

**LUCARA**  
DIAMOND

# Q3 2022 Results Conference Call

**NOVEMBER 3, 2022**



# Cautionary Statement

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## Forward-looking information

Certain of the statements made and contained herein and elsewhere constitute forward-looking statements as defined in applicable securities laws. 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 be achieved.

Forward-looking statements are based on the 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, uncertainties and other factors 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. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be accurate and such forward-looking information included herein should not be unduly relied upon.

In particular, this presentation may contain forward looking information pertaining to the following: the impact of the COVID-19 pandemic on the Company's operations and cash flows and its plans with respect to the Karowe underground expansion project; the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Diamond Mine; estimated costs for capital expenditures related to the Karowe Diamond Mine; production costs; exploration and development expenditures and reclamation costs; expectation of diamond prices and the potential for the supply agreement with HB Group to achieve both higher prices from the sale of polished diamonds and to provide more regular cash flow than in previous periods; expectation of diamond prices; changes to foreign currency exchange rates; assumptions and expectations related to the possible development of an underground mining operation at Karowe, including associated capital costs, financing strategies and timing; expectations in respect of the development and functionality of the technology related to the Clara platform, the intended benefits and performance of the Clara platform, including our ability to complete sales without viewing diamonds,

The growth of the Clara platform, the timing and frequency of sales on the Clara Platform, and the quantum of and timing for participation of third parties on the Clara platform; expectations regarding the need to raise capital and its availability; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

There can be no assurance that such forward looking statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "COVID-19 Global Pandemic" in the "Risks and Uncertainties" section of the Company's most recent Annual Information Form available at <http://www.sedar.com>, as well as changes in 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), and 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).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which 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.

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

Qualified Persons: Dr. John Armstrong, Ph.D. P.Geol, is the Qualified Person as defined by NI 43-101. Dr. Armstrong is Vice President Technical Services for the Company and has reviewed and approved the scientific and technical information contained in this presentation. Mr. Cliff Revering, P. Eng. of SRK Consulting is the independent Qualified Person as defined by NI 43-101 responsible for the Karowe Diamond Mine Mineral Resource estimation, and Mr. Gord Doerksen of JDS Energy and Mining Inc. is the Independent Qualified person as defined by NI 43-101 responsible for the Karowe Diamond Mine Mineral Reserve estimation. The most recent Mineral Resource and Mineral Reserve estimations are located in the 2021 Annual Information Form for the year ended December 31, 2021, dated March 30, 2022, which can be found on the Company's website and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Technical Reports: For further details regarding the Karowe Underground Project and Qualified Persons as defined by NI 43-101, please refer to the technical report dated December 16, 2019 with an effective date of September 26, 2019, titled "Karowe Mine Underground Feasibility Study Technical Report, Botswana, posted to the Company's website and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

# Q3 2022 Highlights

(All currency figures in U.S. Dollars, unless otherwise stated)



**Revenues \$49.9 million**  
**Strong sales through HB, Clara and Tenders, Adjusted EBITDA<sup>2</sup> of \$13.8 million**

**7.1% Specials (+10.8 carats) by weight**  
**Including 6 stones >100 carats**

**Market fundamentals remain positive**  
**Q3 softening of prices for smaller goods**

**Underground cycle times improving: main sink production shaft commenced in Q3**

**Strong, Safe, Reliable Production**  
**On track to meet 2022 Guidance**

**Clara Sales Up 26% to \$8.3 million in Q3**

**Achieved average price of \$377 per carat<sup>1</sup> (Q3 2022); \$528 per carat<sup>1</sup> (YTD 2022)**

**Cash and cash equivalents of \$34.8 million;**  
**Available working capital facility of \$50 million;**  
**Drawdowns on project debt facility of \$65 million**

