesedi La Rona

- Recovered in November 2015 weighing 1,109 carats post cleaning
- Second largest gem quality diamond ever and the largest in more than 100 years
- Roadshow to show the diamond in major cities around the world
- Diamond did not sell at the live auction on June 29
- Viewings ongoing for the stone with future options for the stone being developed
  - Analyse and potentially polish
  - Partnership
  - Sale



The Lesedi La Rona diamond weighing 1,109 carats is the second largest gem quality diamond ever recovered

# CSR and Health & Safety



- Safety performance for the first half of the year was excellent with Safety and Health Lost time injury frequency rates ('LTIFR') for 2016 of zero (measured per 1,000,000 hours) (2015: 0.4)
- Letlhakane abattoir handed over to the district counsel with official opening taking place in August 2016
- Lucara auctioned 3x 5 carat diamonds at the Lesedi La Rona sale with the proceeds being donated to the lady Kharma Charitable Trust
- Ongoing support for activities related to the celebration of Botswana's 50 Year Independence celebration
  - Lucara Bot50 Half Marathon



Cheque handover to the Lady Khama Charitable Trust



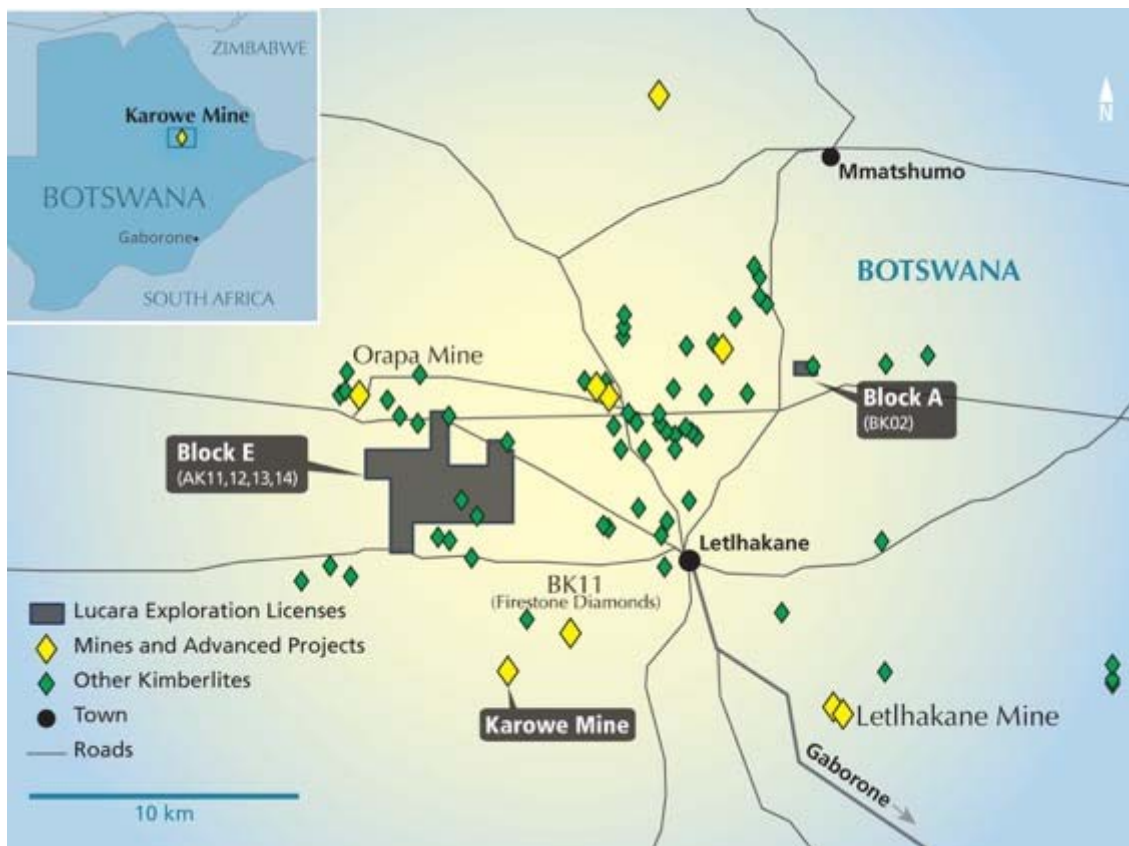
# Botswana Exploration



# Resource Replacement



## Prospecting Licenses (PLs)



- Boteti awarded 2 PL's in mid Sept 2014
- Both PL's host known diamondiferous kimberlites
- Block A (BK02)
- Block E (AK11, 12, 13, 14)





