



Lucara Diamond

Capital Markets Day  
London UK June 20, 2017

# 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

- The technical information in this document for the AK6 diamond project (Karowe Mine) in Botswana is based on the following technical reports, respectively: 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.



# Introduction

**Lucara is an established diamond producer. Its principal asset is the Karowe Mine in Botswana. The 100 percent owned Karowe Mine is a state-of-the-art mine which has consistently delivered large, Type IIA stones. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company operates transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment and community relations.**

# Differentiated Lucara

- 100% owned Karowe Mine in Botswana
  - One of the foremost producers of large Type IIa diamonds
- Consistent delivery of large and exceptional stones supporting strong free cashflow
  - 145 diamonds > US\$1.0M
  - 73 gem quality diamonds > 100ct sold as individual lots
    - 51 diamonds between 100ct – 199ct
    - 17 diamonds between 200ct – 299ct
    - 5 diamonds > 300ct
- Adoption of technology which is redefining diamond recovery
- Total dividend of US\$195.5 million, paid since commencement of the Company's dividend policy in 2014, is greater than the equity capital raised since inception
- Resource expansion at Karowe targeting life of mine extension into the 2030's
- Strong balance sheet for potential M&A activity

# Capital Structure

Lucara is a publicly listed company trading under the symbol “LUC”

TSX

NASDAQ Sweden

BSE (Botswana)

Issued shares 382,446,001

Fully diluted shares 387,814,588

Insider Holdings 21% on a fully diluted basis

Debt Nil

Cash on hand US\$ 43.5 million (Q1 2017)

\$50 million Credit Facility remains undrawn

# TSX: Five Year Stock Chart

Lucara Diamond Corp. – TSX - LUC



## TSX – LUC vs. S&P Global Mining Index





**Focus and Delivery**

# Safety is Our First Priority

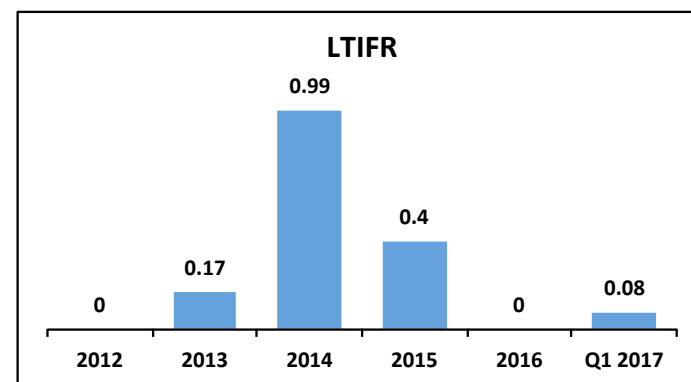
Karowe has developed a strong and stable safety culture underpinned by a focussed approach to managing material risks

People are at the centre of Karowe's safety strategy – behavioural based training and accountability

Karowe achieved 5 million Loss Time Injury (LTI) free hours in January 2017, a total of more than 2 years of LTI free operation

2015 recognition by the Botswana Chamber of Mines for:

- Best Total Reportable Injury Frequency Rate
- Best Classified Injury Frequency Rate
- Most Improved Classified Injury Frequency Rate

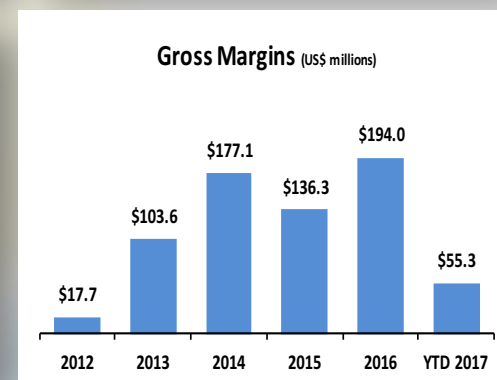
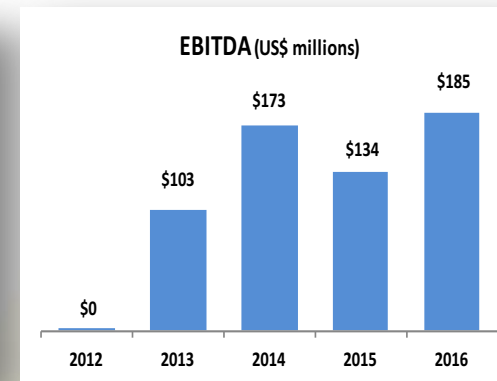
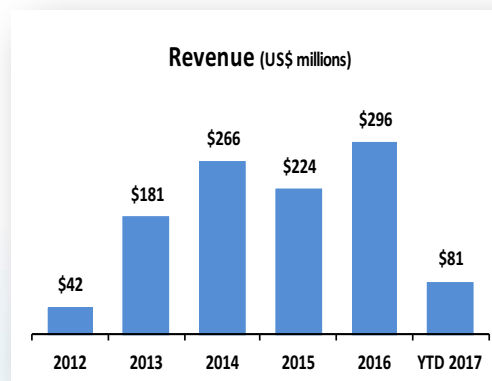




# Track Record of Delivery

## Strong Operational Performance

- World class asset results in strong prices and EBITDA margins of over 60%
- High value South lobe has resulted in an increase of 140% in average price from 2012 to 2016\*
- \$196 million paid in dividends demonstrates commitment to maximise return to shareholders
- Strong operating cost control and project delivery boost cash flows and offset inflationary pressures
- Work ongoing to expand resource base through value focused exploration and Karowe underground study