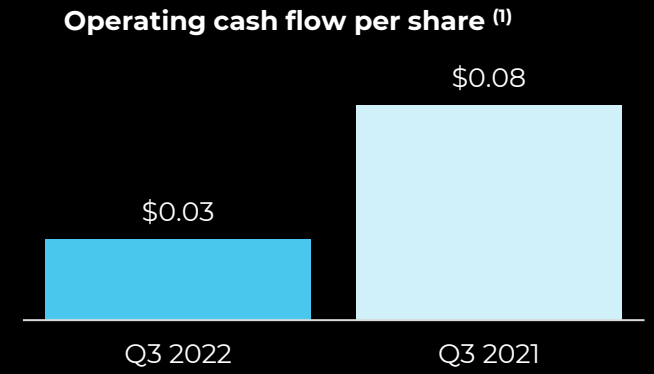
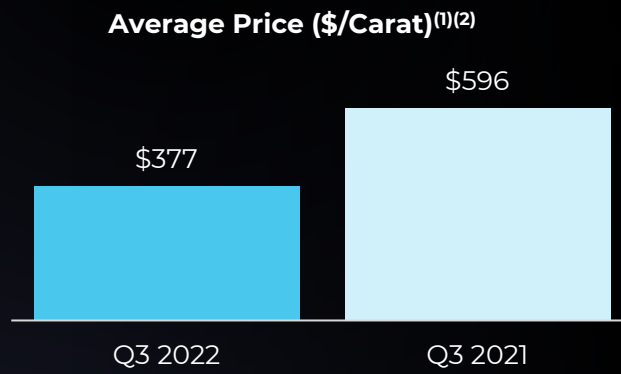
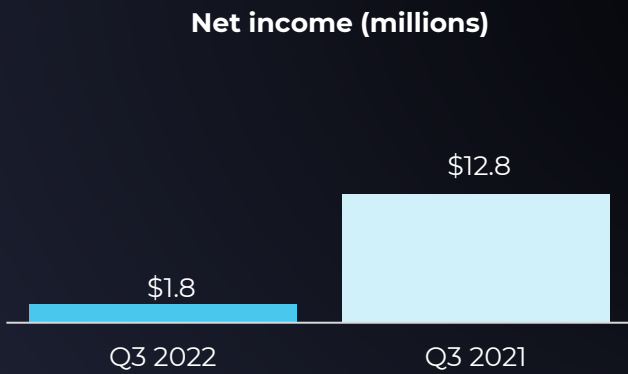
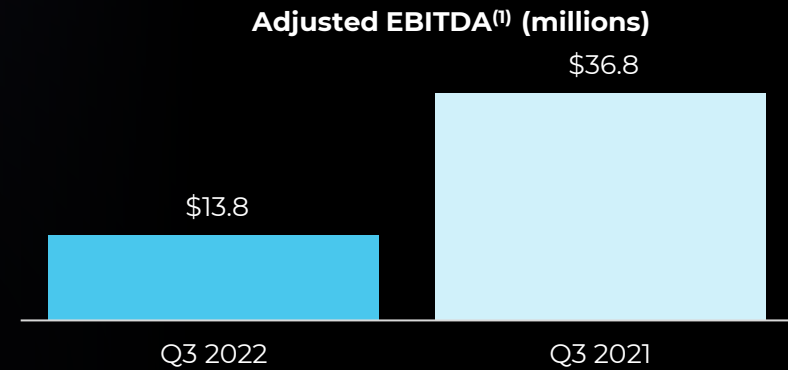
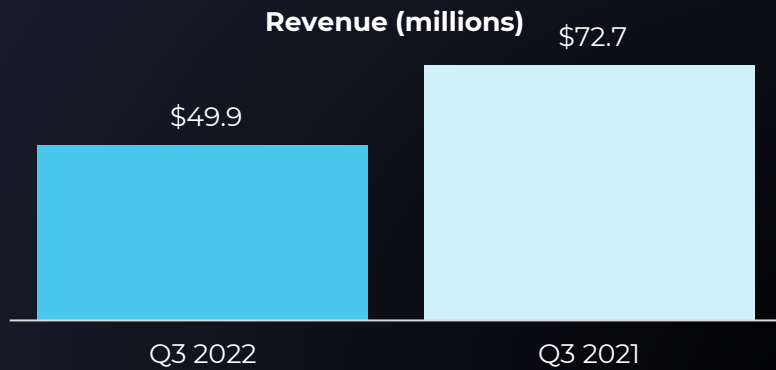
<sup>(1)</sup> Karowe production excluding the impact of top-up payments earned pursuant to the diamond sales agreement with HB Trading BV ("HB")

<sup>(2)</sup> Non-IFRS measure



# Q3 2022 Financial Highlights

Three months ending September 30, 2022  
(All currency figures in U.S. Dollars)

