

LUCARA  
DIAMOND

BoAML Conference  
May 17 2018

# 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 volumes; forecasted sales volumes and pricing; projected revenues of the Company; exploration and development plans and objectives including an anticipated resource upgrade; estimated production costs, exploration and development expenditures; estimates of ore to be mined by the Company and corresponding operating and sustaining costs; and the cost, timing and results of the commercialization of Clara. 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, unanticipated events relating to health safety and environmental matters, delays or failure to successfully commercialize Clara's platform, acceptance of Clara's platform by the diamond industry, risks relating to the technology underlying Clara's platform and other risks inherent in the implementation of new technologies, 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 [NTD: should this refer to the amended report filed in Feb. 2011?]; the NI 43-101 Independent Technical Report dated February 4, 2014, based on update Mineral Resource Estimate released by Lucara Diamond Corp., dated December 19, 2013; NI 43-101 Technical Report on the Preliminary Economic Assessment of the Karowe Diamond Mine Underground Project, Botswana Prepared by Royal Haskoning DHV, dated effective October 31, 2017.

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.



# The Investment Case

## 100% owned Karowe Mine in Botswana

- High margin diamond producer, in production since 2012
- One of the worlds' foremost producers of exceptionally large, gem quality diamonds
- 158 diamonds have sold for > US\$1 million each (total value in excess of US\$600 M)
- \$43 million in cash on hand, no debt
- PFS underway on Karowe underground with potential to extend mine-life to 2036

## 100% owned Clara Diamond Solutions

- A secure, digital sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies, unlocking value and ensuring diamond provenance from mine to finger

## Progressive Annual Dividend

- CDN\$0.10 for 2018. US\$257 million paid since implementation of dividend policy in 2014



# Safety, Health, Environment and Community Relations

## Safety

All leading and lagging indicators trending favourably, LTIFR of 0.06 and 2.9 million hours since last LTI

## Health

Employee wellness now being tracked; focused on building awareness

## Environment

In compliance with all legal statutes; no major incidents to report

## Community Relations Key Focus Areas

Karowe Villiage Initiative (KVI)

- To be piloted in three villages: Khwee - (horticulture) & Mmadikola - Trust (Hardware store that was previously funded under KEEF)

Community Centre (Budget US\$ 2.6 million Total)

- Cooperative Multipurpose indoor centre to host sporting competitions, cultural events and meetings
- Designed for staged build starting 2019



## Q1 2018 Karowe Operations

Production	Q1 2017	Q1 2018
Ore processed (tonnes)	598,934	599,407
Ore mined (tonnes)	131,380	630,242
Carats recovered (carats)	65,241	75,698
Plant feed grade (cpht)	10.9	12.6
Waste mined (tonnes)	587,177	3,991,648

Revenues & Operating Margins	Q1 2017	Q1 2018
Revenue (\$ millions)	26.1	25.4
Carats sold	64,444	63,317
Revenue (\$ per carat)	405	401
Operating margin (\$ per carat)	188	170

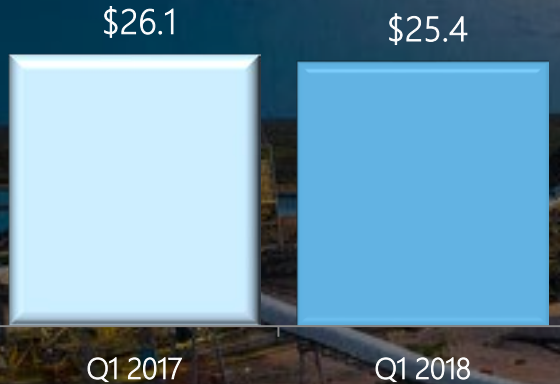


# Q1 2018 Financial Highlights

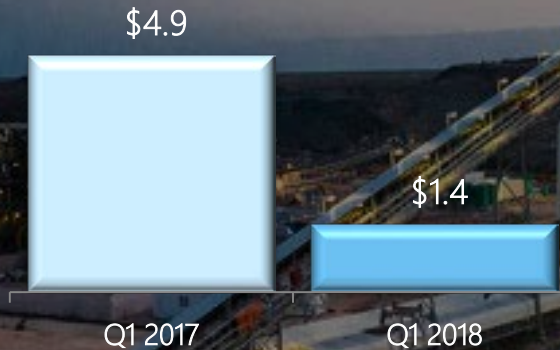


LUCARA  
DIAMOND

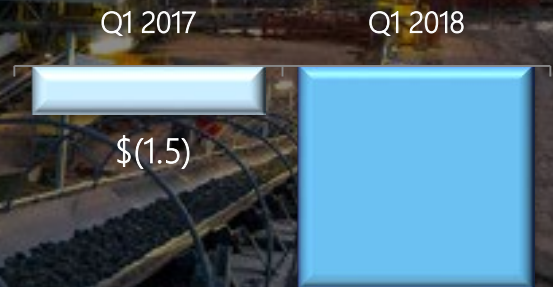
Revenue  
(millions)



EBITDA  
(millions)



Net Loss  
(millions)



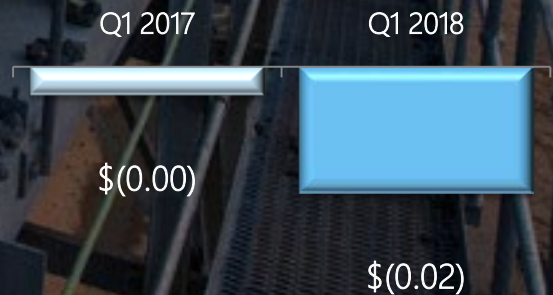
Total Sales  
(average dollar per carat)