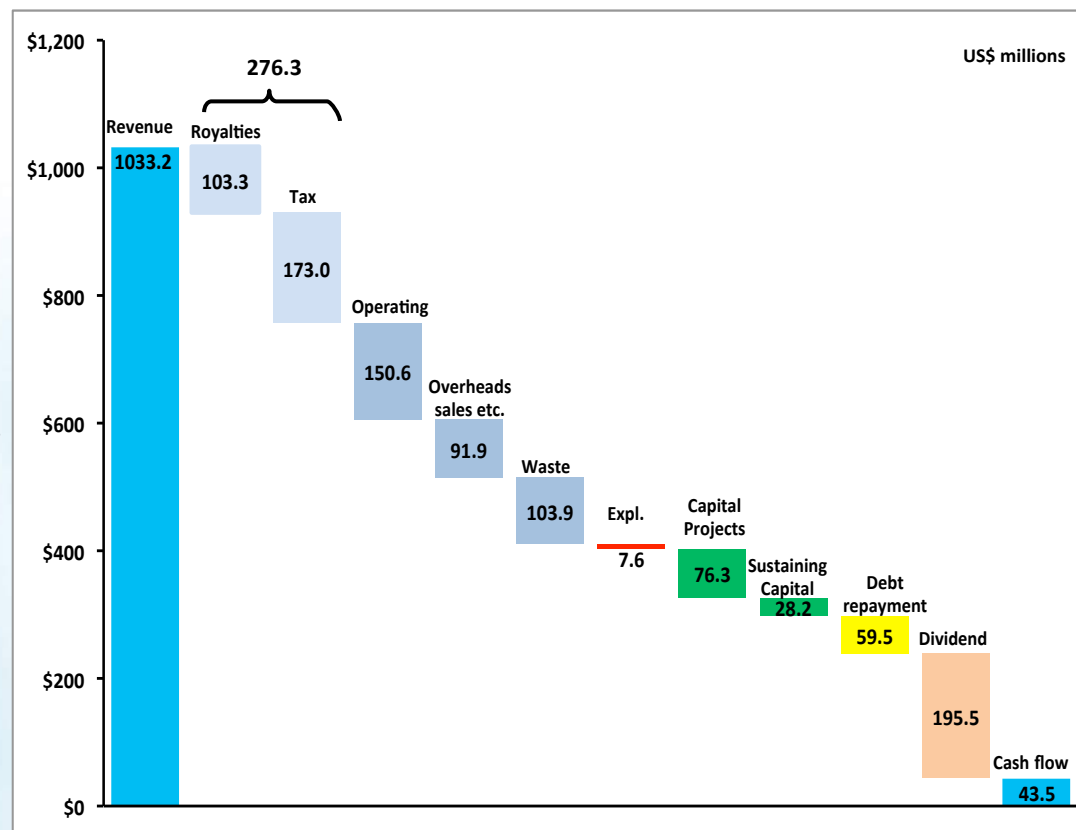


\*excluding sale of the Constellation in 2016

# Strong Cash flow Generation

## Future cash flows boosted by:

- Capital projects completed in 2017 – no further major capital projects planned
- Sustaining capital expenditure forecast of up to \$8-10 million per year
- Major pushback and overburden removal forecast to be complete by 2019
- High value South lobe ore – main source of diamond recovery
- Sales and marketing activities increasing loyal customer base attributing to higher realised prices
- Continued cost control – commitment to further maintain competitive position at Karowe



# At Our Core - Value and Returns

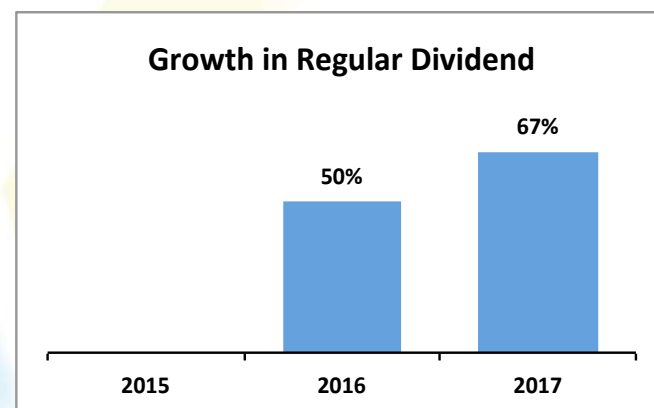
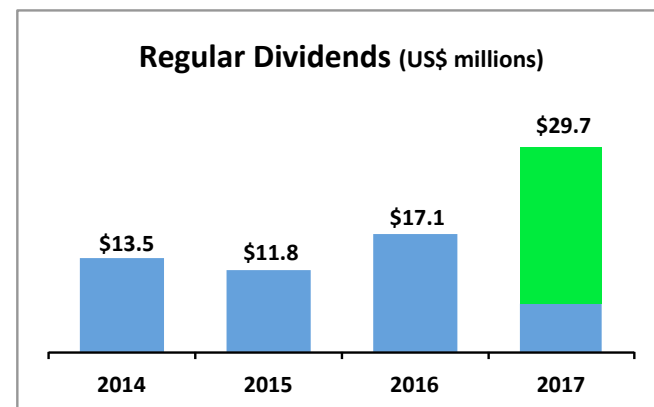
## Maximise Shareholder Returns

Invested capital must maximise total shareholder returns.  
Capital management focus:

- Commitment to maintaining a strong balance sheet
- Invest in projects and technology to improve operating efficiencies and diamond recovery
- Continue to invest in resource expansion projects
- Seek value accretive growth opportunities
- Continue to return excess capital to shareholders
- Strong balance sheet allows access to diverse sources of funding

## Strong cash flows underpin commitment to return cash to shareholders

- Historical dividends paid are equivalent to 20% of total cumulative revenues
- Total dividends paid exceed total amount of equity raised



# Our Contribution: Lucara in Botswana

## **A positive contribution to Botswana and the local communities**

### **Botswana Re-Investment:**

- \$286 million or 25% of total revenue paid to government of Botswana from 2012-16 in total cumulative taxes and royalties
- 80% of operating costs and project costs spent in Botswana
- 82% of procurement dollars (on average) spent with local suppliers
- 96% of total workforce are Botswana employees averaged over 2012-16
- \$650 million re-invested into Botswana through taxes, royalties, operating and project costs since 2012, equates to approximately 63% of cumulative revenue

### **Community Investment:**

- Lundin Foundation: Community Investment arm of the Lundin Group of Companies that designs and manages a community investment guide, local resource development, education/skills training, local procurement and business development. Lucara annual contribution to Lundin Foundation: CDN\$250,000

# Our Contribution: Lucara in Botswana

## Recipient of the 2016 PDAC Environmental & Social Responsibility Award

### Karowe Emerging Entrepreneurial Fund (KEEF):

- Assist entrepreneurs to start and grow their businesses, increase employment and contribute to the local economy
- 8 businesses operating in various sectors including manufacturing, agriculture and retail have been supported by KEEF since 2015
- 21 people currently employed, targeting annual revenues of Pula 2 million

### Other investments:

- Letlhakane infrastructure: Project value \$700,000; Boteti contribution \$350,000
- Lady Khama Trust: Donation of \$252,000
- Boteti contribution of \$2





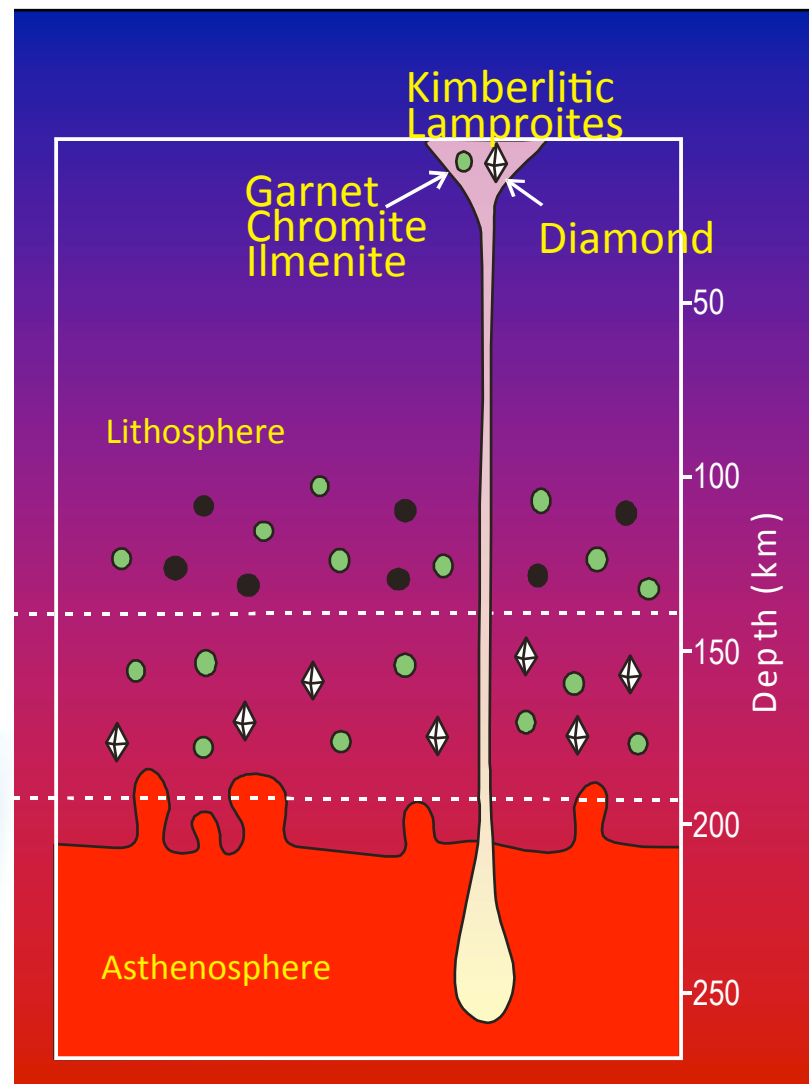
Lucara Diamond



**Technical Session: Amazing Geology**

# Diamonds 101

- Carbon (C, Atomic No.6, Hardness 10, Cubic Crystal system)
- Perfect Cleavage, density of  $3.52\text{g/cm}^3$ , hydrophobic
- 1 carat= 0.2 grams
- Formed within diamond stability field at depths of 145 to >200 km
- Growth occurred >1.2 Billion years ago- Antiquity of Earth
- Transported to surface by small volume magmas (Kimberlite)
- Type I (N-bearing), Type II (N-free)
- Grading – rough is valued on same criteria as polished (4 C's)
- Kimberlite economics is a function of diamond price and size distribution



