

Lucara Diamond Corp.

Investor Presentation August 2018



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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 be 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.

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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# The Investment Case

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

## **100% owned Karowe Mine in Botswana**

- High margin diamond producer since 2012
- One of the worlds' foremost producers of large Type IIa gem quality diamonds
- 170 diamonds have sold for >\$1 million each and 10 single diamonds have sold for >\$10 million
- Average price per carat for Karowe diamonds sold YTD \$648/ct
- \$49.6 million in cash on hand, no debt
- FS 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

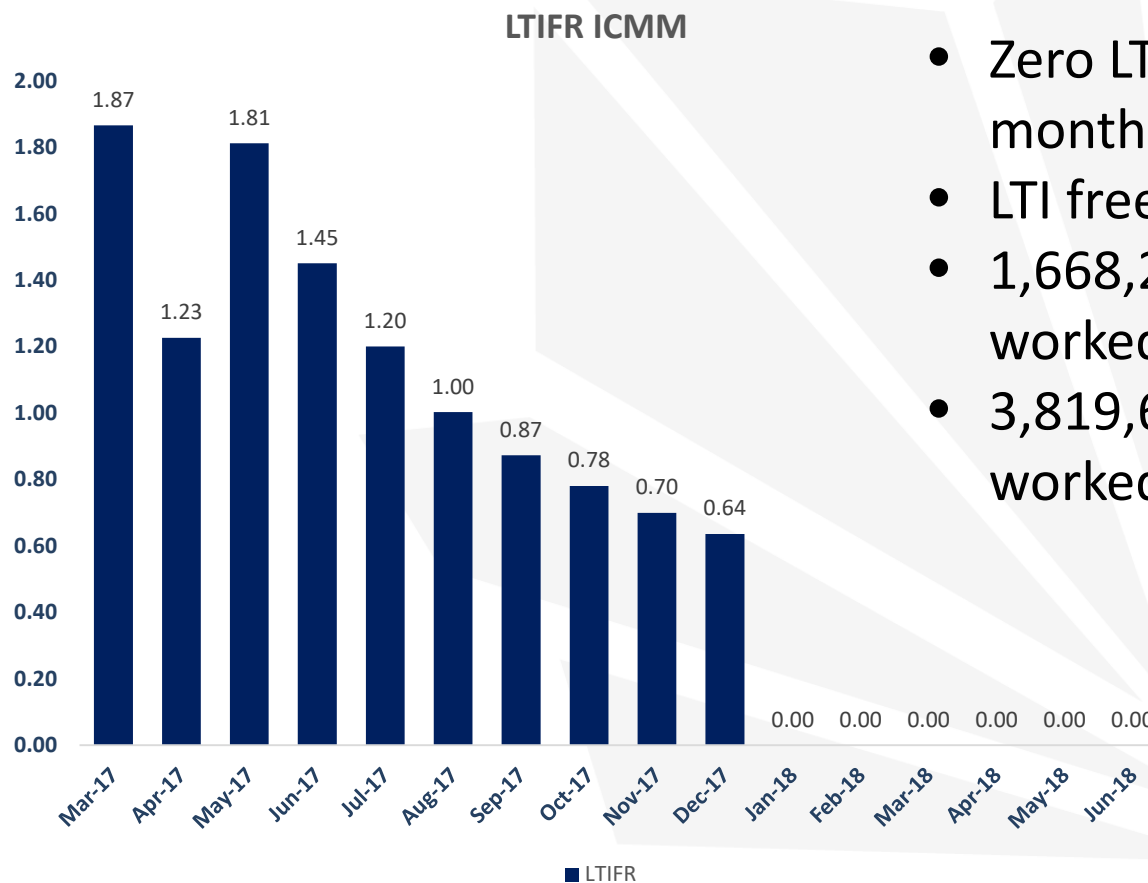
## **Progressive Annual Dividend**

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





# Safety



- Zero LTI over the last 12 months
- LTI free days – 404 days
- 1,668,284 manhours worked as at end of Q2
- 3,819,652 manhours worked since the last LTI



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# Safety, Health, Environment and Community Relations

## Safety, Health & Environment

- Continued strong focus; all leading and lagging indicators trending favourably
- LTIFR of 0.00 and 3.8 million hours since last LTI

## Community Relations Key Focus Areas

- Collaboration between Lucara and Lundin Foundation to maximize benefits within our communities of interest in Botswana:

### Karowe Village Initiative (KVI)

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

### Community Centre (Budget \$2.6 million Total)

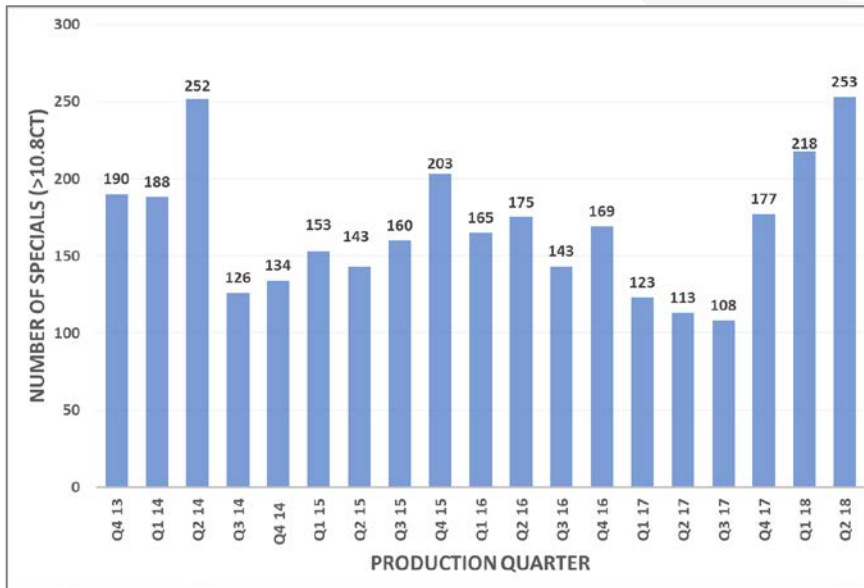
- Cooperative Multipurpose indoor centre to host sporting competitions, cultural events and meetings
- Designed for staged build starting 2019



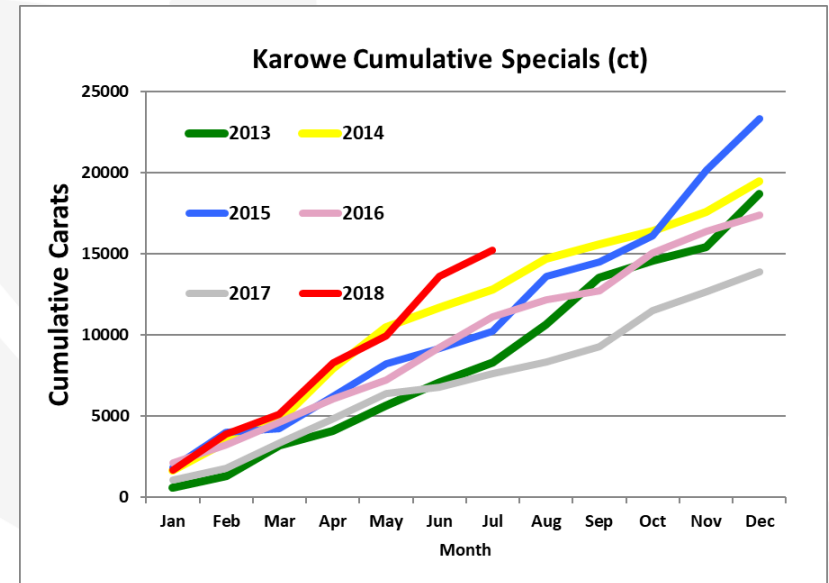


# Resource – Carats Recovered

### Karowe Quarterly Specials Count



### Karowe Cumulative Weight % Specials



- 253 specials recovered in Q2, highest quarterly tally Life of Mine, 10.5 wt.% (Q2-17 5.9%) of recovered carats
- 11 diamonds > 100 carats, including 3 > 300ct
- EM/PK(S) continues to contribute positively to carats recovered and % specials

# Diamond Market



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- Overall, strong continued diamond demand in Q2
- Positive outcome at the Hong Kong diamond and jewelry show in February and JCK in June 2018
- Markets appear stable, manufacturers achieving better margins
- Diamond producers association (DPA) announced increase to marketing budget
- DeBeers Lightbox initiative announced with strategy to differentiate synthetic from natural diamond markets

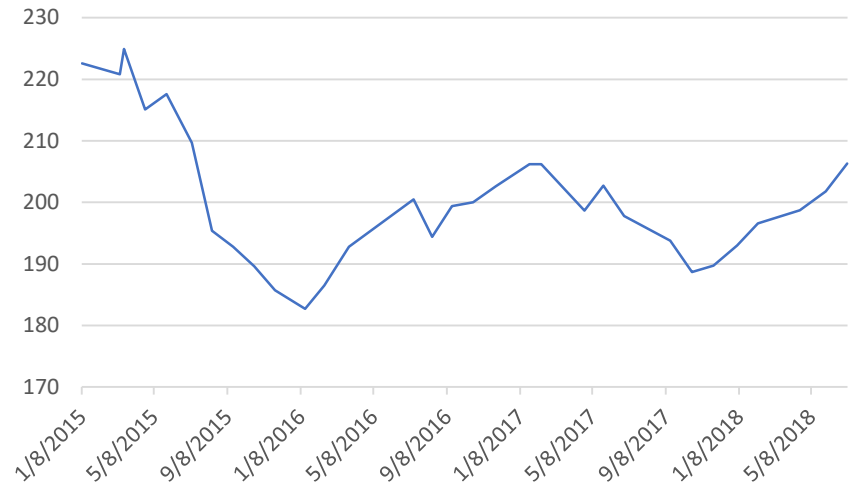
Polished Index



## Polished Diamond Index

Polished prices dropped sharply in 2017 in the holiday season but has continued to recover in 2018

Rough Index



## Rough Diamond Index

A continuation of uptrend movement for Rough Index since the beginning of the year. A 9% increase since October 2017