# Prospecting License: Block A



## **Work Plan**

- Bulk sampling and processing activities at BK02 were completed yielding a recovered grade of 4.6 carats per hundred tonnes with 274.33 carats being recovered from 5,916 tonnes of kimberlite material
- Three largest diamonds recovered were 5.48ct, 2.26ct, and 2.03ct.
- Diamond size frequency distribution similar to that observed during large diameter drilling on the AK06 south lobe
- 5,000t sample of blasted BK02 material delivered to the bulk sample plant. Additional diamond recoveries will allow for the determination of a preliminary value distribution
- Drill permits have been received and drills will be mobilized to site to delineate the kimberlite as well as test local anomalies in the near vicinity



5.48 carat diamond recovered from BK02



Bulk Sample Plant

# Prospecting License: Block E



## **Background**

- License area is 55.4km<sup>2</sup>, host up to 4 known kimberlites, potential for additional discoveries, northern edge is contiguous with Debswana Orapa Mine Lease. Excellent road access, 15 kilometers north of Karowe Mine
- AK11 is poorly constrained, AK12 is diamond-bearing however little advanced work. AK13,14 at discovery-phase little to no exploration work

## **Progress**

- Sample processing of the AK12 material was terminated after 50% of the planned 5,000t sample had been processed
- Recovered grades for the AK12 sample were less than 0.1 carats per hundred tonnes
- No further work is planned for K12
- Drill program commenced at AK11



Bulk sampling activities at AK12



# Lucara – A Summary



## Lucara

- 100% owned Karowe Diamond Mine
- Strong free cashflow generation from operations which is enhanced by the consistent recovery of large and exceptional Type IIa diamonds
- Growth potential through exploration and M&A (strong balance sheet)
- Regular dividend paid since H1, 2014 – now progressive at \$0.06 pa
- Special dividend of \$0.45 CND declared for payment in September 2016

## Karowe

- Revenue guidance for 2016 - \$200 – \$220 million
  - Excluding the sale of the two very large exceptional diamonds
- Diamond Sales of 350,000 - 380,000 carats
- Operating costs of US\$29.0 - US\$31.0 per tonne processed

## Exploration

- Geophysics has been completed on the BK and AK kimberlites
- Further 5,000t sample processing from BK02 to assess value distribution of diamonds
- Drilling has commenced on AK11

# Contact Information



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# The Diamond Market



# Our Business



## *Key Factors Affecting The Diamond Market*

### **Long Term Factors**

- Consumer preference trends
- Macroeconomic fundamentals (GDP, growth of middle class)
- Supply fundamentals

### **Short Term Factors**

- Short term volatility in macroeconomic factors
- Pipeline efficiencies – **Maximizing the Value of the Rough**
- Market confidence of midstream players
- Liquidity of midstream players and access to finance