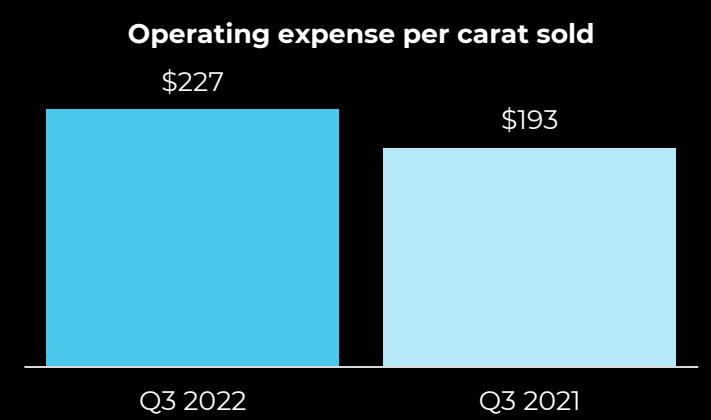
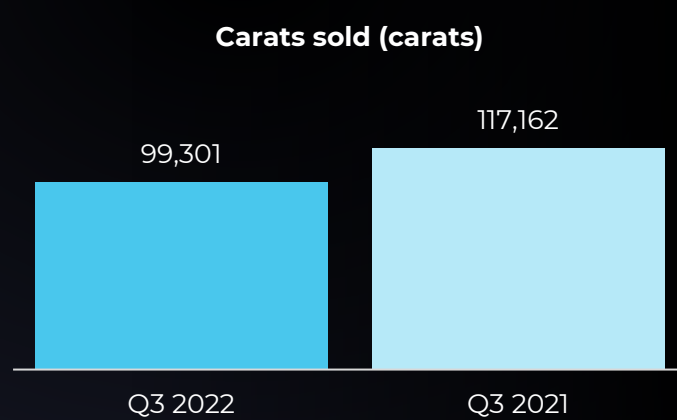
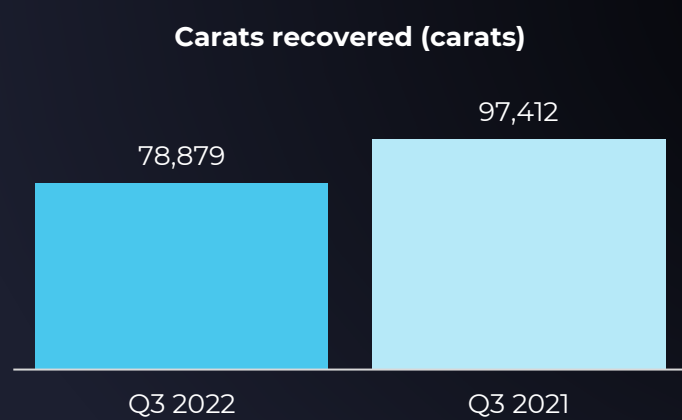
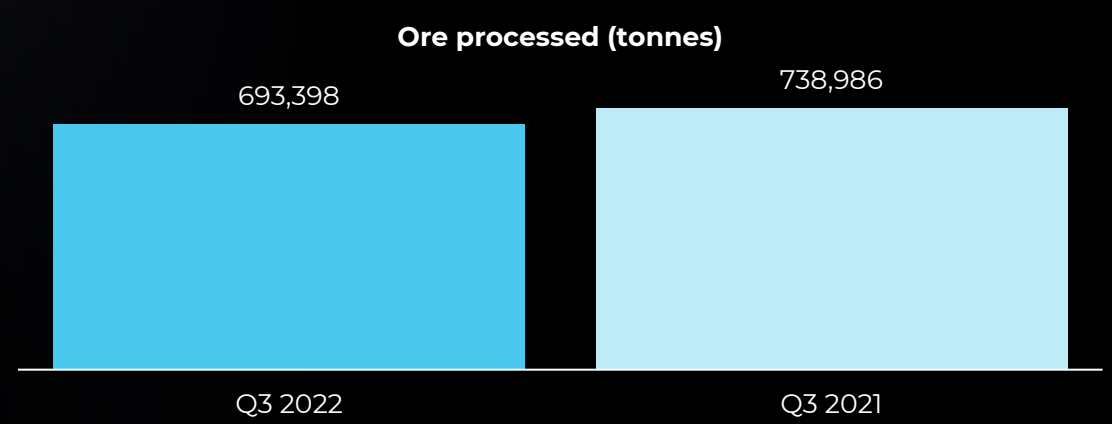
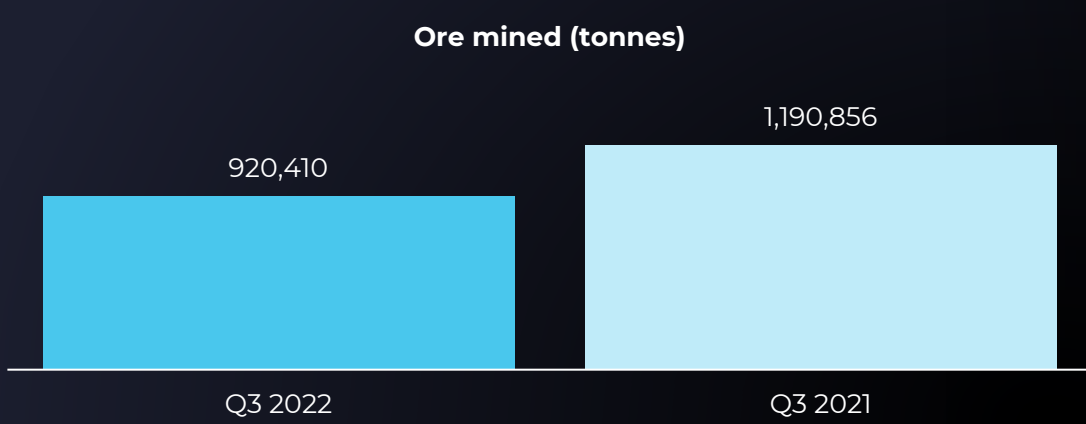


<sup>(1)</sup> Non-IFRS measure

<sup>(2)</sup> Karowe production excluding the impact of top-up payments earned pursuant to the diamond sales agreement with HB Trading BV ("HB")

# Q3 2022 Operational Highlights – Karowe Mine

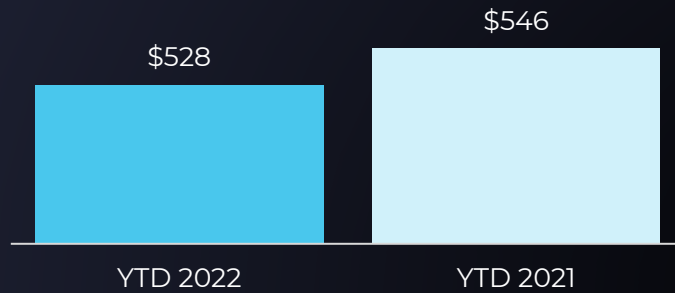
**Three months ending September 30, 2022**  
**(All currency figures in U.S. Dollars)**



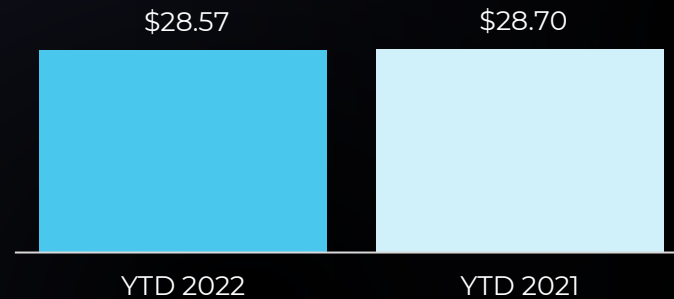
# YTD 2022 Financial Highlights

**Nine months ending September 30, 2022**  
**(All currency figures in U.S. Dollars)**

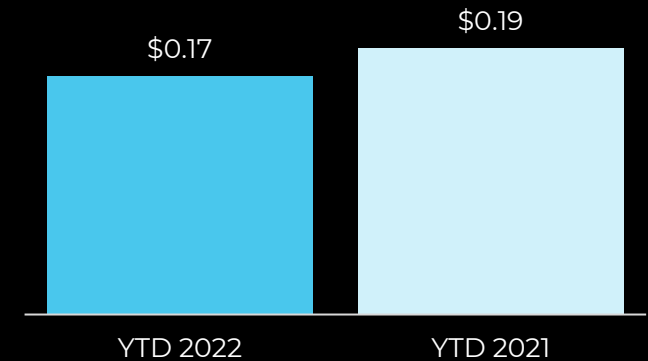
**Average price (Average \$/Carat) <sup>(1)(2)</sup>**



