

Lucara Diamond Corp.

Vancouver Resource Investment Conference 2019



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# Cautionary Statement



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## 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 a new resource statement; 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; Updated NI43-101 report released on February 4, 2014, based on update Mineral Resource Estimate released by Lucara Diamond Corp., dated December 19, 2013; NI 41-101 Technical Report on the Preliminary Economic Assessment of the Karowe Diamond Mine Underground Project, Botswana Prepared by Royal Haskoning DHV on behalf of Lucara Diamond Corp., dated November 27, 2017; NI 43-101 Technical Report for the Karowe Mine: Updated Mineral Resource Update prepared by Mineral Services on behalf of Lucara Diamond Corp., dated August 9, 2018.

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).

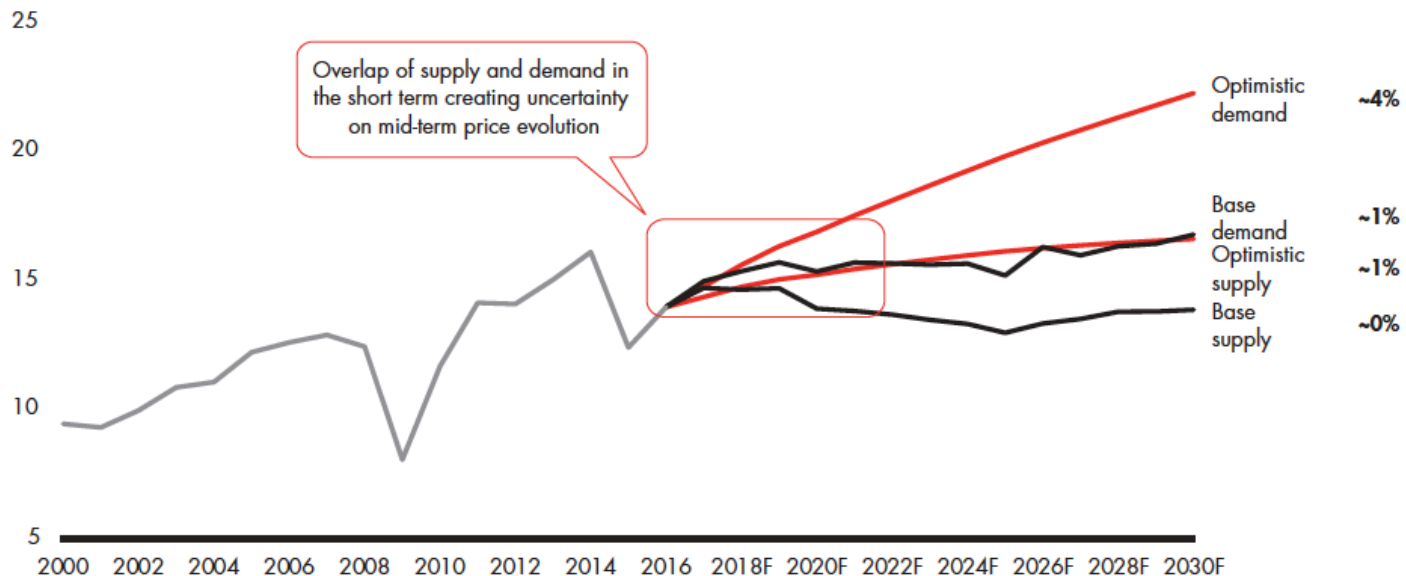
All currencies mentioned in this presentation are in United States Dollars ("US\$") unless otherwise mentioned.

# Diamond Market

2017 consumer demand increased driven by USA and China; the gap between supply and demand is expected to widen post 2020 as large mines deplete  
 Synthetics ~ 5% of market, mostly in smaller goods, no threat to natural

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

**CAGR**  
 (2016–2030)



***Millennials will be the highest-spending generation from 2020 and the leaders in luxury spending, especially in China***



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# The Investment Case

*All currency figures in USD, unless otherwise stated.*

## 100% Owned Karowe Diamond Mine, Botswana

- High margin diamond producer since 2012
- Renowned for rare, large, high quality gem diamonds
- Open pit resources to 2026, potential underground expansion to 2036 at feasibility stage