# Karowe Diamond Mine: History

- Karowe Diamond Mine: AK06 Kimberlite
  - 1969 Discovery
  - Within the prolific Orapa Cluster of Kimberlites
  - Renewed delineation and sampling in early 2000's
  - 2010 Feasibility Study Updated and Lucara gains 100% control
  - 2012 commercial production achieved
  - 2013 resource update: brought into focus the influence and importance of the South Lobe (coarse size distribution, realized diamond prices)
  - Guidance based on revised SFD and revenue
  - Revised Resource model work underway
  - Approaching 2 million carats produced



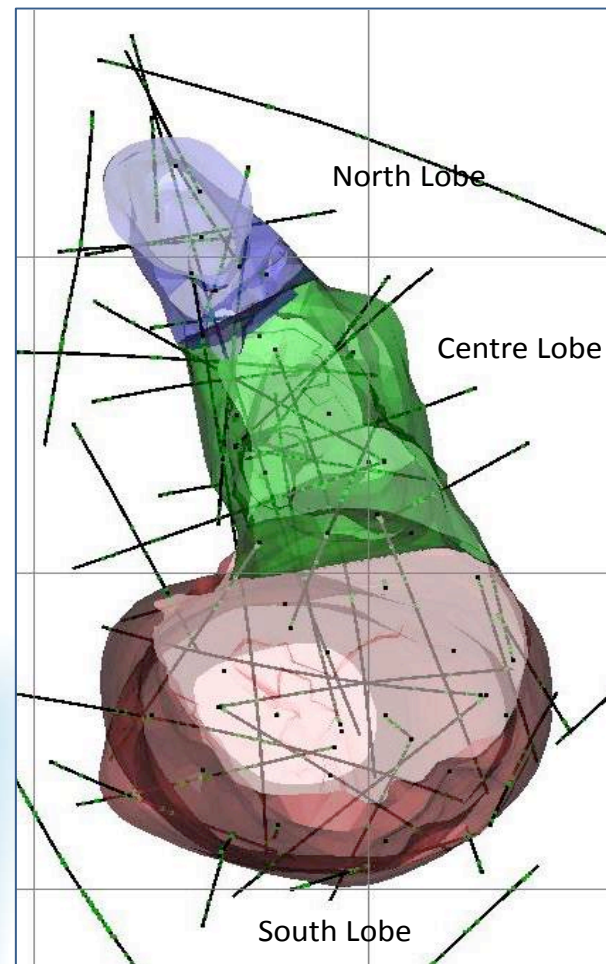
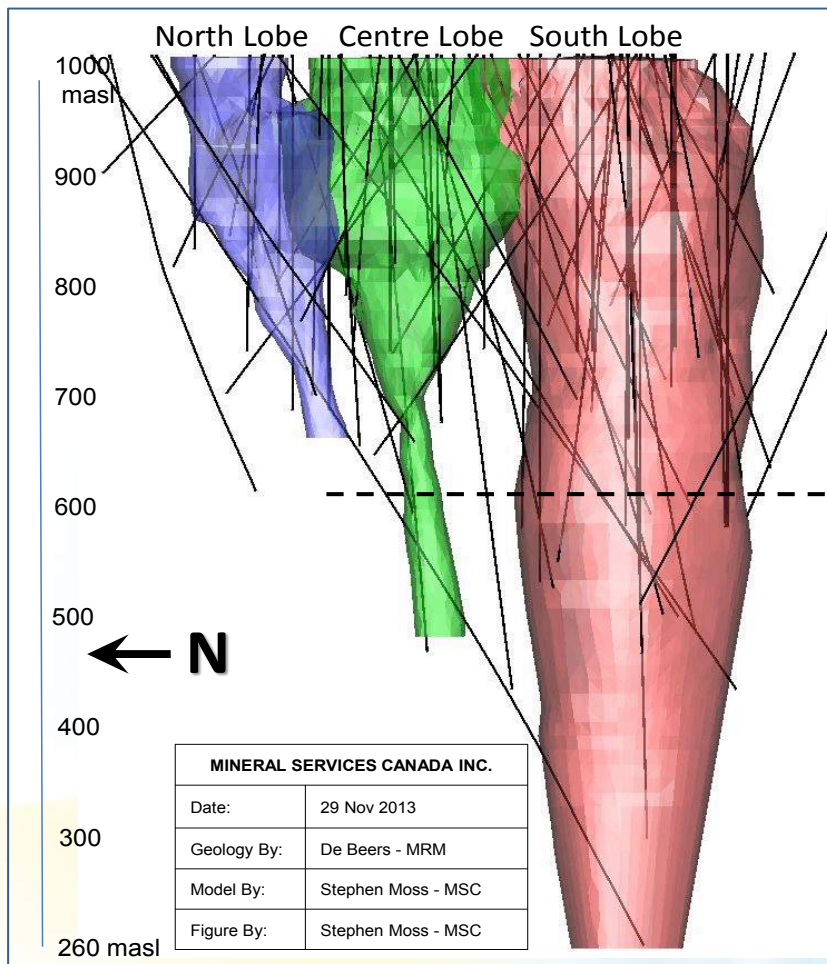