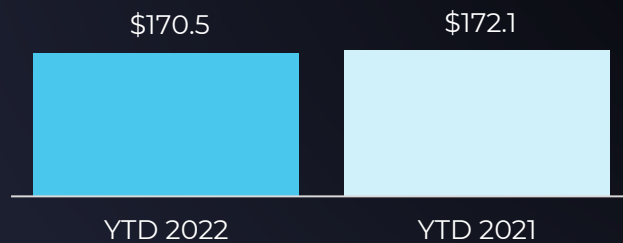
**Operating cost (\$ per tonne processed)<sup>(1)</sup>**



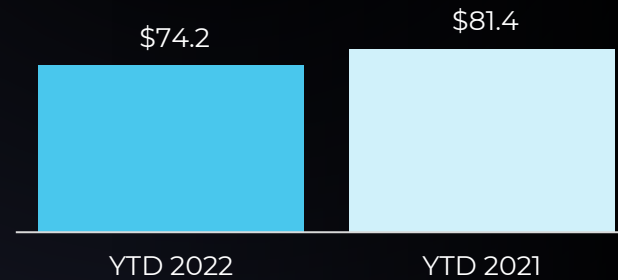
**Operating cash flow per share<sup>(1)</sup>**



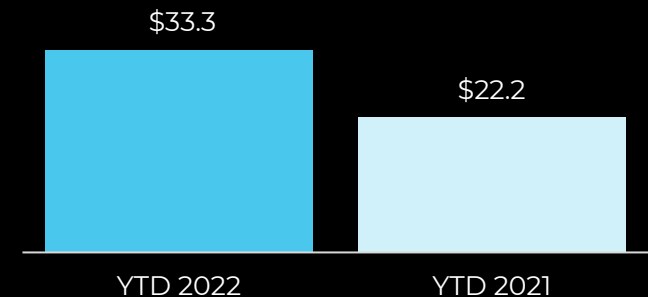
**Revenue (millions)**



**Adjusted EBITDA<sup>(1)</sup> (millions)**



**Net income (millions)**

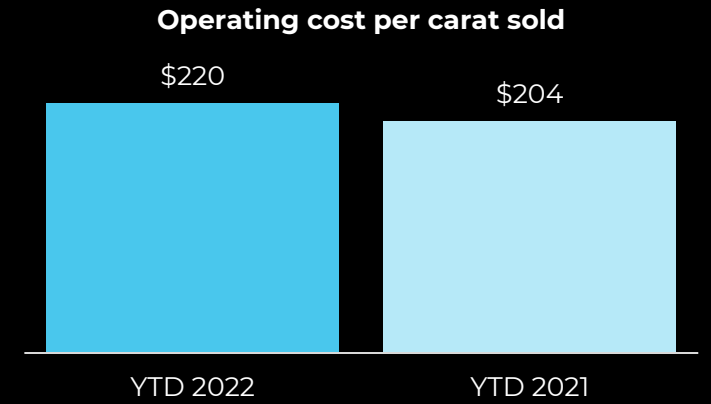
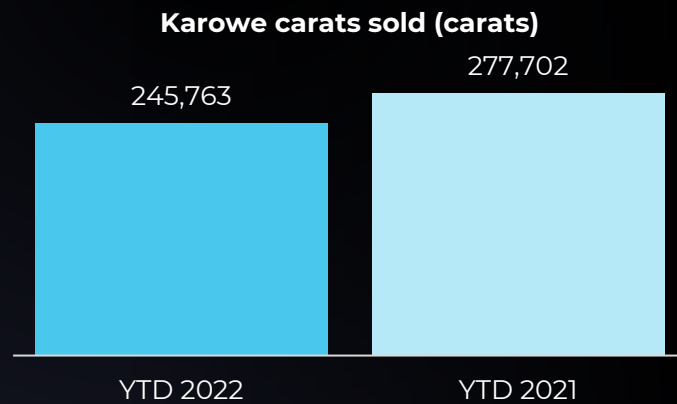
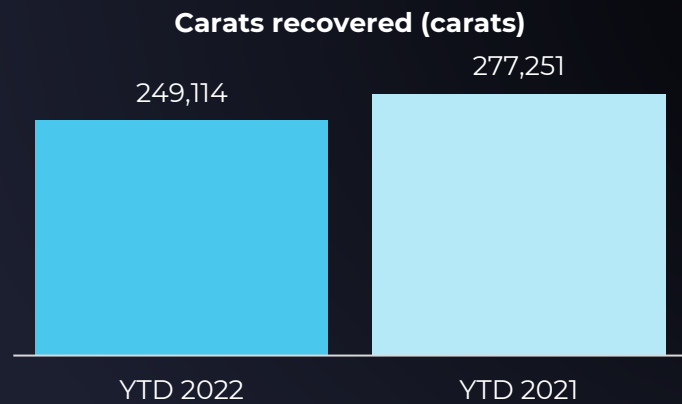
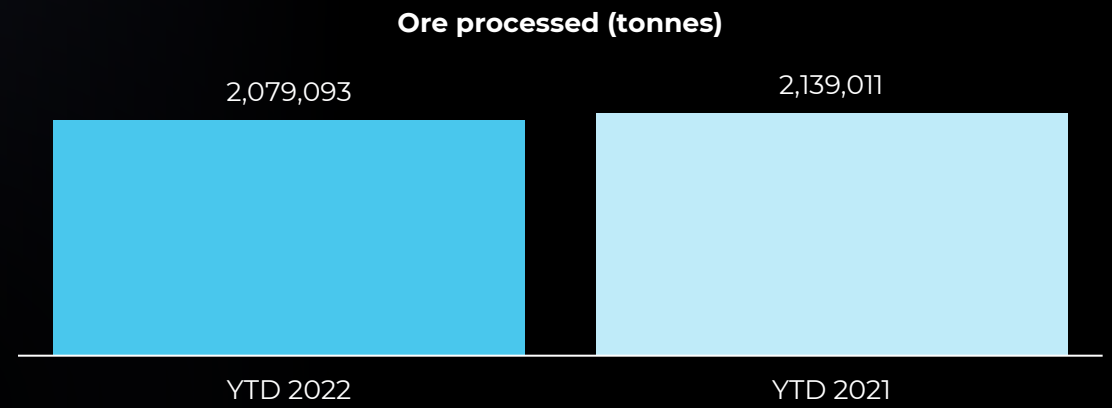
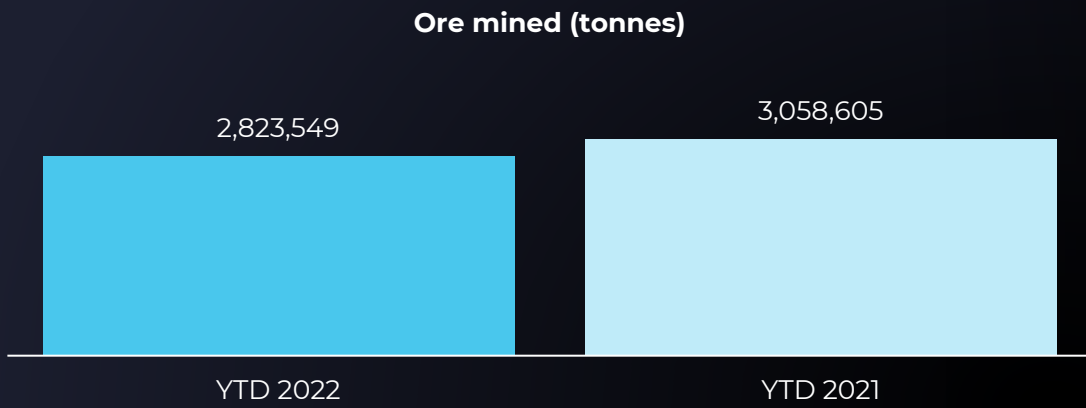