## 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

## Dividend & Strong Balance Sheet

- CDN\$0.10 annual dividend; Over US\$250 million paid since implementation of dividend policy in 2014; ~6% dividend yield
- \$31.1 million in cash on hand, no debt (Q3/2018)





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# Karowe Diamond Mine



- Flagship asset, commenced production in 2012; open pit resources until 2026, potential to expand underground to 2036
- Reputation as an innovator, first diamond mine to use state of the art XRT technology for diamond recovery



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## Historic Diamond Recoveries

Lucara has become renowned as one of the world's foremost producers of large, gem quality diamonds



1109 carat Lesedi La Rona 2<sup>nd</sup> largest gem diamond ever recovered in the world

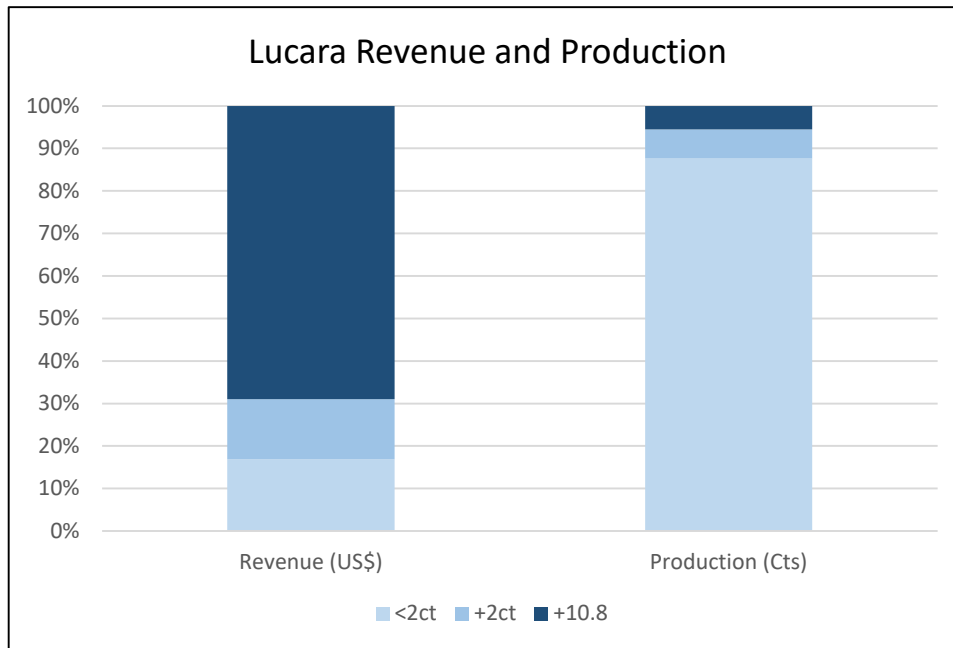


813 carat Constellation which sold for a record US\$63.1 million



# Specials (+10.8 carat) Drive Value

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



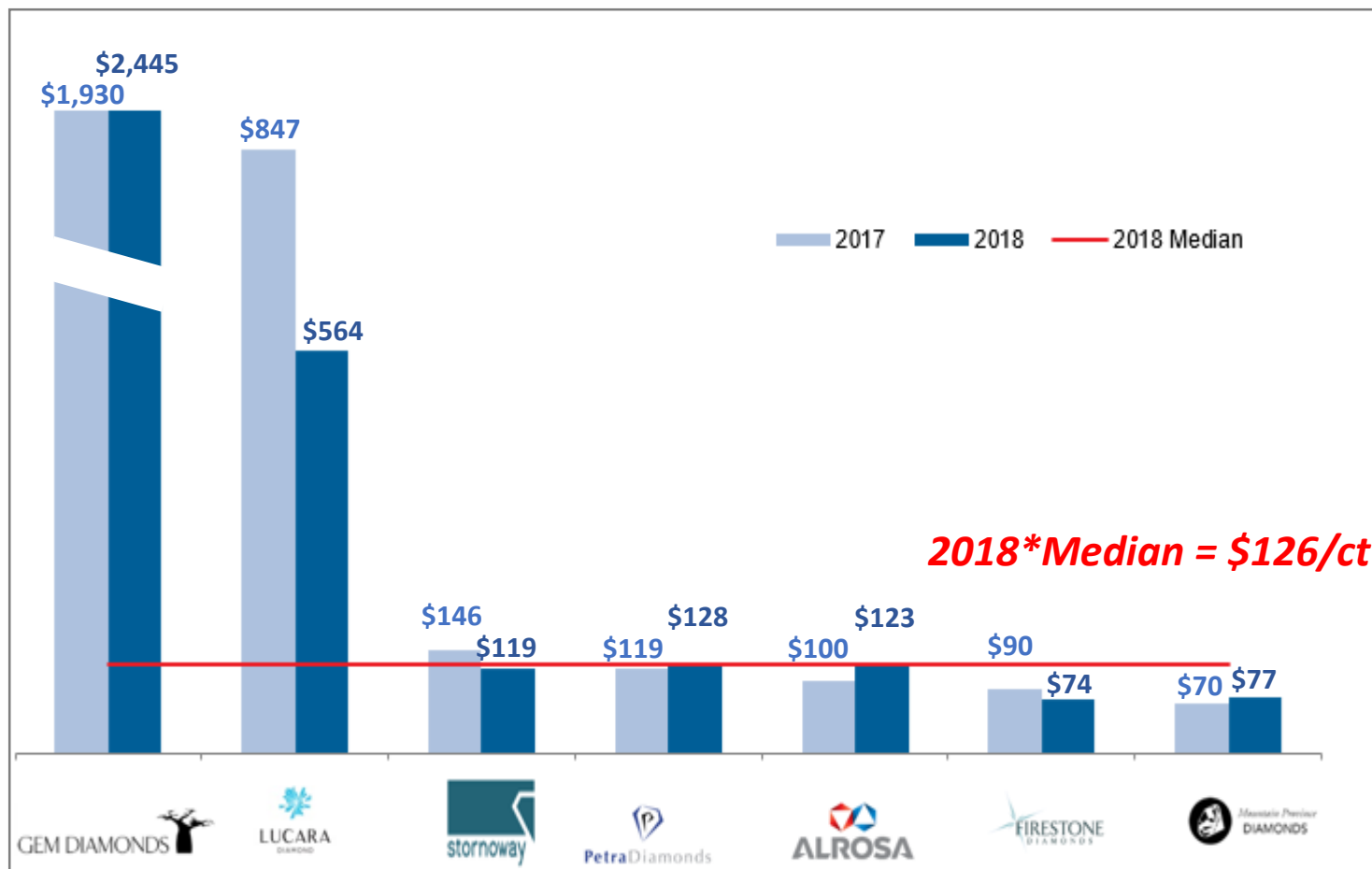
- Specials from Karowe are consistently high value and gem quality
- Since 2012 a total of 129 diamonds in excess of 100 carats have been recovered, 33 in 2018 alone; 12 diamonds in excess of 300 carats have been recovered, 5 of which were recovered in 2018
- 180 diamonds sold for >\$1 million each and 10 single diamonds have sold for >\$10 million

*Revenue & production data includes 2015 to Q3 2018*



# Diamond Price Per Carat

Karowe is a leading diamond producer by value



Gem Diamonds & Lucara \$ per carat includes exceptional stones.