US\$ per tonne processed

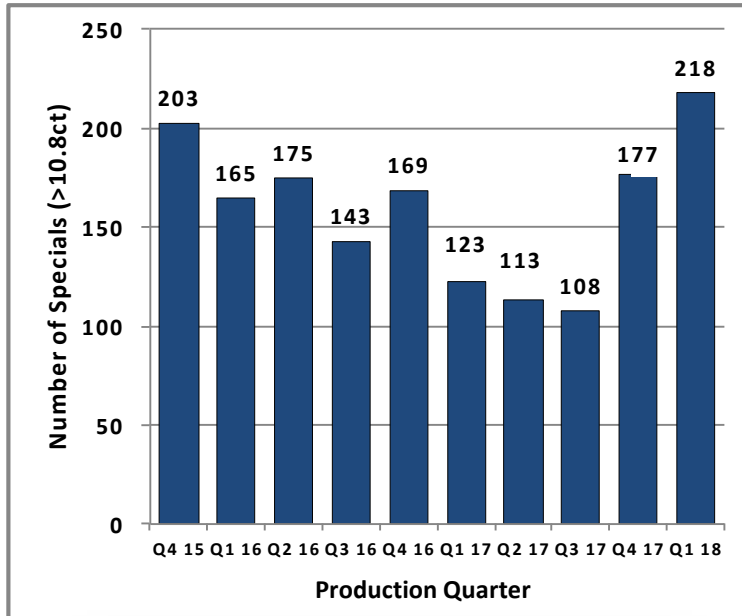


Earnings (loss) per share

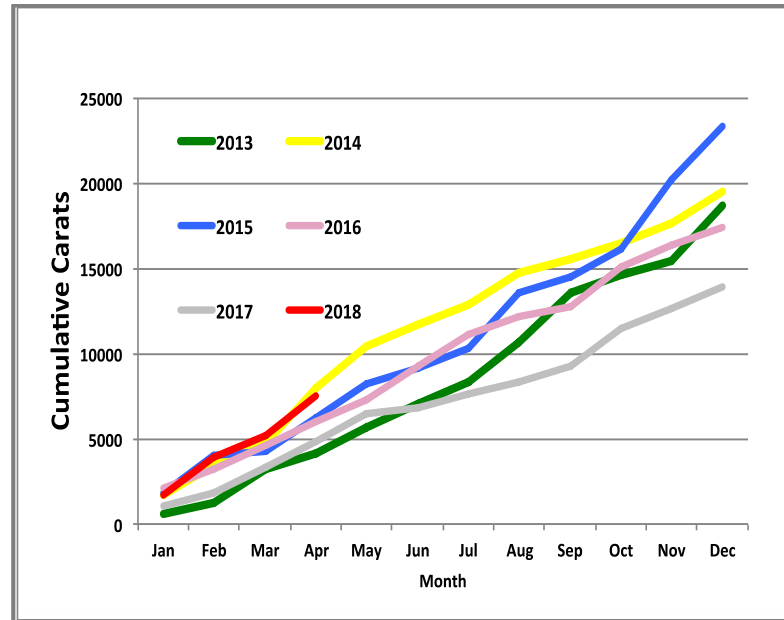


# Karowe Resource Continues to Deliver...

Karowe Quarterly Specials Count  
(single stones +10.8 carats)



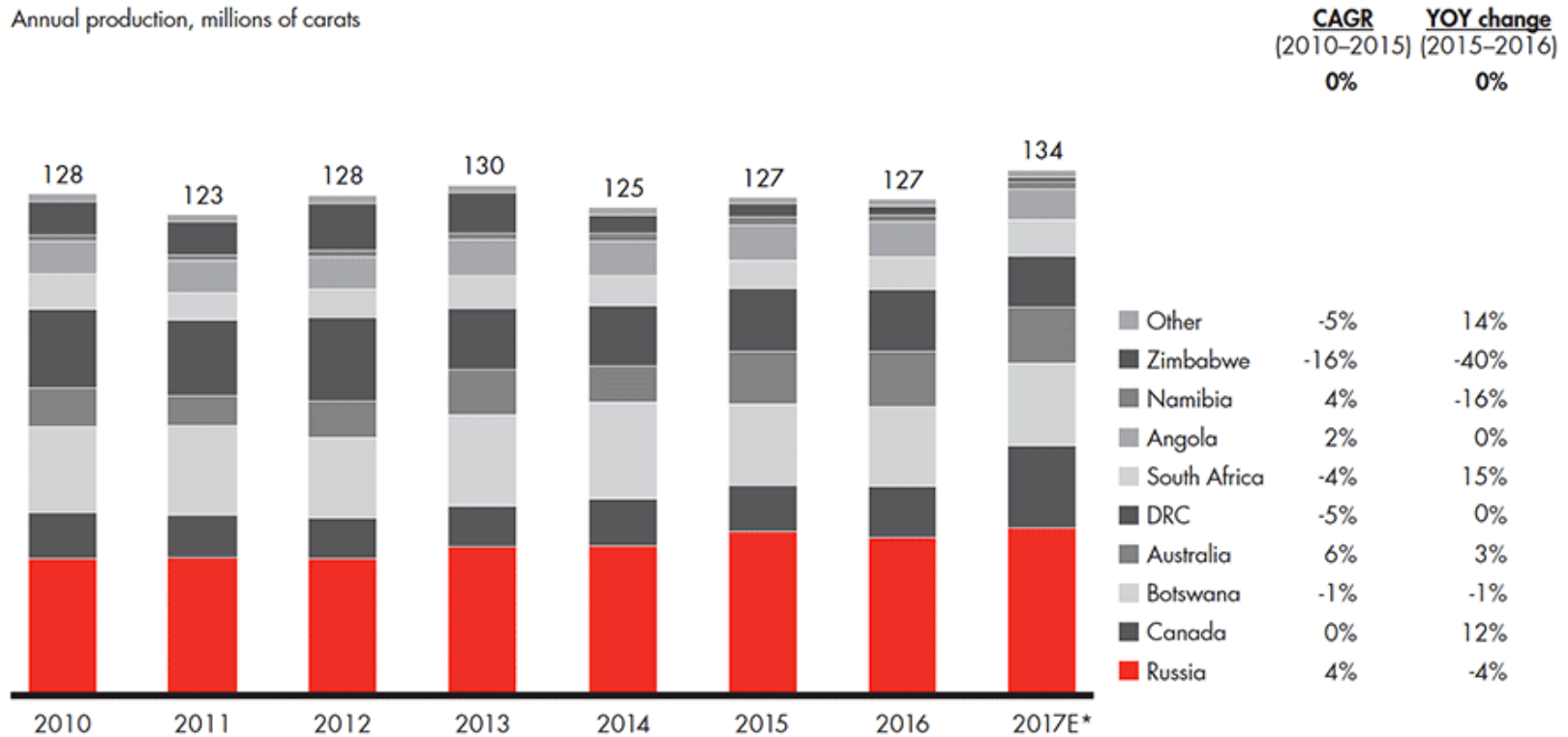
Karowe Cumulative Weight % Specials  
(single diamonds +10.8 carats)



# Diamond Market

*Figure 6:* Rough-diamond production remained stable since 2010

Annual production, millions of carats



\*Estimated based on company production plans

Note: Only diamonds tracked by Kimberley Process are included; DRC 2016 production assumed to remain stable in 2016