## Karowe Diamond Mine: AK06 Kimberlite

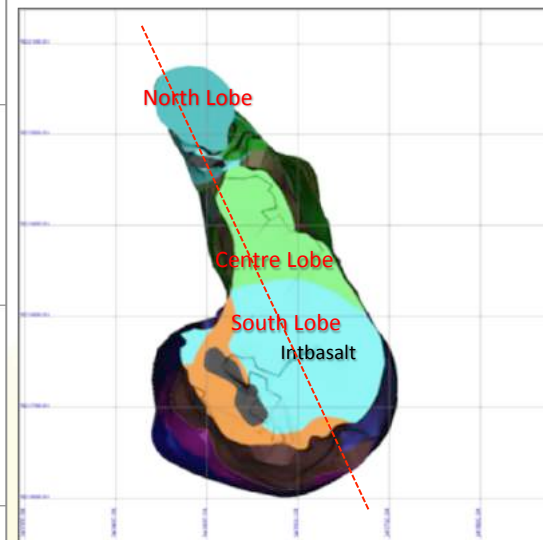
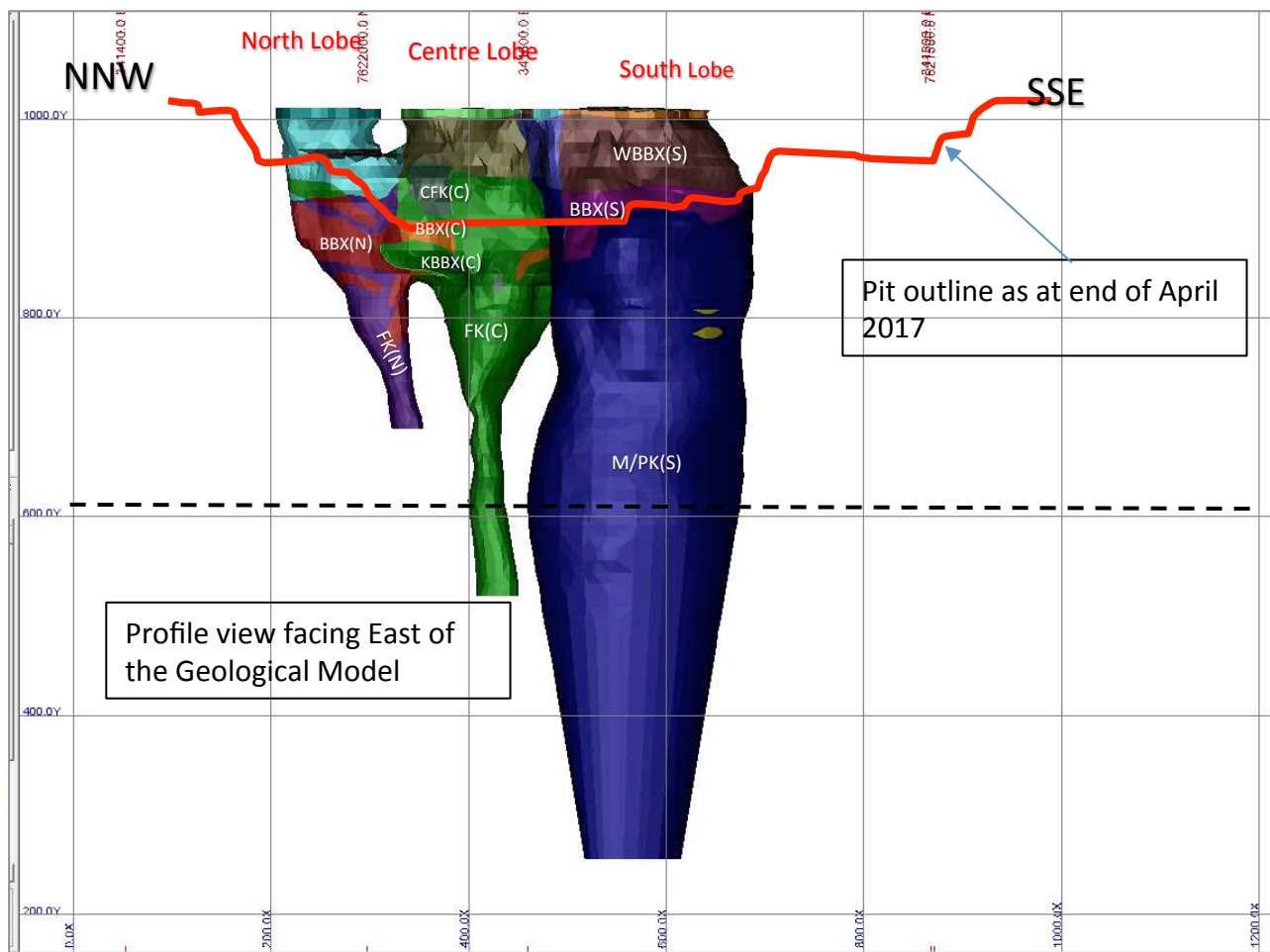
- Tri-lobate, Group 1, opaque-rich monticellite bearing kimberlite
- Emplaced circa 93 Ma
- Magmatic to pyroclastic/fragmental kimberlite
- North and Centre lobes are infilled with geologically similar material
- South lobe is volumetrically the most significant, also hosts high yield material
- Surface expression of 3.3ha, increasing to 7ha at approx. 120m below surface



# Maiden Resource Drilling



# Current Mining Cut 1 and 2

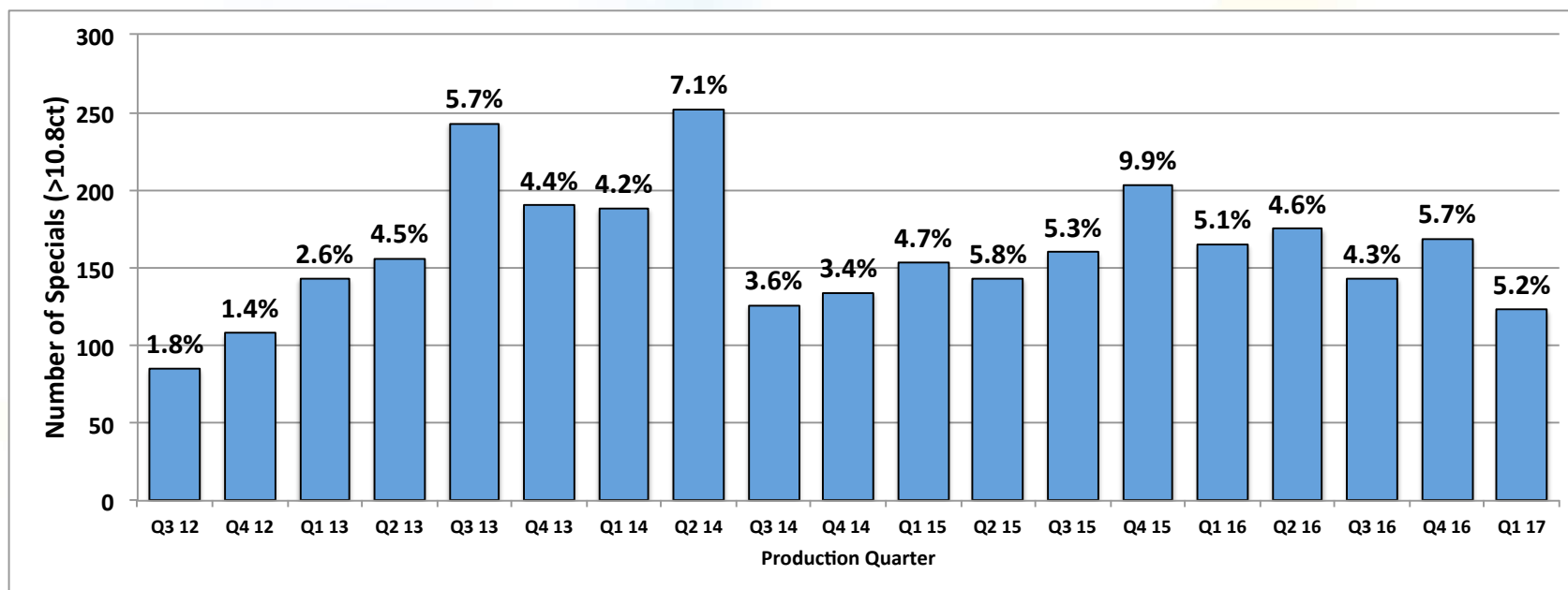


## Grade and Size Distribution by Lobe

- Each lobe has distinct Size Frequency Distribution (SFD) and diamond content (grade)
- Grade
  - **North > Centre > South**
- SFD (coarseness)
  - **South > Centre > North**
- Continuity of SFD at depth within South Lobe
- Economics (\$/t in-situ)
  - **South > Centre > North**