\*2018 numbers based on company reported YTD

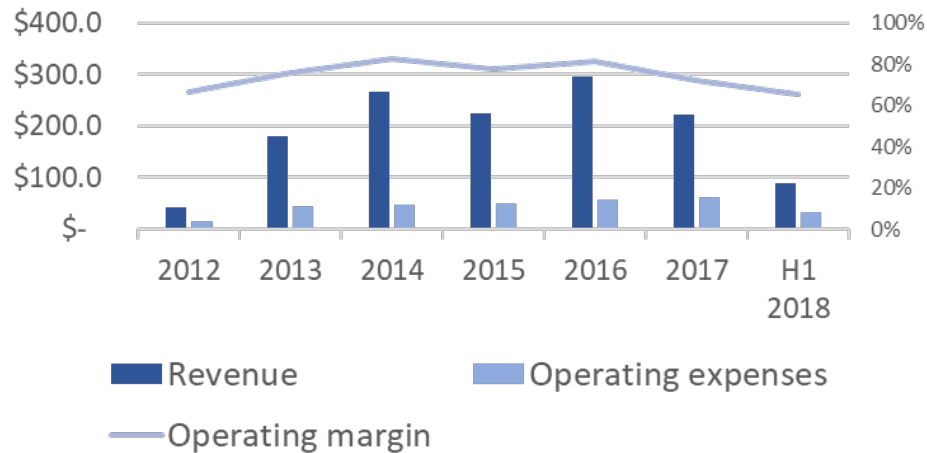


# Karowe Performance

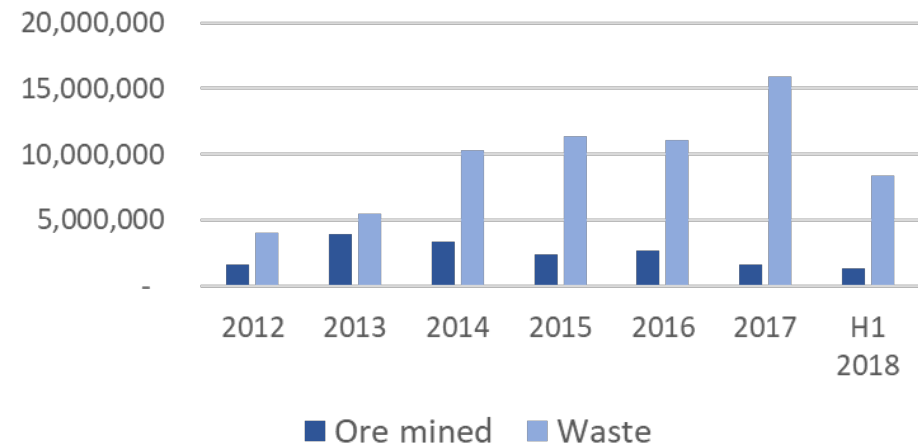


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### Revenue and Cost Profile



### Mining



- Achieves operating margins between 65-82%
- Waste stripping bottleneck resolved end of 2018
- On track to meet 2018 production guidance delivering:
  - ✓ 270,000-290,000 carats
  - ✓ Revenues of US 170-190 Million
  - ✓ Costs US\$38-42/tonne

# 2019 Outlook (all amounts in USD)



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Diamond revenue	\$170 – \$200 million
Diamond sales (carats)	300,000 – 320,000
Diamonds recovered (carats)	300,000 – 330,000
Ore tonnes mined	2.5 – 2.8 million
Waste tonnes mined	6.0 – 9.0 million
Average Strip Ratio	2.84
Ore tonnes processed	2.5 – 2.8 million
Operating cash cost <sup>(1)</sup>	\$32 - \$37 per tonne of ore processed

(1) Non-IFRS measure



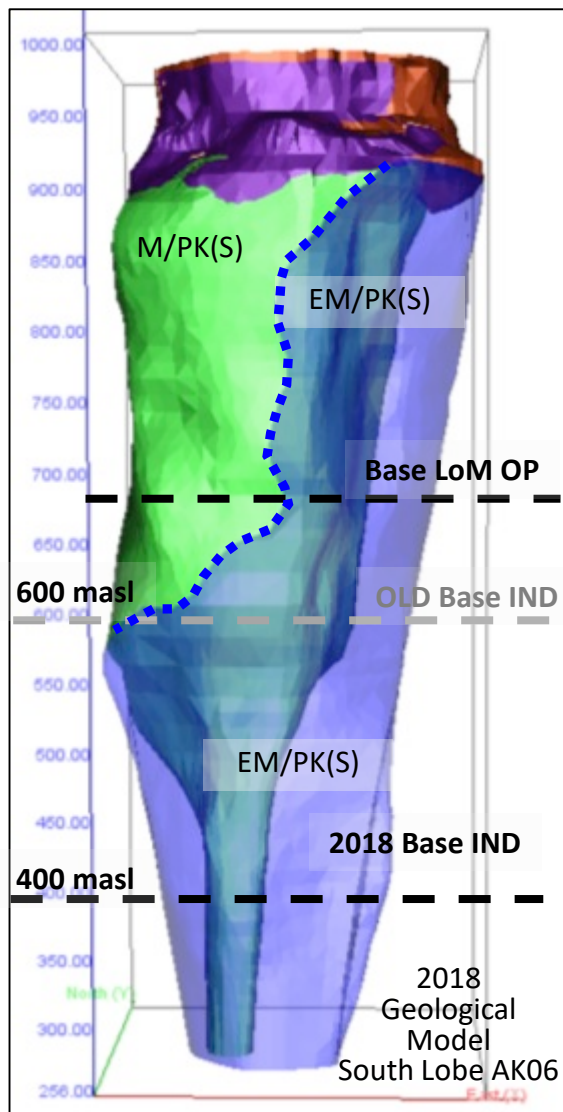
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## Organic Growth: Expanding Karowe Underground beyond 2026