Sources: Company data; Kimberley Process; expert interviews; Bain analysis

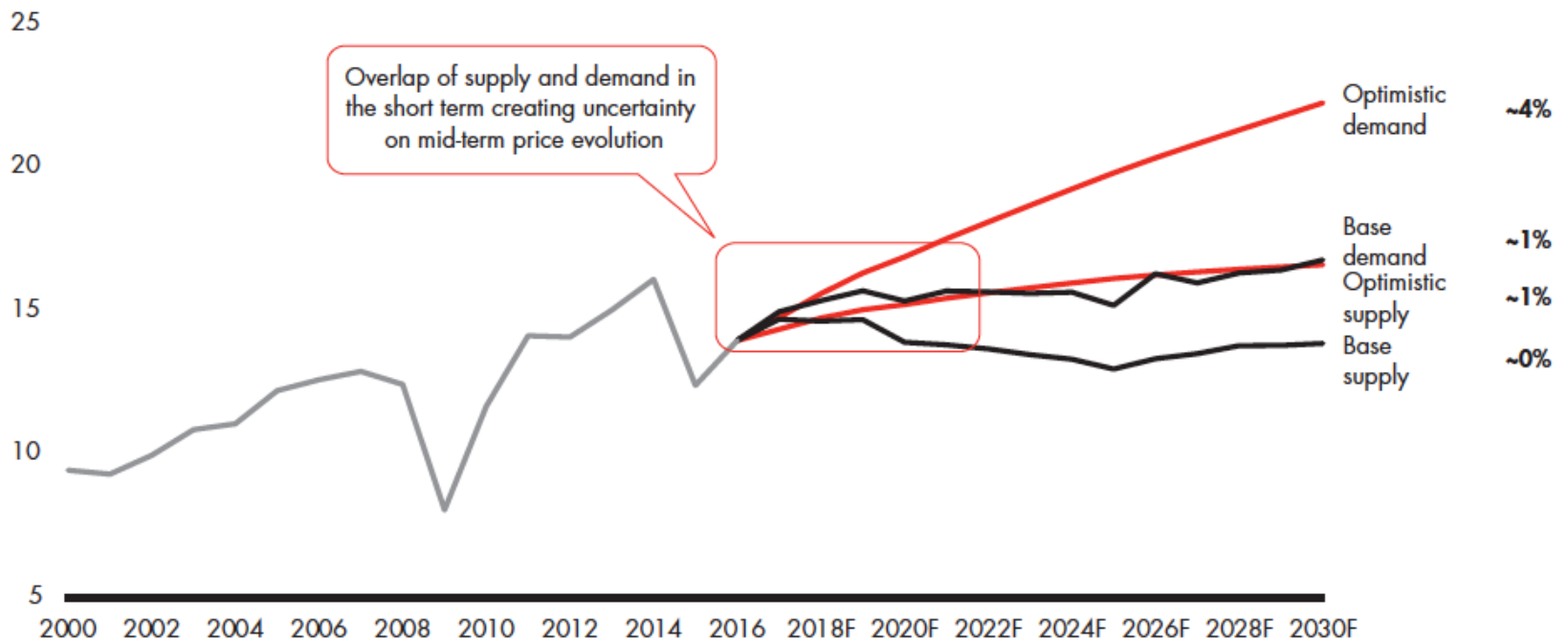


# Diamond Market

The gap between supply and demand is expected to widen longer term

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

**CAGR**  
(2016–2030)

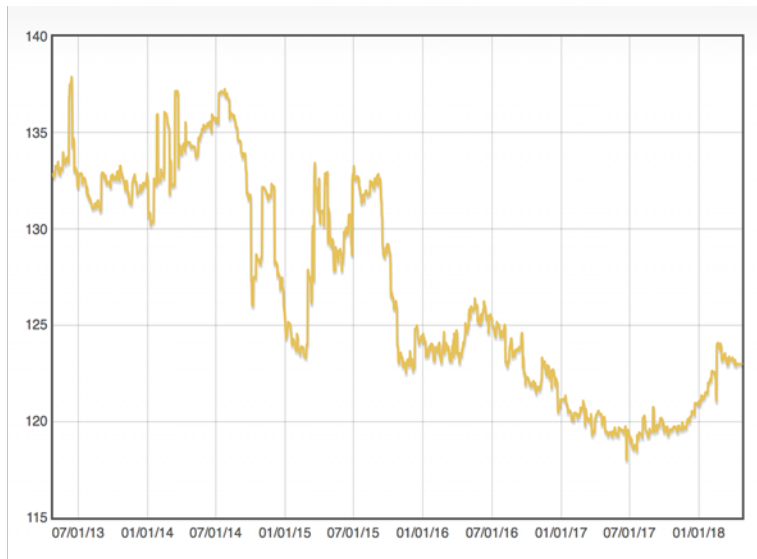


Note: Rough-diamond demand has been converted from polished-diamond demand using a historical ratio of rough to polished diamond values

Source: Bain & Company - Global Diamond Report 2017

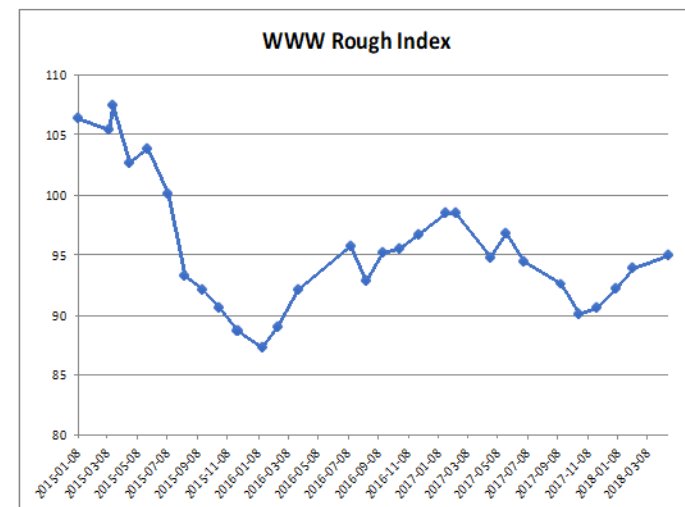
# Diamond Market Q1

- 2018 began with a sense of cautious optimism, bolstered by a reasonably strong US holiday season and healthy demand from China
- Positive outcome at the Hong Kong diamond and jewelry show in February 2018
- Markets appear stable, manufacturers achieving better margins
- Diamond producers association (DPA) announced increase to marketing budget
- The major banking fraud in India continues to cause uncertainty; Indian state banks will be under greater scrutiny when lending to the diamond industry
- De Beers held two sights in Q1 achieving US \$1,235,000 compared to Q1 2017 of US \$1,282,000. 2018 YTD US \$1,755,000



**Polished Diamond Index**

Polished prices dropped sharply post the holiday season in 2017 but have seen some positive movement in the new year



**WWW Rough Diamond Index**

Moderate Increases in Rough Index circa +8% since 10/17

# Sales Strategy 2018

Exceptional Stone Tenders (“EST’s”)

vs.

Regular Stone Tenders (“RST’s”)