<sup>(1)</sup> Non-IFRS measure

<sup>(2)</sup> Karowe production excluding the impact of top-up payments earned pursuant to the diamond sales agreement with HB Trading BV ("HB")

# YTD 2022 Operational Highlights – Karowe Mine



**Nine months ending September 30, 2022**  
**(All currency figures in U.S. Dollars)**



# Sales Channels Q3 2022

## Sales through HB, Clara, and Quarterly Tender

- High value Specials (+10.8 carats) are manufactured and sold as polished through the HB supply agreement.
- Diamonds between 1 and 10 carats that meet specific criteria are sold through Clara.
- All other diamonds are sold through a quarterly tender.

Q3 2022 / 2021			Sales Channel	2022 Year to date / 2021		
Rough Carats Sold	Revenue Recognized (USD million)	Average Price per Carat <sup>(1)</sup>		Rough Carats Sold	Revenue Recognized (USD million)	Average Price per Carat <sup>(1)</sup>
2,412 / 6,258	18.1 / 47.8	7,481 / 7,645		8,225 / 21,486 <sup>(2)</sup>	70.9 / 99.5	8,620 / 4,632
2,403 / 3,195	4.9 / 6.4	2,038 / 1,994	CLARA	8,490 / 12,514	18.0 / 20.2	2,120 / 1,616
94,486 / 107,709	14.5 / 15.6	153 / 145		229,049 / 243,702	41.0 / 32.0	179 / 131
<b>99,301</b> / 117,162	<b>37.5</b> / 69.8	<b>377</b> / 596	<b>Total – Karowe carats</b>	<b>245,764</b> / 277,702	<b>129.9</b> / 151.7	<b>528</b> / 546
	<b>12.4</b> / 2.9		<b>Top-up and Clara (other)</b>		<b>40.6</b> / 20.4	
	<b>49.9</b> / 72.7		<b>Total Revenue</b>		<b>170.5</b> / 172.1	

<sup>(1)</sup> Non-IFRS measure

<sup>(2)</sup> Includes +10.8 carat diamonds sold as rough during H1 2021. Following extension of the HB agreement in Q2 2021, +10.8 carat diamonds that did not meet the criteria for polishing were sold as rough through the quarterly tender.