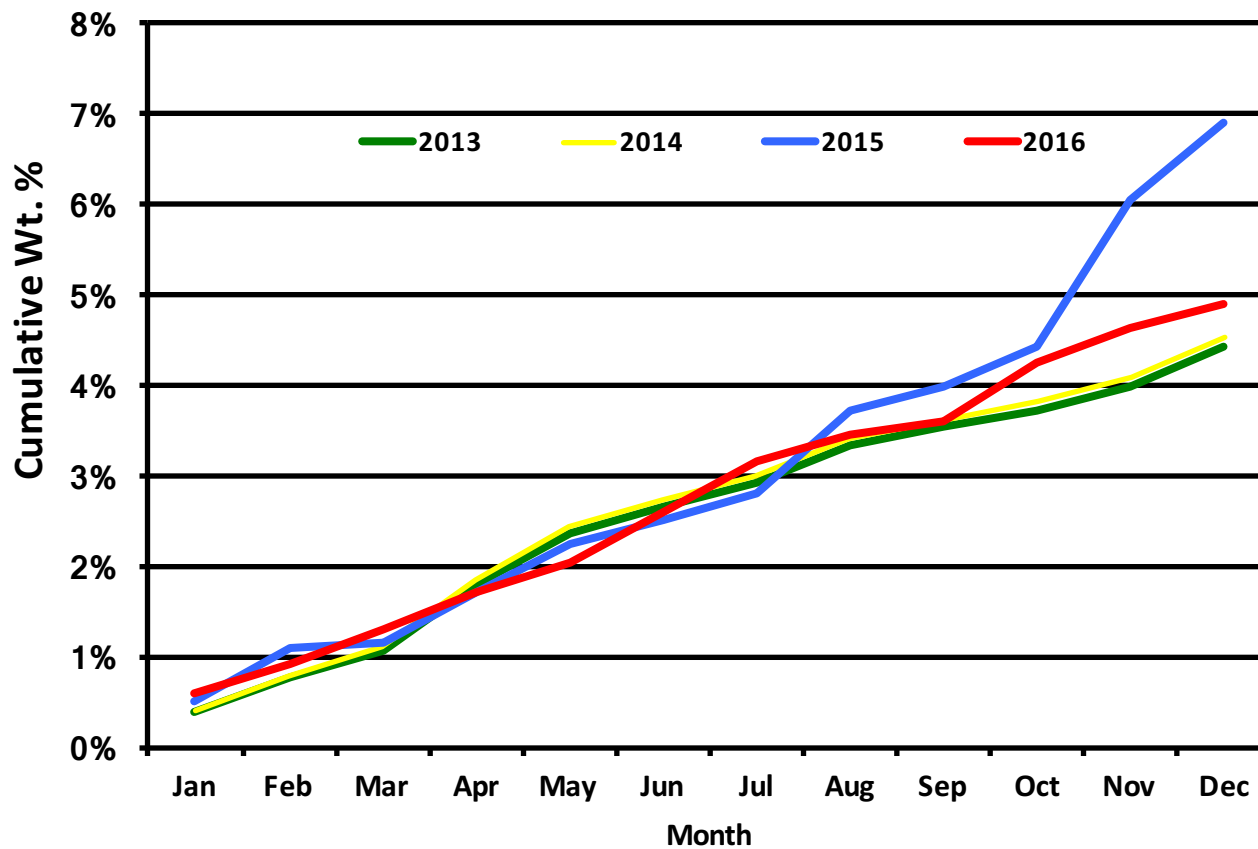
# Large Diamonds

- Evidence of a large diamond population in bulk sample data
- Recovery of Type IIa diamonds
- March 2013 – recovery of 239 carat Type IIa: immediate increase to top size
- Recovery of +10.8ct diamonds (“Specials”) has significantly increased as mining progressed into Centre and South Lobes
- Absolute numbers not as critical as proportion (wt.%)



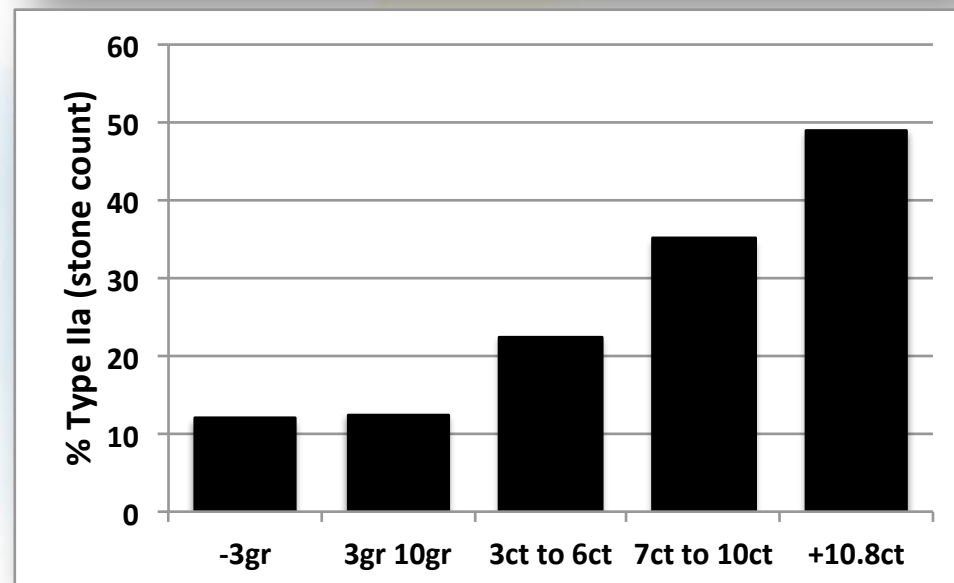
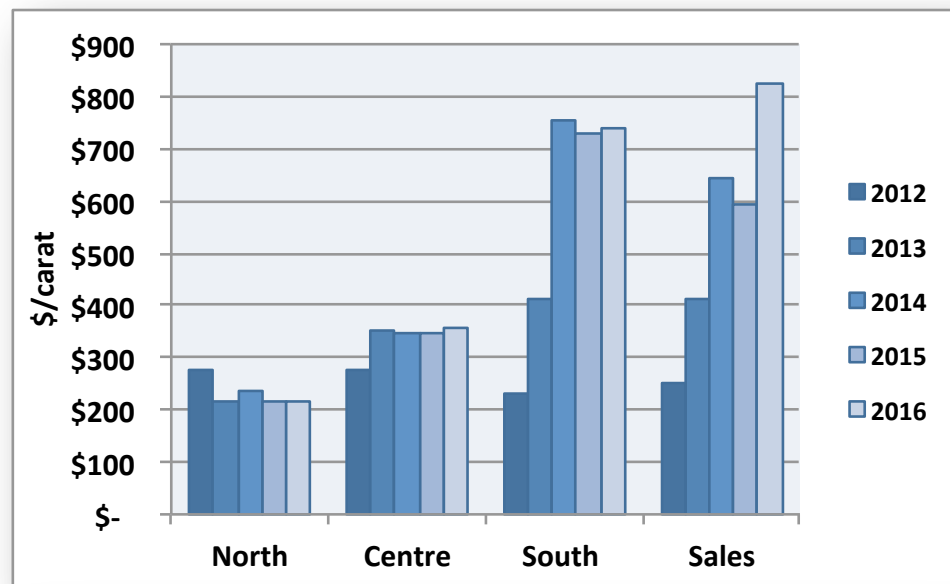
# Consistent Recovery of +10.8ct Diamonds