# Diamond Sales Tenders

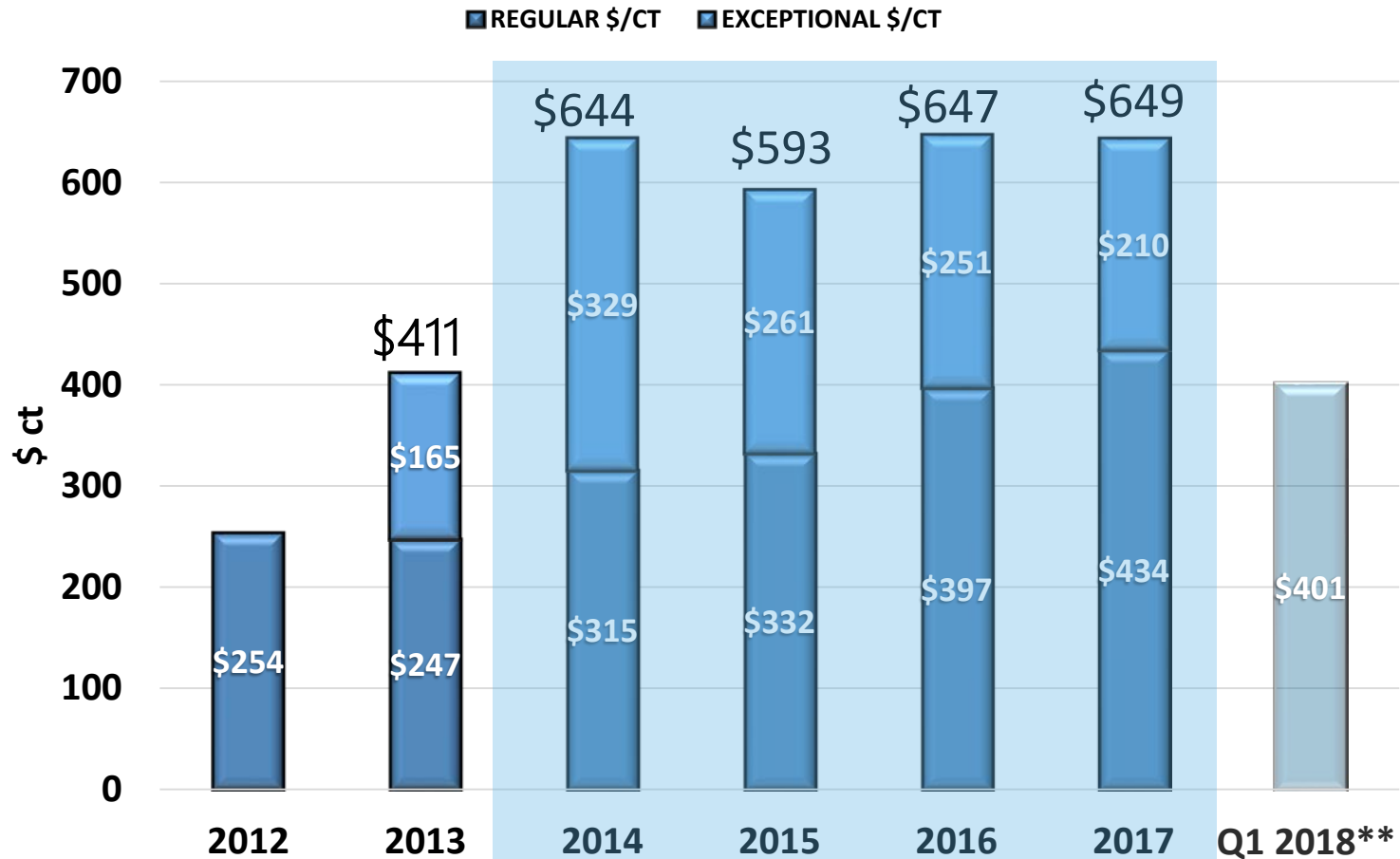
- Historically, Lucara has held both Regular Stone Tenders (RST's) and Exceptional Stone Tenders (EST's) with:
  - RST's representing most of Lucara's run of mine production, held around 4 times per annum
  - EST's for rare diamonds, selected on a range of criteria including weight, quality, color, and, often achieving sales prices in excess of USD\$ 1 million per diamond and held 1-2 times per annum
- Lucara's next diamond sale will include both an RST and an EST scheduled for June 2018



# 2018 Lucara Diamond Sales



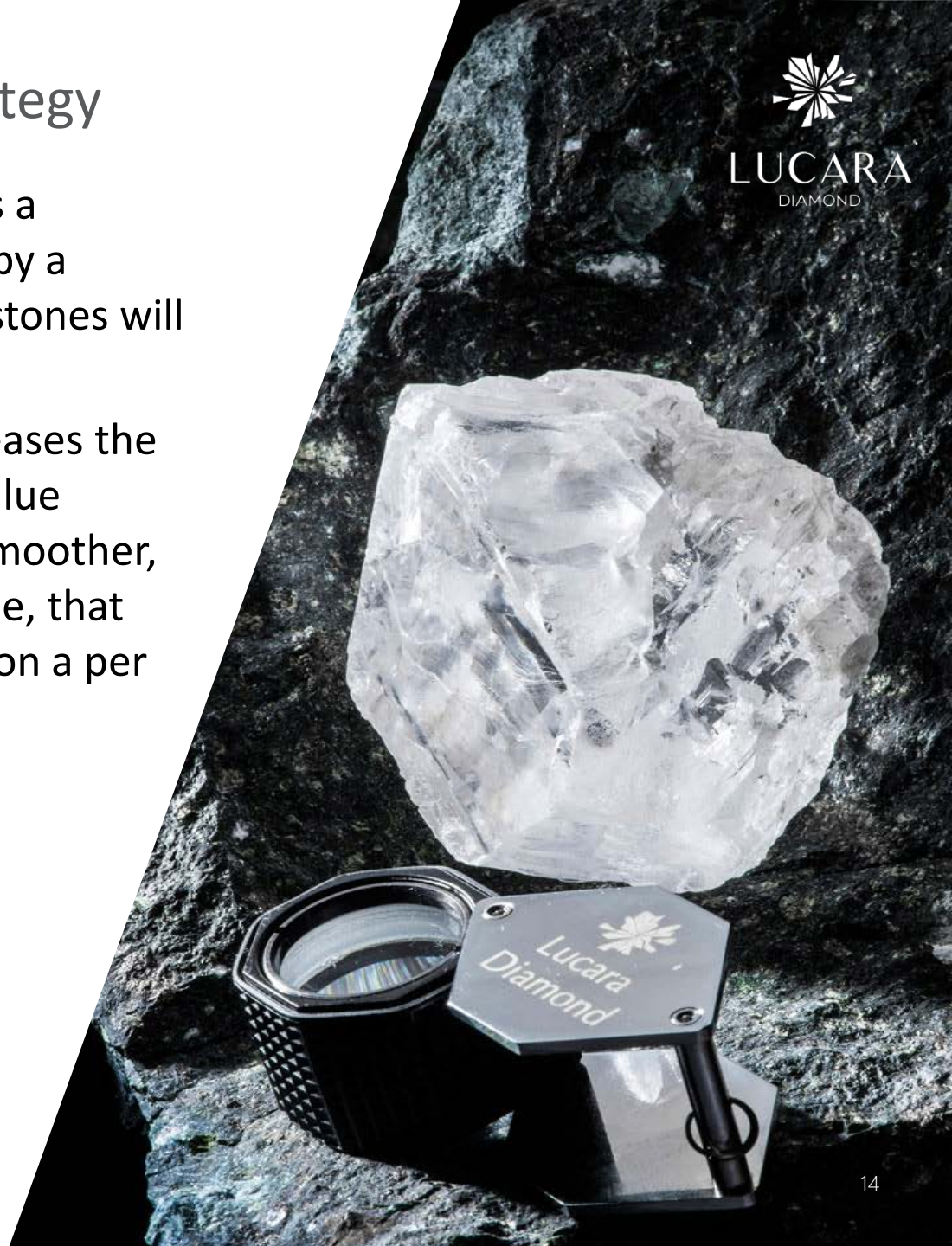
## \$/CT CONTRIBUTION TO OVERALL AVERAGE PRICE \* REGULAR/EXCEPTIONAL TENDERS



\*Excluding Constellation and Lesedi La Rona, \*\* Q1/18 Regular Tender

# Future Diamond Sales Strategy

- Lucara intends to move towards a blended tender process, whereby a greater number of exceptional stones will be sold as part of RST's
- A blended tender process decreases the inventory time for large, high value diamonds and will generate a smoother, more predictable revenue profile, that better supports price guidance on a per sale basis
- Lucara will also be selling part of its future diamond production through Clara, its proprietary digital sales platform, following commercialization later in 2018