## 2022 Annual Guidance – No Changes in Q3

(All currency figures in U.S. Dollars)

Karowe Diamond Mine	FY2022
Diamond revenue <sup>1</sup>	\$195 to \$ 225 million
Diamond sales	300,000 to 340,000 carats
Diamonds recovered	300,000 to 340,000 carats
Ore tonnes mined	3.1 to 3.5 million
Waste tonnes mined	1.5 to 2.1 million
Ore tonnes processed	2.6 to 2.8 million
Total operating cash costs	\$29.50 to \$33.50 per tonne processed
Botswana G&A (including sales & marketing)	\$3.50 to \$4.00 per tonne processed
Tax rate	0%
Average exchange rate – USD/Pula	11.0

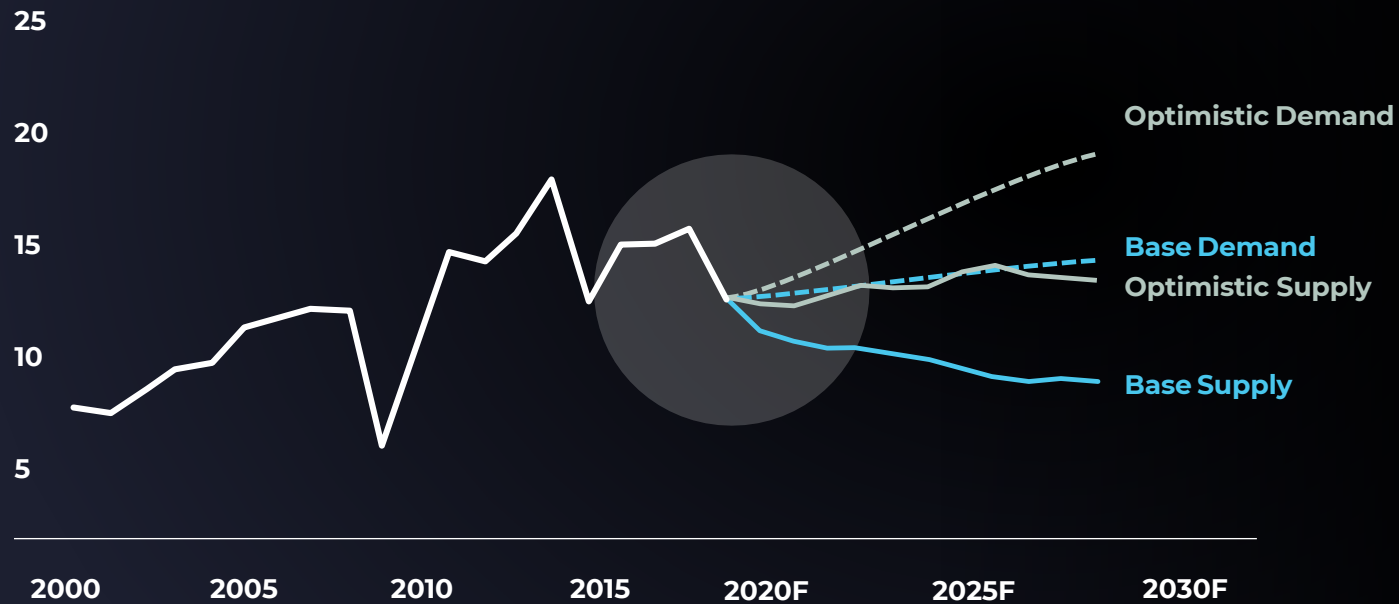


<sup>1)</sup> Updated in Q1 2022. Diamond revenue guidance does not include revenue related to the sale of exceptional stones, or the Sethunya.

# Diamond Market

- **Global supply constraints continue to support a positive, longer-term outlook on diamond prices**
- **Softer prices in Q3 in response to global economic uncertainties; prices for large high value rough remain stable**

Rough diamond supply and demand

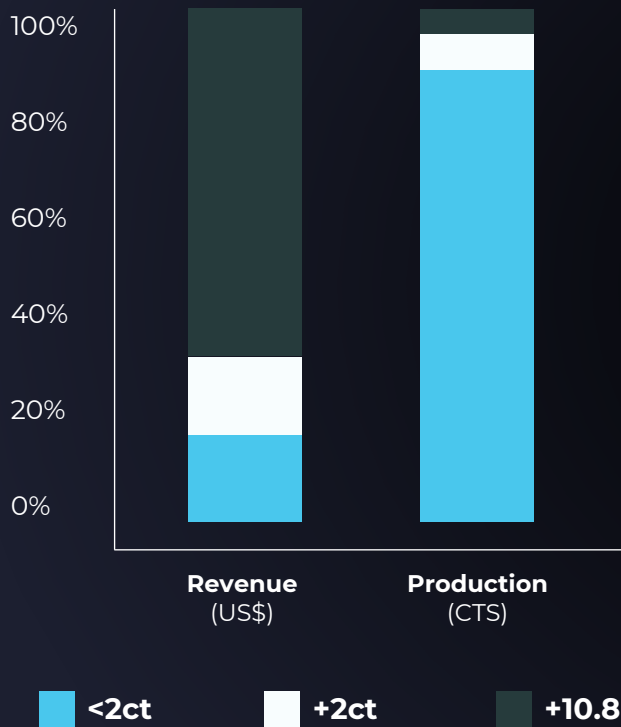


Note: Rough-diamond demand has been converted from polished-diamond demand using a historical ratio of rough to polished diamond values Source: Bain & Company - Global Diamond Report