- Positive PEA 2017 examined potential for underground mine life expansion from 2026 to 2036
- Feasibility Study Initiated 2018 (complete H2, 2019) which continues to de-risk and enhance economics:
  - Hydrogeology – large drilling campaign in 2018 encountered minimal water strikes at depth and successfully de-risked key water aspects of the project
  - Geotechnical drilling/studies ongoing and will help inform selection of final UG mining method (Sub-level cave and Block Cave, and hybrid scenario being considered)
  - Updated Resource – orebody increasing in grade and value with depth



# EMPK(S) Positive for Underground Feasibility Study



- 2018 Updated Mineral Resource: 54% increase in the Indicated, South Lobe from 4.42 Mct to 6.78 Mct
- Recognition that the EM/PK(S) is volumetrically the dominant unit at depth within the South Lobe
- EM/PK(S) is higher grade and has larger diamonds – source of Lesedi La Rona and Constellation





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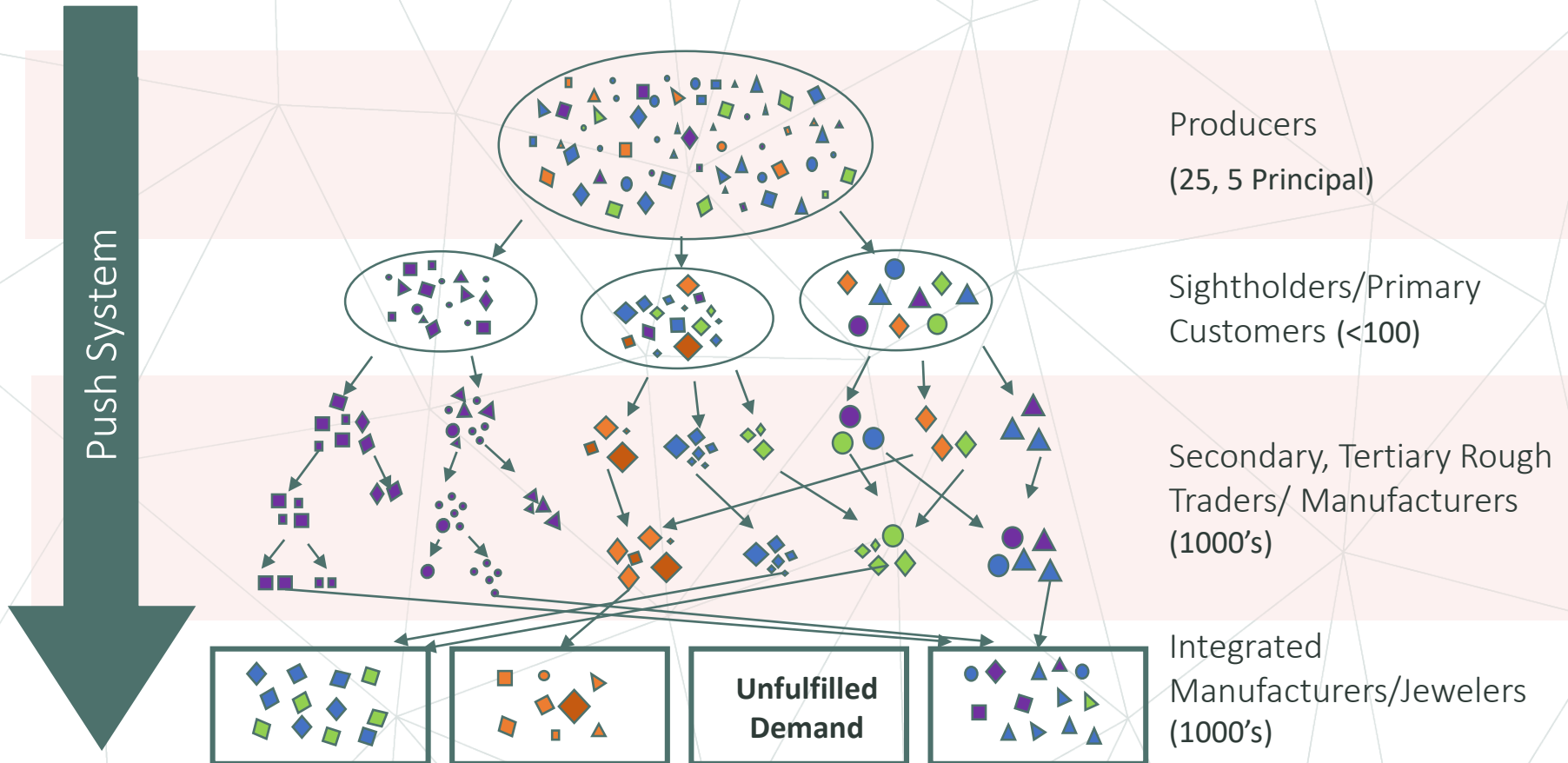
Transforming the Diamond Sales  
Process Using Innovation and  
Technology