# Growth Strategy 2018

- Karowe Underground
- Clara



# Underground PEA: 2026-2036

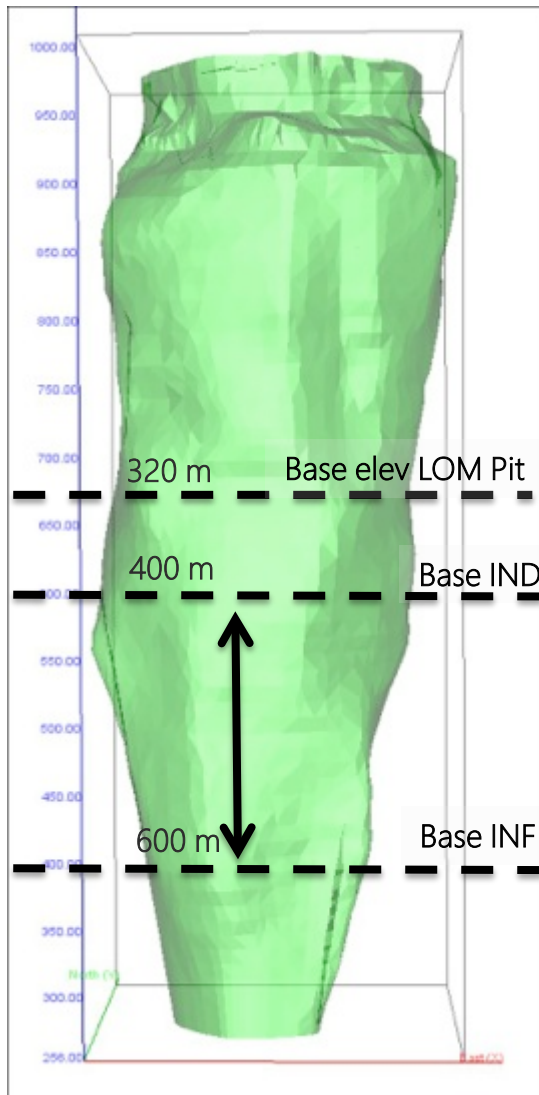
Parameter	Output
NPV <sub>5</sub> (USD)	~ \$451 million
NPV <sub>8</sub> (USD)	~ \$318 million
Undiscounted Free Cash Flow (after tax)	~ \$820 million
Life of Mine	10 years (2026 to 2036)
IRR	38.9% (UG only)
Discount Rate	5 & 8%
Capital Cost (USD)	~ \$195 million
Capital Contingency	25%
Operating Cost (USD/t)	~ \$49.4/t (ave)
Revenue (USD/t)	~ \$112.2/t (ave)
Diamond Value Escalator	2.5% per annum
USD : Rand Exchange Rate	R13.00
Average Tax Rate (during full scale operations)	32.5% (straight ave)
Net Tax Benefit (OC)	\$237 million

- Potential 10 year extension of mine life to 2036
- PEA presents a stand-alone scenario, does not incorporate the economics of the current Karowe operations except tax implications on CAPEX
- PEA evaluates the development of a Sub-Level Caving ("SLC") operation
- Processing of kimberlite at the existing processing plant
- PEA is preliminary in nature and includes the use of the Inferred Mineral Resource





# Resource Upgrade & Exploration

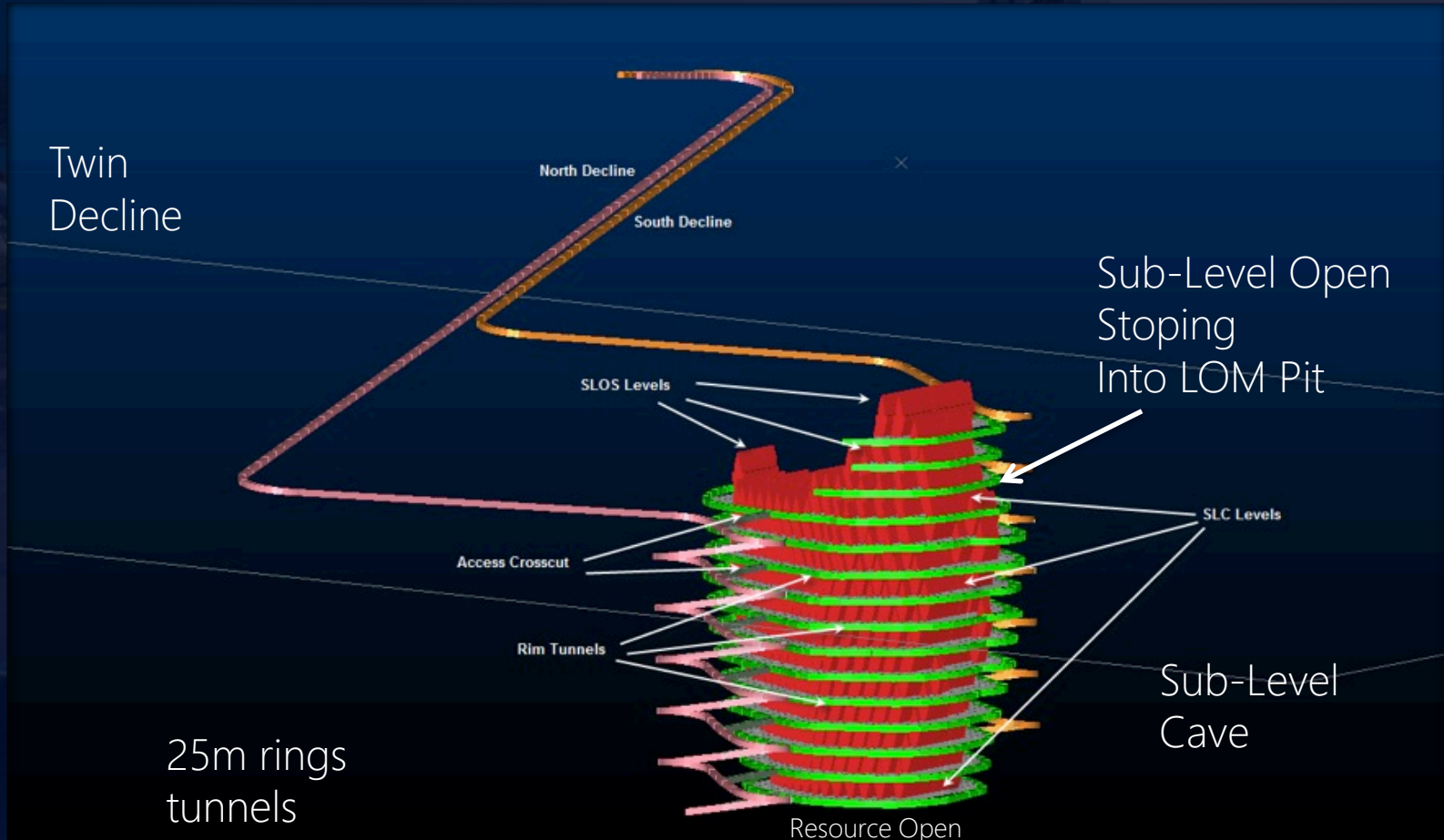


- Updates to the geological model, based on the 2016 and 2017 drilling programs, interpret a larger volume of the Eastern magmatic/pyroclastic kimberlite (“EM/PK(S)”) unit at depth than in the original model
- Size frequency and diamond analysis is being conducted to inform the Karowe resource and ongoing underground (UG) studies
- Resource update expected Q2 2018
- Exploration: Prospecting License extensions for two PL’s
- Processing of AK11 LDD samples underway