# Consistent Recovery of Large Diamonds

**Specials contribute ~70% by revenue and ~5% by volume historically**

Revenue and production includes 2015 to 2022



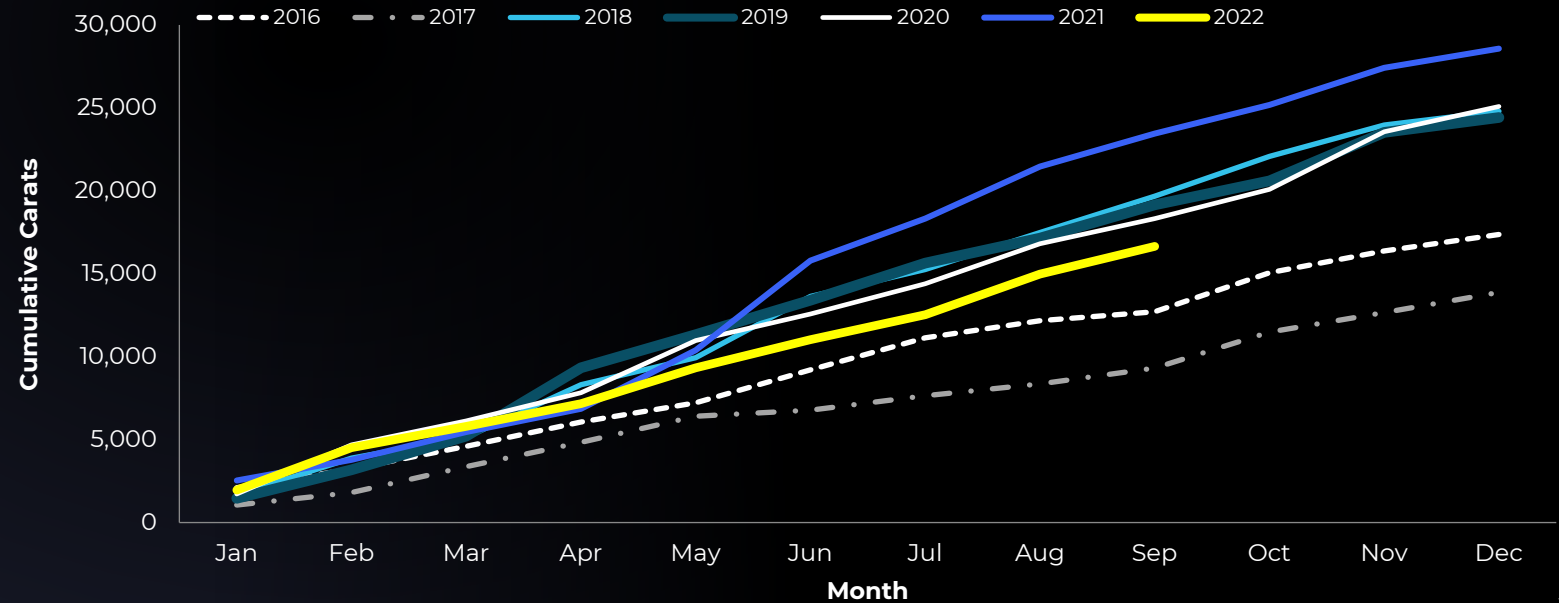
## Q3 2022 Recoveries

183 specials, 7.1 wt.% of production. 6 diamonds > 100cts

Since 2012: 27 diamonds in excess of 300 carats have been recovered, including 3 diamonds > 1,000ct

11 diamonds sold for > US\$ 10 million each (not included in resource value models)

## Karowe Cumulative Specials (ct)



# Sales Channels – Strong Q3 2022 Results

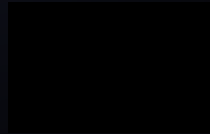
Optimized Sales of Rough and Polished Diamonds to Create Alignment Along the Supply Chain and Maximize Revenues



**Rough**



**Clara**



**Polished**



**Jewellery**

**Increasing Margin Capture Downstream**

Tenders (Auctions) of  
Rough Diamonds < 10.8  
carats in size

**24%**  
**of Revenue**

Proprietary Digital  
Marketplace for Rough  
Diamonds 1-15 carats in size

**15%**  
**of Revenue**

Manufacturing into  
Polished Diamonds  
with HB

**61%**  
**of Revenue**

Collaboration with  
Brands to Create Made  
to Order Jewellery

**Special Diamonds  
Sethunya and Sewelô**





## Supply Agreement with HB Antwerp

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### High Value +10.8 Carat “Specials” Only

Initial price is based on an **estimated polished outcome**, determined through state-of-the-art scanning and planning technology, with an **adjustment** for actual achieved polished sales, less a fee and cost of manufacturing

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**Regular cash flow** from the large, high value segment of production

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Q3 2022: **\$46.5 million revenue from sales of Karowe diamonds; Average price** achieved of **\$377** per carat<sup>(1)</sup>; **strong performance** reflects specials recovery and sales, top-up payments, and higher market prices

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**Strong prevailing rough and polished diamond market fundamentals**

<sup>(1)</sup> Revenue recognized in Q3 2022 (excluding the impact of top-up payments) from the sale of Karowe production pursuant to the diamond sales agreement with HB Trading BV (“HB”). Total revenues of \$49.9 million earned during the third quarter include \$46.5 million from the sale of Karowe diamonds (inclusive of top-up payments of \$9.0 million) and \$3.4 million from the sale of third-party goods on Clara. The average price per Karowe carat sold during Q3 2022 (see slide 8) was \$377 (excluding top-up payments).