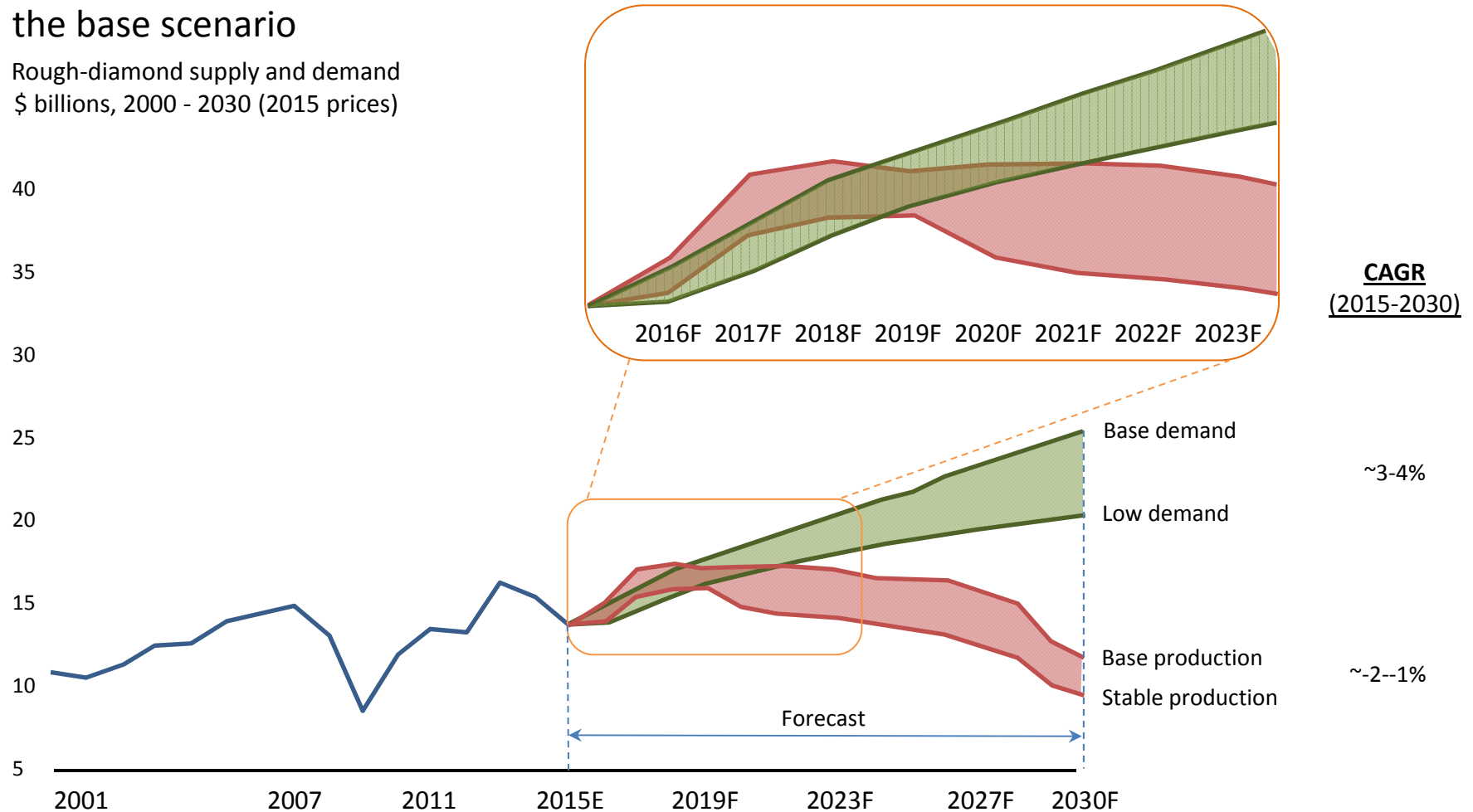


# The Diamond Sector – Supply/Demand



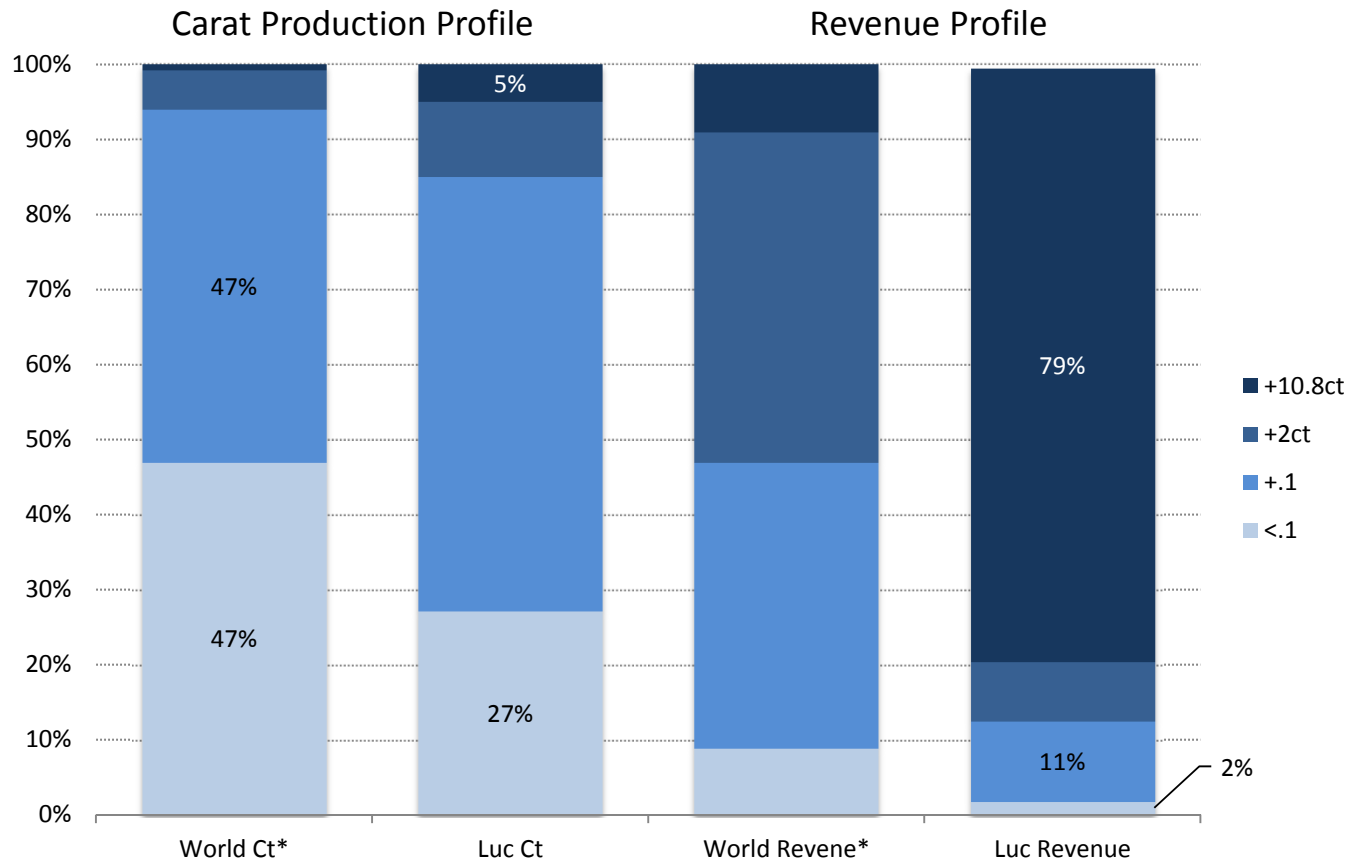
The gap between supply and demand is expected to widen starting in 2019 according to the base scenario

Rough-diamond supply and demand  
\$ billions, 2000 - 2030 (2015 prices)



Note: Rough-diamond demand has been converted from polished-diamond demand using historical ratio of rough-diamond and polished-diamond values  
Bain & Company – The Global Diamond Report 2015