# PEA Scenario: Underground Development



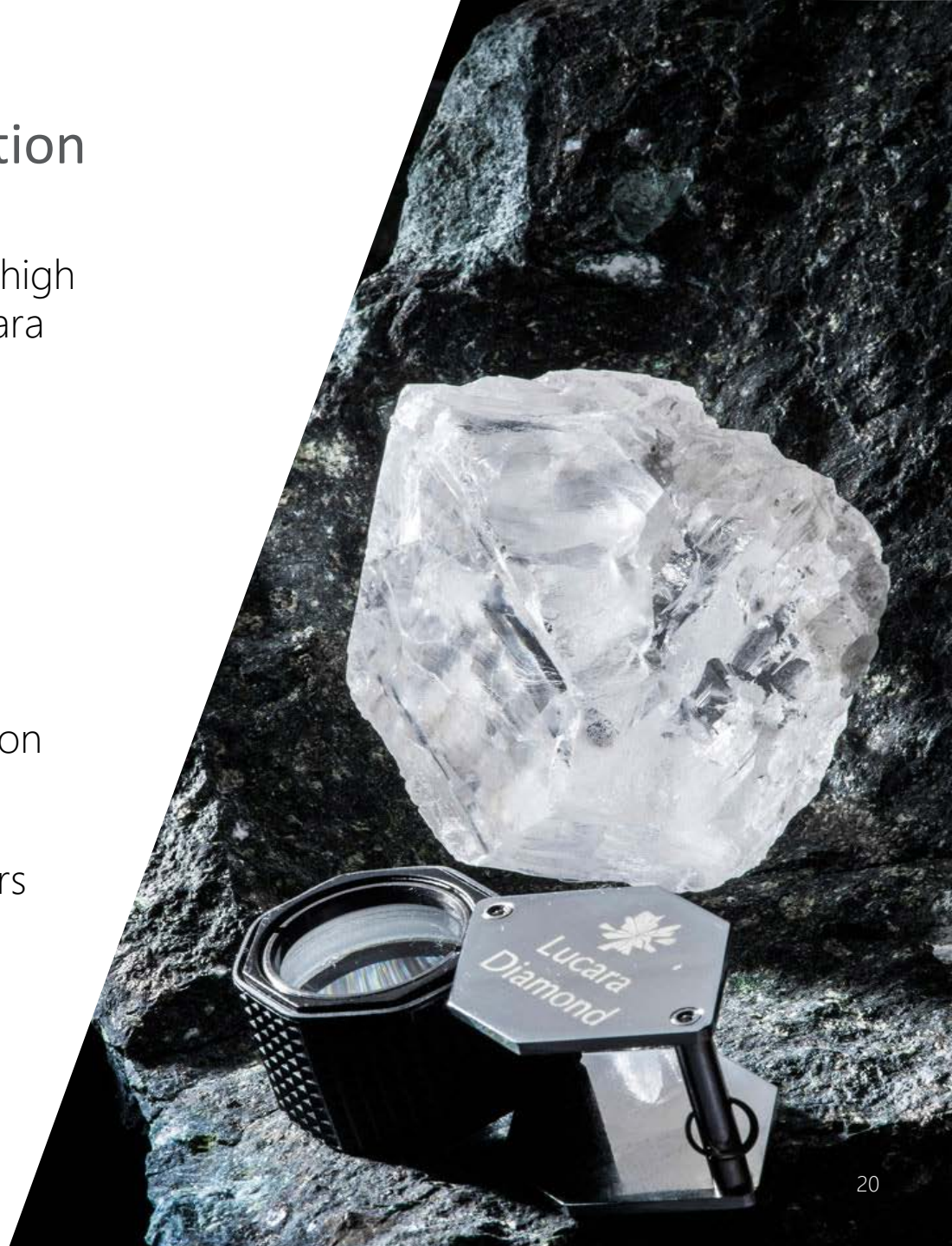


# CLARA

Lucara's next generation growth project

# Summary of Clara Acquisition

- Clara is an affordable, potentially high value growth **opportunity** for Lucara that is compatible with our core diamond mining business
- All share transaction; low dilution (3.7%) and no impact to dividend
- 13.1 million shares up front
- Contingent payments of 13.4 million shares on milestones achieved
- 80/20 EBITDA sharing for ten years capped at \$25 million/annum