**Karowe +10.8 ct Diamonds  
Cumulative % of Total Production**



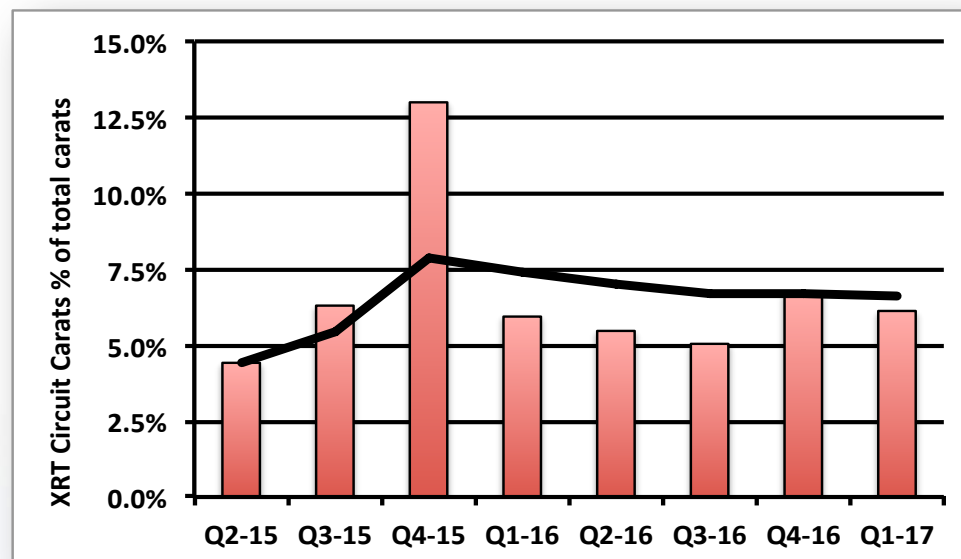
# Impact of Large Diamond Recovery

- Continued recovery of high value large diamonds
- A total of 73 +100 carat diamonds have been sold as individual lots (\$364 million USD)
- Represents 56% by count and 61% by weight of all +100 carat diamonds recovered,
- +100 ct diamonds represent 1wt.% of all diamonds produced to date
- Significant proportion (by stone count) of +7 carat population are Type IIa diamonds
- Better understanding of diamond population, size distribution, and diamond value driving resource expansion



## XRT Bulk Sorting

- Over 47,000 carats recovered since commissioning in Q2/15
- 5 ROM sorters and one Audit sorter (2x 8 to 14mm, 2x 14 to 35mm, 1x 35 to 90mm)
- Commissioning of an additional two circuits through 2017
  - MDR : 60 to 120mm prior to AG Mill
  - Sub-middles : 4 to 8mm
- Yield Independent
- First to use XRT as DMS and standard recovery systems replacement for recovery of diamonds from ROM feed
- Continuous improvements in operational conditions





## Recovering Value

- MDR will allow for early recovery of diamonds >200 carats
- Sub-Middles XRT provides for the most efficient and cost effective processing of the dense high-yielding South Lobe ore at depth





Lucara Diamond



**Resource Expansion**

# Karowe Resource Expansion

- Targeting South Lobe Inferred below 400 metres depth
- Update pipe volume, internal geology, density models, microdiamond dataset
- Incorporate current diamond recoveries, updated SFD's, diamond valuation, historic LDD

2017 Classification	Resource	Tonnes	Carats(Mct)	Grade (cpt)
Indicated	North/Centre	5.35	0.89	16.64
	South	32.22	5.00	15.52
	Working Stockpiles	2.30	0.25	10.65
	LOM Stockpile	2.23	0.08	3.78
	<b>Total</b>	<b>42.10</b>	<b>6.22</b>	<b>14.78</b>
Inferred	North/Centre	0.21	0.03	14.77
	South	20.79	3.01	14.47

Statement of the estimated remaining Mineral Reserve in the AK6 Kimberlite deposit as of December 25, 2016. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the company and a qualified person within the meaning of National Instrument 43-101.

1) Based on a recoverable grade model (1.25mm bottom cut off size).

2) Diamond price is based on diamonds recoverable with current Karowe plant process and 2016 Lucara Diamond rough diamond sales data.

3) LOM = Life of Mine; Volume to a depth of 400m, tonnes and carats are reported in millions (M).

4) Working Stockpiles are available for blending and supplementing feed to the process plant.

5) Mineral Resources are reported inclusive of Mineral Reserves.

6) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table contains rounded figures.

# Karowe Resource Expansion

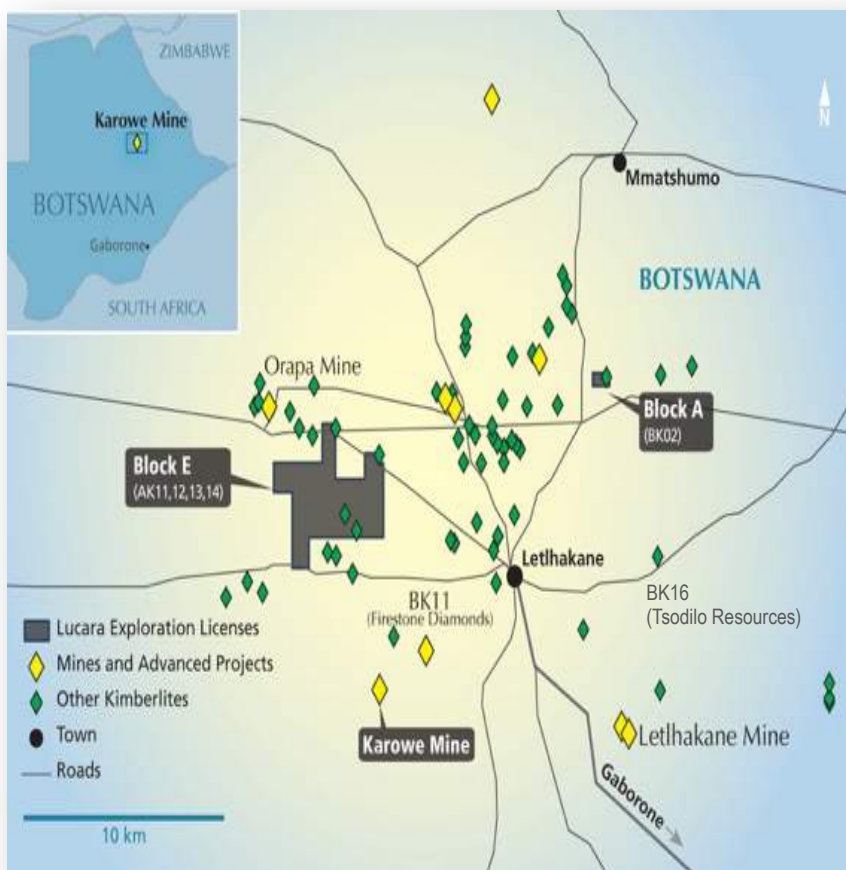
- 10,000 metre drill program with target to bring inferred mineral resources into the indicated category
- Drilling program completed in Q1 2017
- 2,600 metres of kimberlite intersected in 12 holes
- Pipe volume updated: no material changes in volume
- Internal Geology: logging complete, modeling underway
- Sampling for petrography (continuity of geology), density, and microdiamonds (continuity/stability in diamond population) are underway
- Samples arriving in laboratories
- Report expected Q4-17





# Exploration

# Botswana Exploration Targets



**AK11:** Logging and sampling of the drill core is complete. LDD program set to begin in Q2 2017. Pilot holes followed by approximately 750 tonnes of LDD sample

**AK13:** Five drill holes intersected kimberlite and within the five holes, three holes intersected wider intercepts of kimberlite. Microdiamond samples submitted during Q2 2017

**BK02:** Due to the observed average price per carat for the combined parcel of US\$56.76/ct and the low recovered sample grade, no further work is planned at this time

**AK14:** During Q1 2017, a 327 metres drill program was conducted. Based on the drilling information, no further work is planned

# Reclamation of Sites

- Commitment to EPA guidelines and environmental stewardship



AK12 - Oct 2016



AK12 - Feb 2017



**The Journey Through Lucara's Sorting & Sales**



## Deep Boiling Facility

- It is critical that once diamonds are recovered from the mine, that they are thoroughly cleaned and prepared for sale
- Enhances the look of the diamonds, more importantly adds value
- Lucara owns and operates a modern Deep Boiling Facility (DBF) within the Diamond Technology Park in Gaborone
- Staff are fully trained by Elymr, a World renowned, premier diamond cleaning office based in Antwerp
- Overnight turnaround from the DBF allows for timely quality sorting and valuation