**72 sales** completed since inception  
**~\$80 million** of diamonds sold by value through the platform

**Low operating cost platform with regular sales**

Fee-based structure

**~42,000 carats** sold through the platform

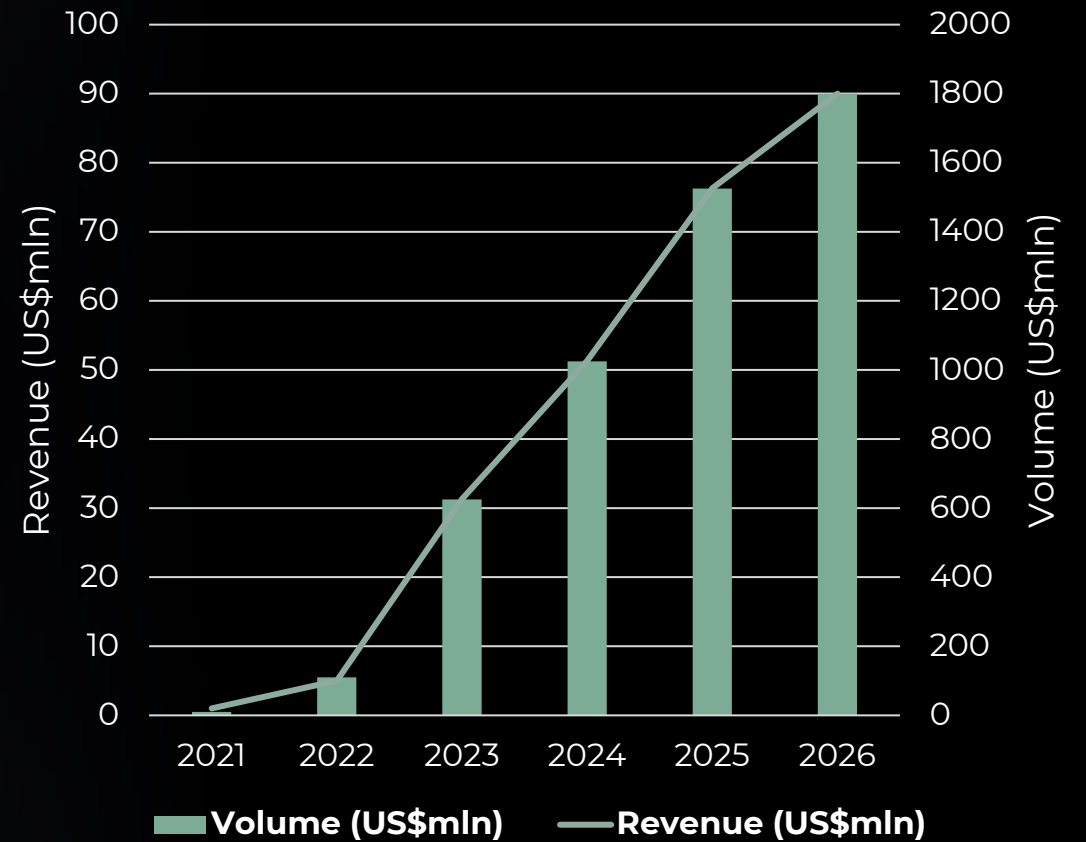
**Growth Potential in Primary & Secondary Markets**  
 Buyers stabilized and **wait-list** being maintained

Trials of **third-party** supply **began in 2020**;

Six Sale Producer Trial commenced in Q2 2022

Travel restrictions **accelerating adoption** of new technology

## 5 Year Potential Growth Profile



# Karowe Underground Expansion

**Extending mine-life to at least 2040**

**Fully Financed, Construction Advancing**

Project facility drawdown of \$65 Million end of Q3

NPV \$1,280 million/\$750 million (pre/post tax) @ 5%; using **conservative diamond price** assumptions

\$547 million<sup>(1)</sup> underground expansion adds  
**~ \$4 billion additional net revenues**

**Q3 2022 Capital Spend**

\$23.9 million spent in Q3; on track for 2022 spend of \$110 million

**Transition to main shaft sinking**

Ventilation shaft sinking commenced June 2022;  
production shaft sinking commenced September 28, 2022



(1) The estimated capital cost for the Karowe UGP has increased from \$534 million (including contingency) to \$547 million to reflect expected pricing changes following execution of the main sink contract.



# Karowe Underground Expansion

## Q3 2022 Highlights

- \$23.9 million spent in Q3
- \$190.0 million to September 30 and \$315 million committed
- Activities focused on ongoing construction and procurement:
  - Main sinking of the production shaft commenced; main sinking in ventilation shaft continued;
  - The transition to the main sinking phase has been slower than anticipated due to operational challenges which affected cycle times;
  - Observed cycle times and sinking rates are improving following the implementation of changes;
  - Procurement of shaft station underground mobile equipment progressed with equipment deliveries expected to commence in Q4 2022 and Q1 2023;
  - The Letlhakane and Karowe power substation construction continued with focus on civil work and cable pulling for control equipment installation;
  - The transmission line towers were equipped with stringing hardware and safety nets were installed over existing line crossings.



# Lucara Investment Rationale

## A Premium Diamond Equity De-Risked and Positioned for Long-Term Growth

1

### Diamonds

Diamond market fundamentals are the best they have been in the last five years

2

### Lucara



Prolific, high-margin diamond mine in Botswana with a fully funded expansion program

3

### Clara

CLARA

First digital diamond sales platform provides asset diversification and additional revenue stream

LUC: TSX <b>SEPTEMBER 30, 2022</b>	
Share Price	<b>CAD \$0.55</b>
Market Cap ( <i>CAD million</i> )	<b>CAD \$249.5</b>
Shares Outstanding <sup>1</sup>	<b>453,566,923</b>
Cash Position ( <i>USD million</i> )	<b>USD \$34.8</b>

### ANALYST COVERAGE

Bank of America Merrill Lynch  
Berenberg  
BMO Capital Markets  
Pareto Securities Ltd.

(1) Fully diluted as of October 31, 2022 was 468,973,276





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DIAMOND

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