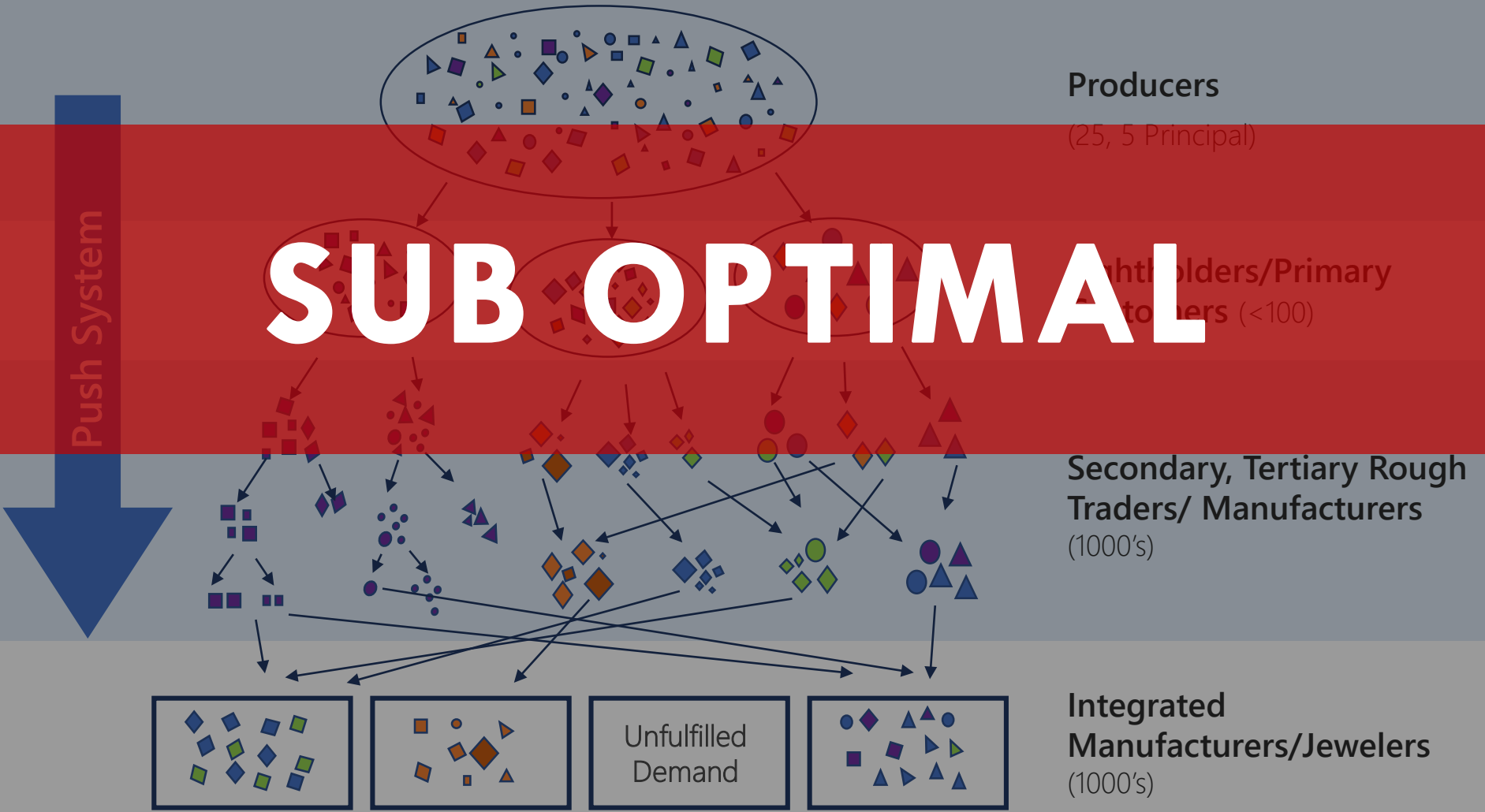


## Why?

- Current supply chain is static, inefficient, and inflexible; uses an entrenched system that hasn't changed in over 100 years, and is ripe for disruption
- Recent technological advances make **disruption possible and inevitable**
- Value is being lost across the entire diamond pipeline; **producers and manufacturers alike stand to benefit** from a new and improved system

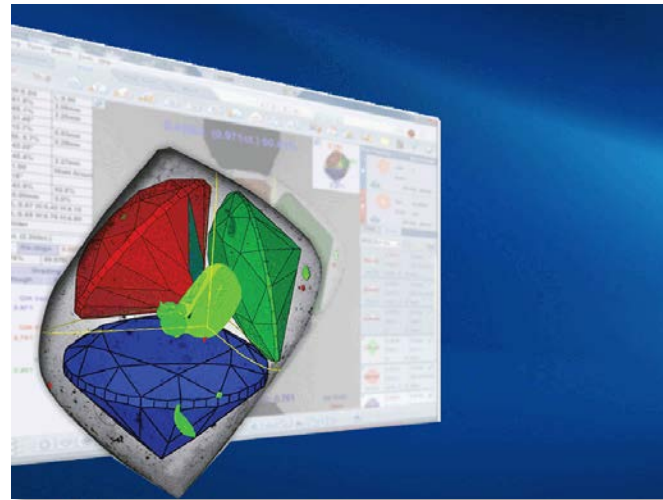
# Prevailing Supply Chain System

Unchanged for over 100 years, Highly Inefficient  
Not optimized  
Value Loss Throughout Supply Chain

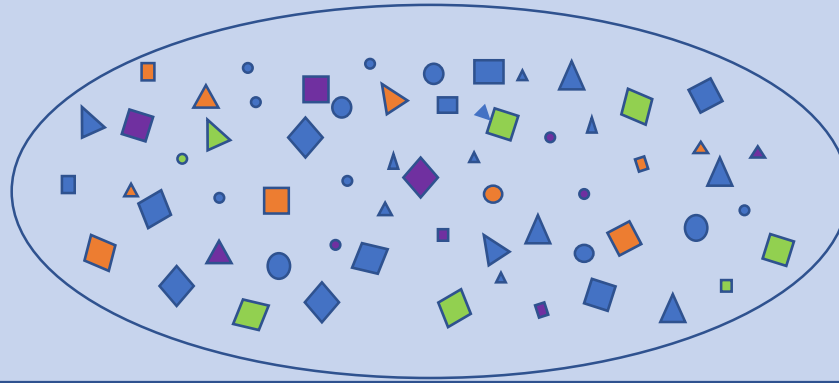


## How can this be improved?

By disrupting the existing diamond value chain, using proprietary analytics together with cloud and blockchain technologies to match diamond demand to supply, ensuring diamond provenance from mine to finger, driving efficiencies and unlocking value for all stakeholders.

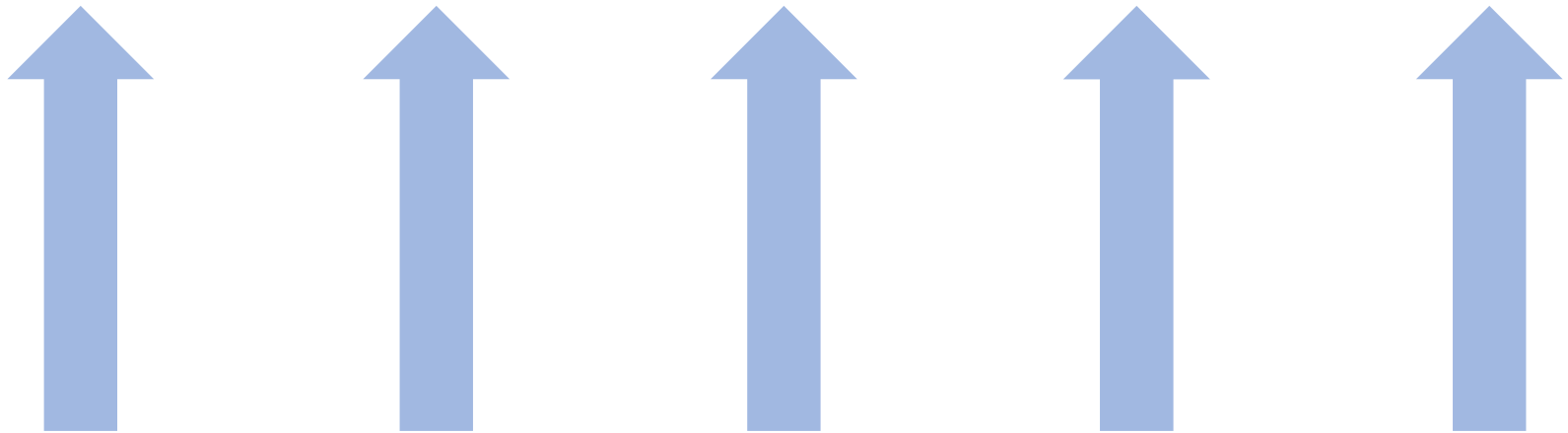


# Clara Platform Matches Rough Output to Polished Demand Streamlining the Supply Chain and Creating Value Throughout the Pipeline