## Sale Preparation

- A small team of experienced sorters accurately sort and value the diamonds into assortments
- Lucara has approximately 4,000 price points behind the assortments
- Accurate consistent sorting and valuation of the production has been the key to our success
- Assortments are then amalgamated into sales parcels for presentation to clients



# Tender Process

- Closed tender, bidding is conducted through an online platform
- Bookings are made through contacting the Lucara sales office
- Clients will normally be allocated a five hour viewing time
- Maximum participation in Lucara tenders is assisted by scheduling sales to coincide with other southern Africa diamond events such as other tenders, auctions and De Beers sights
- Results are announced at the close of the tender and witnessed by a court appointed bailiff
- Invoices sent out the same day
  - Clients are expected to pay the invoice within five business days
  - Once payment is received, only then are the diamond parcels sent to the clients



# World-Class Viewing Facilities

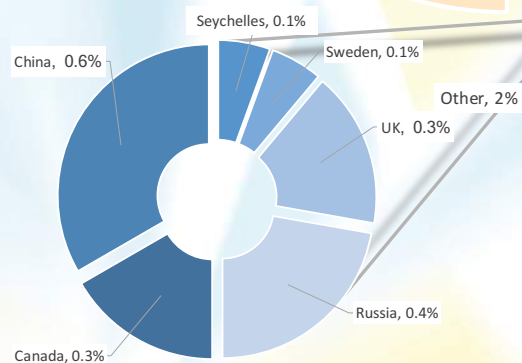
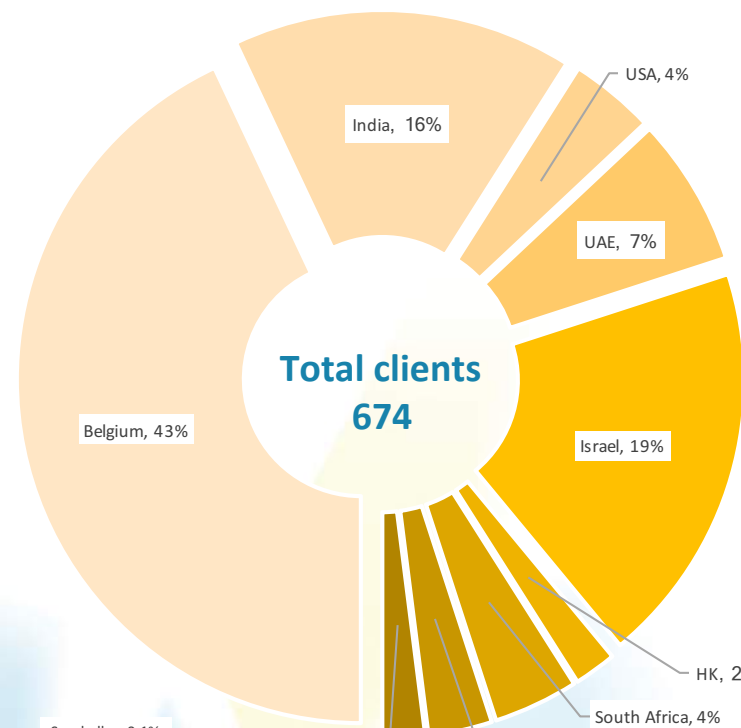
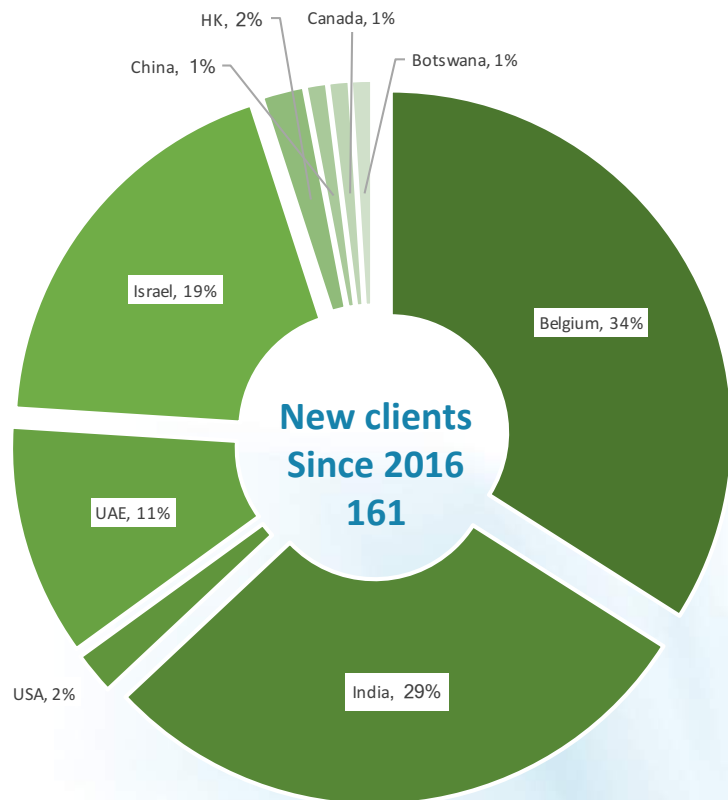


## Lucara's Clients

- Strong and transparent relations with clients
- Highly sought after production from the small sizes through to the exceptional diamonds
- A large percentage of Type IIa diamonds and a lack of fluorescence ensures maximum bidding from our clients
- Maximum revenue by offering consistent diamond parcels matched to clients business requirements
- 674 companies are currently registered



# Client by Country of Registration



# World Renowned Diamonds

- Demand for Lucara's exceptional diamonds continues to grow and exceed expectations
- Consistent diamond assortments, reputation, the Lucara brand and the profound relationships Lucara has developed with our clients will continue to flourish
- Strong position for future Lucara sales



Charlize Theron adds sparkle to the 2017 Oscars wearing the jewels from Chopard the Garden of the Kalahari, recovered by Lucara Diamond.

## Lucara Brand of Exceptional Stones

- Since production commenced in 2012, the Karowe Mine has yielded many large exceptional diamonds:
  - 145 diamonds sold for > US\$1.0M each totaling US\$528M
  - 93,400 carats totaling 3,242 diamonds > 10.8ct recovered since commencement of production
  - 73 gem quality diamonds > 100ct sold as individual lots
    - 51 diamonds between 100ct – 199ct
    - 17 diamonds between 200ct – 299ct
    - 5 diamonds > 300ct
    - For our Regular Tenders, +10.8ct specials contributes to approximately 50% of the total revenue
  - The 813 carat Constellation diamond sold in 2016 at a record price of US\$ 63.1M
  - Recovery of the 1,109 carat Lesedi La Rona in 2015, the world's second largest gem quality diamond ever recovered