# Lucara versus World Production (est.)

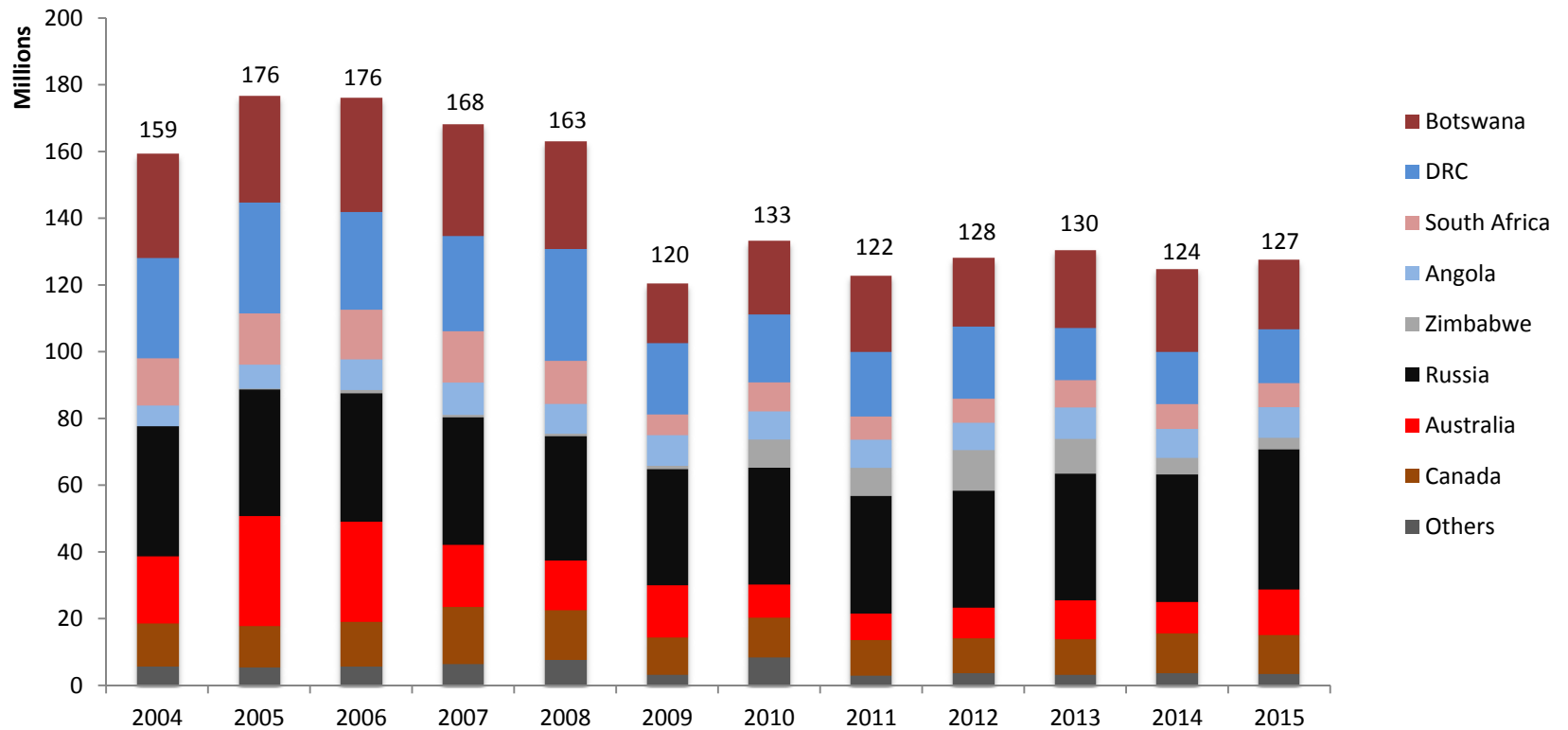


\*world revenue and ct proportions estimated

# Global Rough Diamond Production



Annual production - Carats