Producers  
(25, 5 Principal)

Clara Cloud Platform

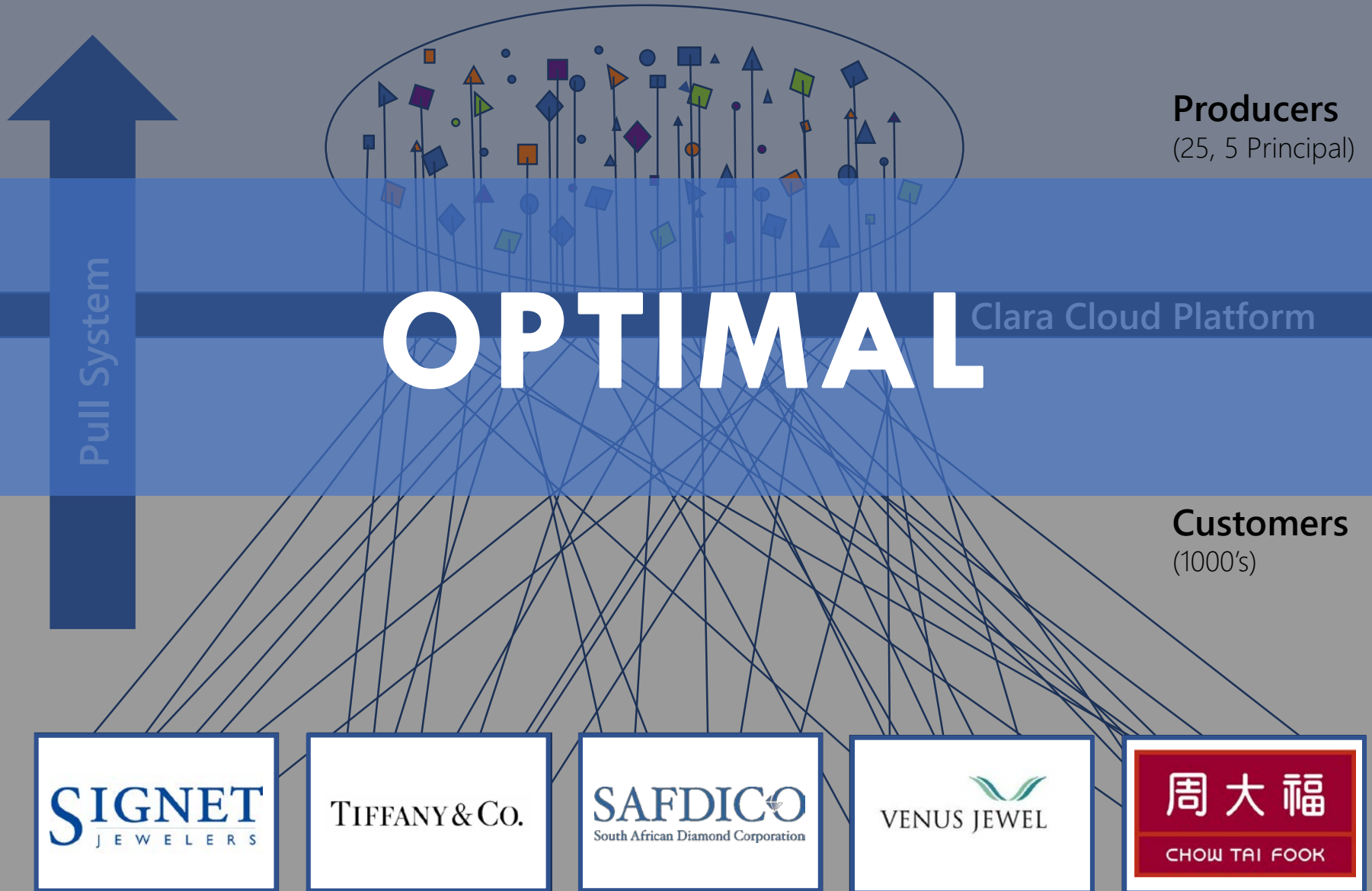


**POTENTIAL CUSTOMERS**



# Clara Platform Matches Rough Output to Polished Demand

Streamlining the Supply Chain and Creating Value Throughout the Pipeline



# Clara Platform Matches Rough Output to Polished Demand

Streamlining the Supply Chain and Creating Value Throughout the Pipeline

**Producers**  
(25, 5 Principal)

**THE ROUGH YOU NEED FOR THE  
POLISHED YOU WANT, UNLOCKING  
VALUE ACROSS THE SUPPLY CHAIN**

**Customers**  
(1000's)

**SIGNET**  
JEWELERS

TIFFANY & CO.

**SAFDICO**  
South African Diamond Corporation

VENUS JEWEL

周大福

CHOW TAI FOOK

# Benefits

## Producers

- Maximum selling price achieved for every stone
- Not reliant on tender sale cycles
- Reduces sorting inefficiencies, removes human factor
- Inventory greatly reduced, potentially eliminated
- Opportunity to establish a true “block chain” system to provide chain of custody and assurance on diamond provenance

# Benefits

## Manufacturers/Retailers

- Purchase of rough based on polished orders
- Eliminates financial carrying costs of unwanted inventory
- Eliminates manufacturing losses taken on unwanted inventory
- Eliminates secondary market trading losses
- Opportunity to establish a true “block chain” system to provide chain of custody and assurance on diamond provenance



## Benefits to Lucara

- Clara is an affordable, potentially high value, near term growth platform, compatible with the Company's core diamond mining business
- Supports Lucara's reputation as an industry-leader in the adoption of new technology. Non-cash transaction with no expected impact on the dividend
- Higher realized prices for Karowe rough and stable, continuous cashflow that is no longer tied to a fixed sales cycle
- Diversifies Lucara's existing business model and creates future growth optionality; commercialization underway, on schedule for roll out Q3
- Blockchain business solution that will unlock value and ensure diamond provenance, integrity and transparency throughout the value chain



# 2018 Guidance

## 2018 Outlook (all amounts in USD)

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Diamond revenue (\$ million)	170 – 200
Diamond sales (thousand carats)	270 – 290
Diamonds recovered (thousand carats)	270 – 290
Ore tonnes mined (million)	2.5 – 2.8
Waste tonnes mined (million)	13.0 – 16.0
Ore tonnes processed (million)	2.4 – 2.7
Operating cash costs per tonne ore processed (dollars)	38.0 – 42.0
Sustaining capital expenditure (\$ millions)	Up to 11
Underground development – AK6 Karowe (\$ million)	Up to 29
Exploration expenditures AK11, AK13, AK24 (\$ million)	Up to 6
Clara Commercialization (\$ million)	3.0

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# Capital Structure

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

TSX

NASDAQ Sweden

BSE (Botswana)

Issued shares 395,719,334

Fully diluted shares 402,499,474

Insider Holdings 21% on a fully diluted basis

Debt NIL

Cash on hand US\$ 43.6 million (Q1 2018)

\$50 million Credit Facility (undrawn)



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