## **The Diamond Market**

## 2017 Diamond Market

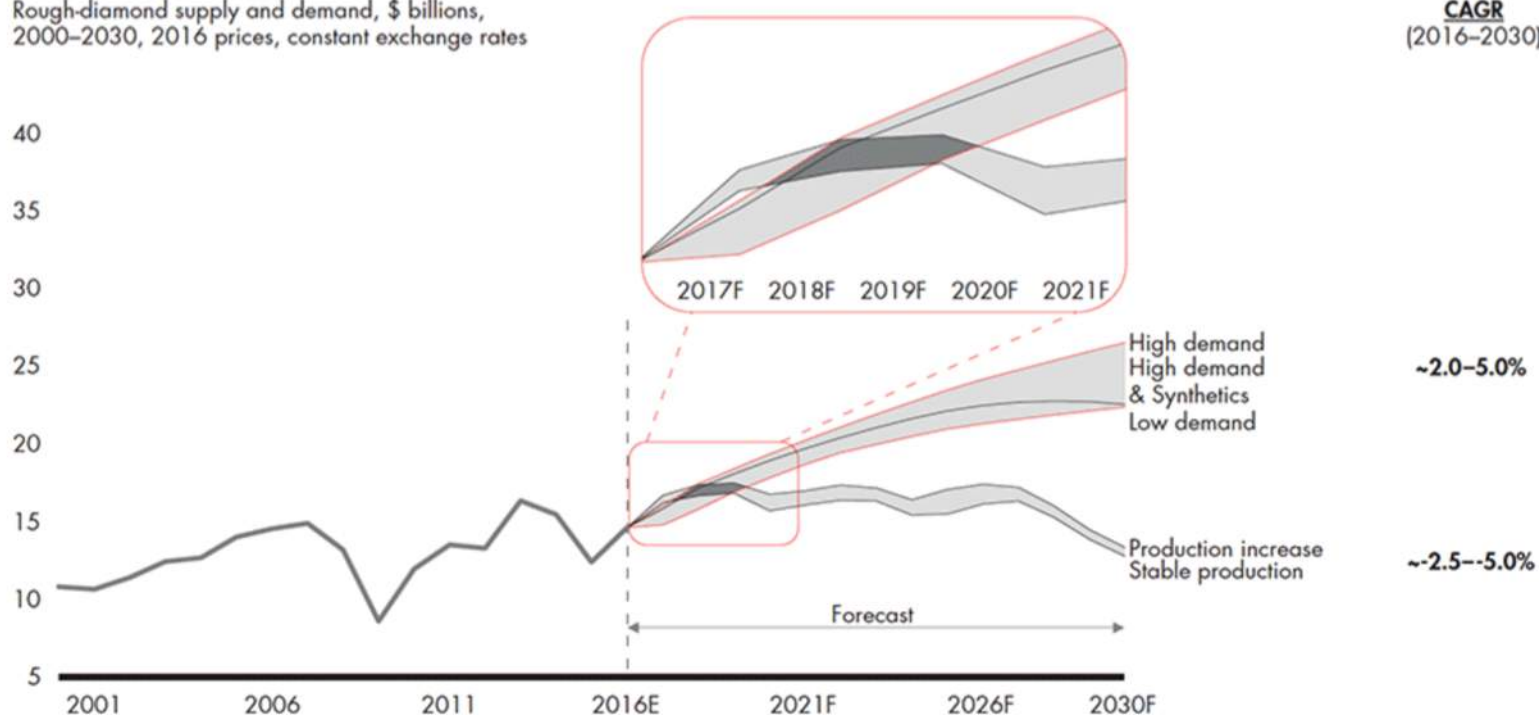
- Market is cautious – supply and demand fundamentals remain unbalanced
- Retail sales in China appear to be improving, specifically in the smaller goods
- Large volumes of rough continue to be sold by the majors with a strong rebound in the price of rough in the categories where demand was affected the greatest by the demonetization in India in November 2016
- Although polished diamond sales lag, rough diamond sales for the market remains robust based on available liquidity and year to date rough sales
- High value diamond market remains robust due to lower than historical large stone recoveries by other producers
  - Demand for Karowe large diamonds remained strong in first quarter. The average prices in the Q1 2017 tender were amongst the top three in terms of \$/carat achieved over the 30 Lucara regular tenders held to date.
- Strong customer base and brand
- Outlook is positive although still cautious

# Diamond Sector: Supply vs. Demand

The gap between supply and demand is expected to remain tight in the medium term

Rough-diamond supply and demand, \$ billions, 2000–2030, 2016 prices, constant exchange rates

**CAGR**  
(2016–2030)



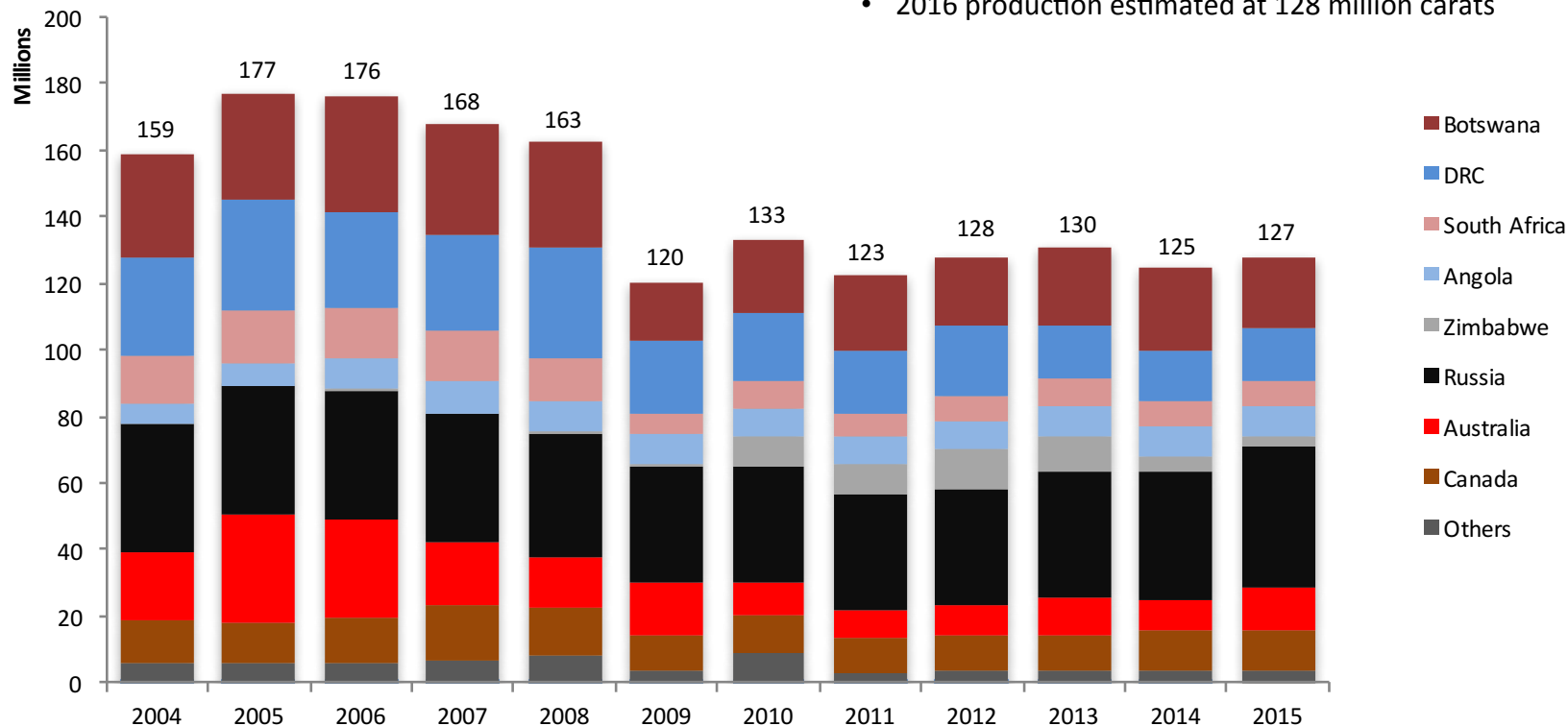
Note: Stable production assumes delayed start of production for new mines and earlier end of production for several existing mines; rough-diamond demand has been converted from polished-diamond demand using historical ratio of rough diamonds and polished diamonds values  
Sources: Kimberley Process; Euromonitor; EIU; expert interviews; Bain analysis

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

# Rough Diamond Production

- Rough diamond production has remained static over the past 5 – 7 years
- Expected to increase in 2017 as three new mines ramp-up to full production (+7M carats)
- 2016 production estimated at 128 million carats

Rough Diamond Production, millions of carats



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