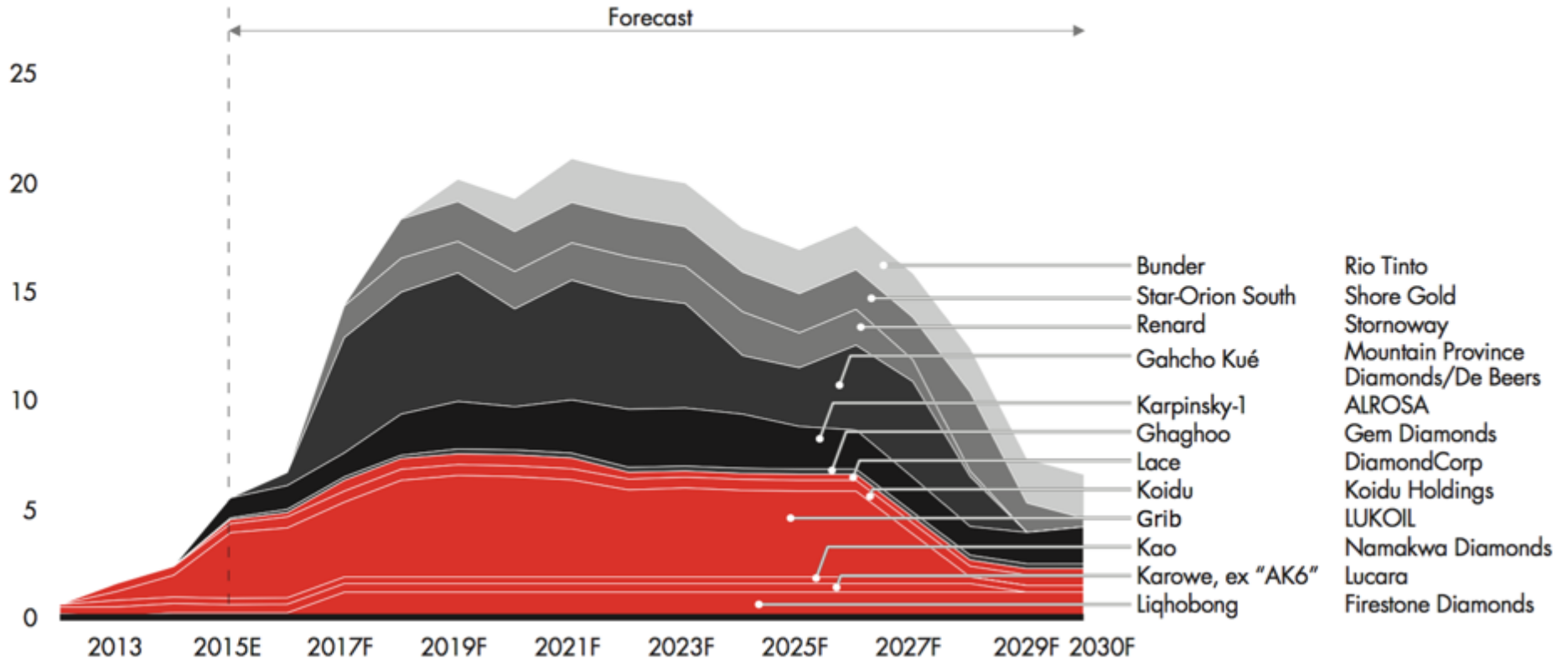
Source: Kimberley Process



# Expected New Mine Production



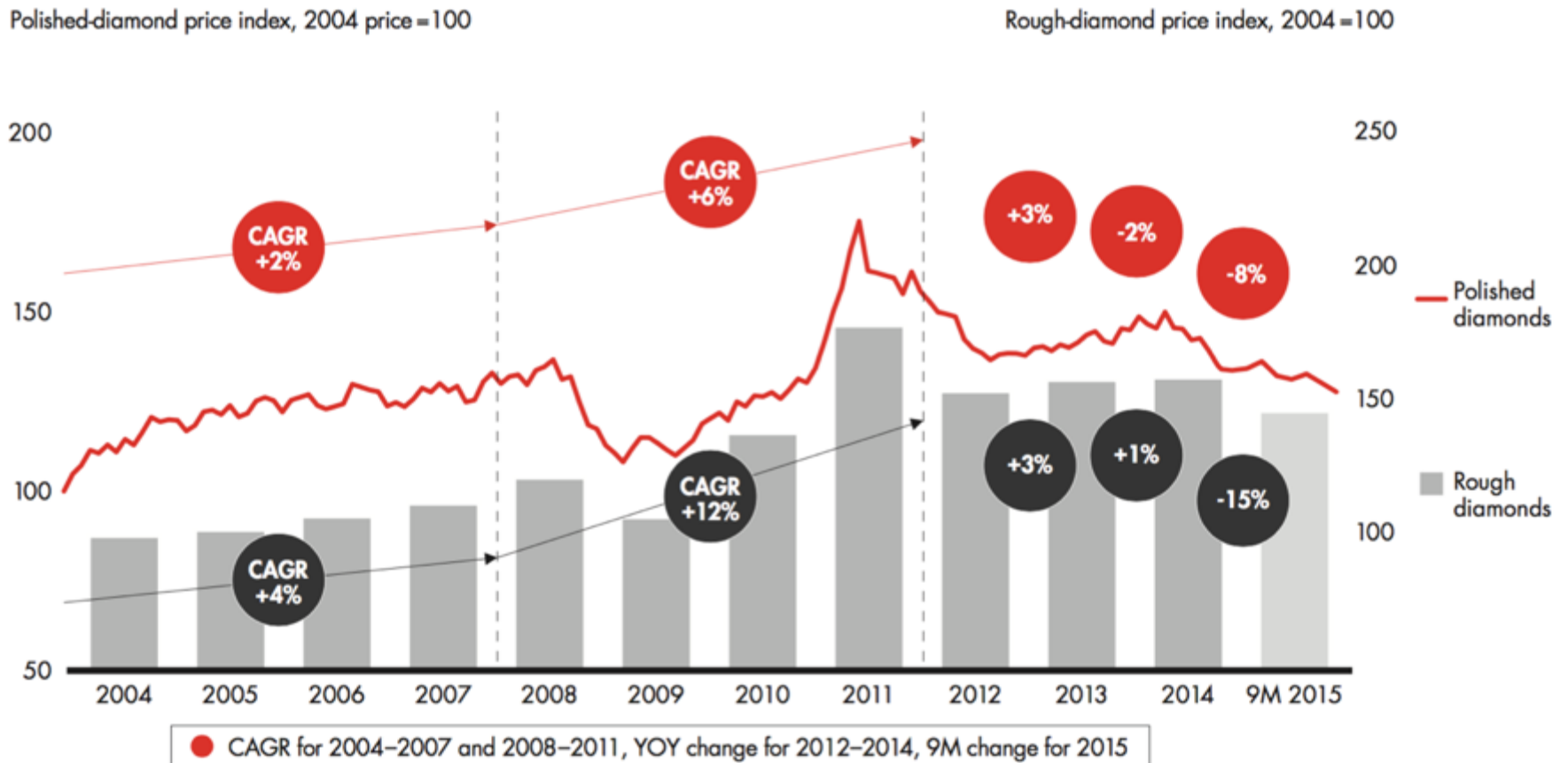
Forecasted rough-diamond production of new mines, millions of carats, base scenario