# Transforming the Diamond Sales Process Using Innovation and Technology

- 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

100 yrs old, Highly Inefficient, Unoptimized; Value Loss Throughout Supply Chain



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# 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

Exclusive collaboration agreement with Sarine Technologies provides industry leading scanning and planning services fundamental to the platform



# How?

## Producers

- Galaxy scan all rough diamonds as they are extracted (continuous, real time)
- Diamonds undergo a “basic” assortment for size and color



## Clara Platform (Cloud Based)

- Plans each rough diamond
- Matches the sellers with buyers based on strength of demand from the buyer

## Manufacturers/Retailers

- Upload polished diamond orders (using Polished Diamond Parameters “PDP”s) and price list for each diamond

**PDP\$**



**\$\$\$**



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# 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

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# Inaugural Clara Sale Completed December 2018

- Trial sales process completed December – POSITIVE RESULTS
- Participants included large, vertically integrated jewelry houses and global diamond manufacturers
- US\$660,000 worth of diamonds sold between one and four carats in size in better colors and qualities and achieved +8% over Lucara's market price and +15% over Lucara's reserve price
- Feedback being gathered and incorporated in support of the platform moving into continuous sales
- Clara is now ready to receive third-party rough diamond production; discussions with global producers underway
- Clara actively on-boarding additional manufacturers/customers as platform sales are ramped up in 2019
- A second sale on the platform is planned for later in January 2019

# Conclusions



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**Lucara is a premier, mid-tier, investible diamond company, positioned for long term, sustainable growth**

- *High margin diamond producer*
- *Botswana - a low risk jurisdiction*
- *Strong balance sheet*
- *Open pit resources to 2026, potential for underground to 2036*
- *Asset diversification and additional revenue stream through Clara*



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# Capital Structure

Lucara is a publicly listed company trading under the symbol "LUC"

- TSX
- NASDAQ Sweden
- BSE (Botswana)

Market Cap	~C\$630mln
Debt	NIL
Cash on hand	US\$31.1 million (Q3 2018) US\$50 million Credit Facility (undrawn)
Issued shares	396.5 mln (Dec 2018)
Fully diluted shares	402mln (Dec 2018)
Insider Holdings	22% on fully diluted basis



# Contact



LUCARA  
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Suite 2000  
885 West Georgia St.  
Vancouver, BC  
V6C 3E8

Tel: +1 604 689 7872  
Fax: +1 604 689 4250

Email: [info@lucaradiamond.com](mailto:info@lucaradiamond.com)  
Website: [lucaradiamond.com](http://lucaradiamond.com)