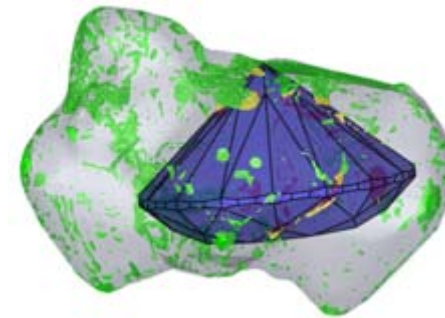
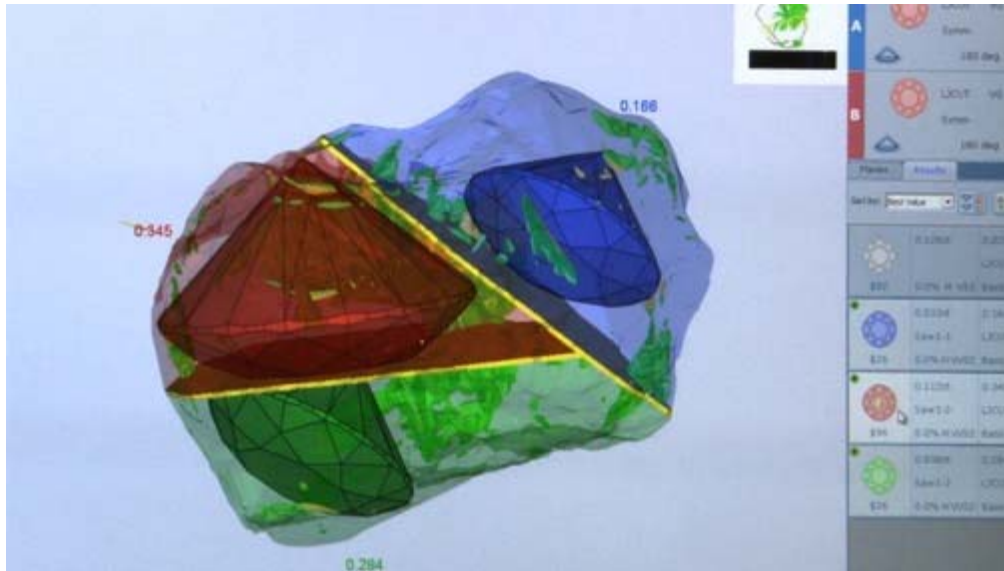
# The Diamond Market



Inventory accumulation led to a fall in polished prices starting in 2014, with rough prices following



# Polished Diamonds 101



Scan technology used extensively even on very small rough diamonds