# Karowe Diamond Production



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- Coarse size frequency distribution (SFD) that includes the regular recovery of diamonds greater than 10.8 carats in size, referred to as “specials”
- Specials from Karowe are consistently high value and gem quality
- South Lobe production rates of 270,000 to 290,000 carats per annum consistently achieve average diamond values of between **US\$625 to US\$680 per carat**, not including very large, rare, high quality gem diamonds like the historic 1109 carat Lesedi La Rona and the 813 carat Constellation



# Q2 2018 Highlights



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## 100% owned Karowe Mine in Botswana

- No LTI's / 3.8 million man hours since last LTI / LTIFR of 0.00
- Ore mined, processed and carats recovered within forecast
- 253 specials (single diamonds larger than 10.8 carats), representing 10.5% of the total recovered carats by weight and highest number of specials ever recovered by quarter
- 11 diamonds were recovered greater than 100 carats in weight, including 3 diamonds > 300 carats
- 12 diamonds sold in excess of \$1 million each
- Updated resource estimate increases Indicated Mineral Resources for the South Lobe (as at end 2017) by 54% from 4.4 million carats to 6.8 million carats.

## 100% owned Clara Diamond Solutions

- Commercialization on track for launch Q3, 2018

## Progressive Annual Dividend

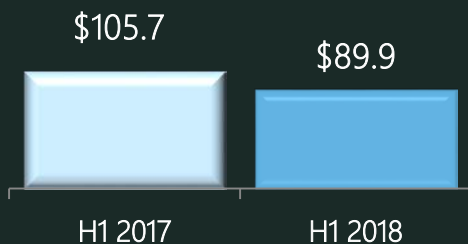
- 3<sup>rd</sup> Quarter dividend of C\$0.025 per share to be paid on Sept.20; CDN\$0.10 for 2018



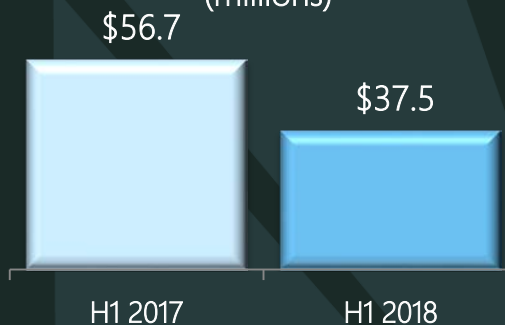


# H1 2018 Financial Highlights

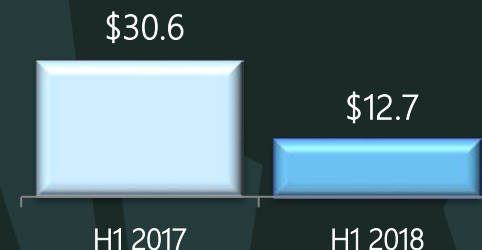
Revenue  
(millions)



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



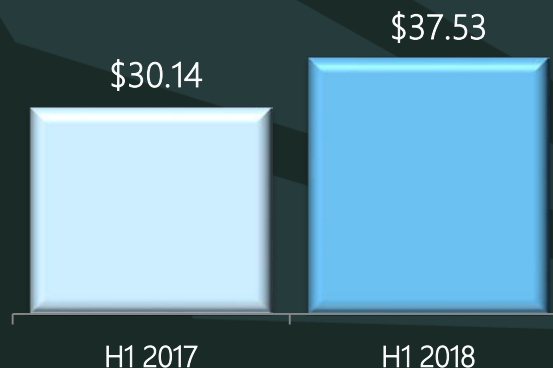
Net Income  
(millions)



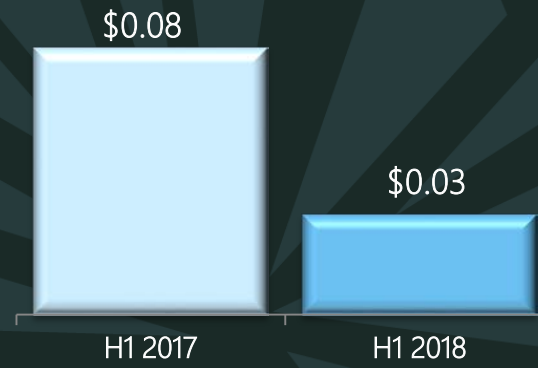
Total Sales (\$ per carat) <sup>(1)</sup>



US\$ per tonne processed <sup>(1)</sup>



Earnings per share



(1) Non-IFRS measure

# Lucara Diamond Sales YTD



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## **RST Sales:**

- 137,193 carats sold for proceeds of \$57.4 million at an average price of \$418 per carat
- 6 individual diamonds sold for more than \$1mln each

## **EST Sales:**

- 10 single stones totaling 1,453.06 carats; Ranging from 472.37 to 40.4 carat stones sold for proceeds of \$32.48 million at an average price of \$22,356 per carat
- 327.48 carat stone sold for \$10.1 million or \$30,900 per carat
- 4 stones sold in excess of \$3 million; 10 stones sold for more than \$1 million



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# Diamond Sales Strategy

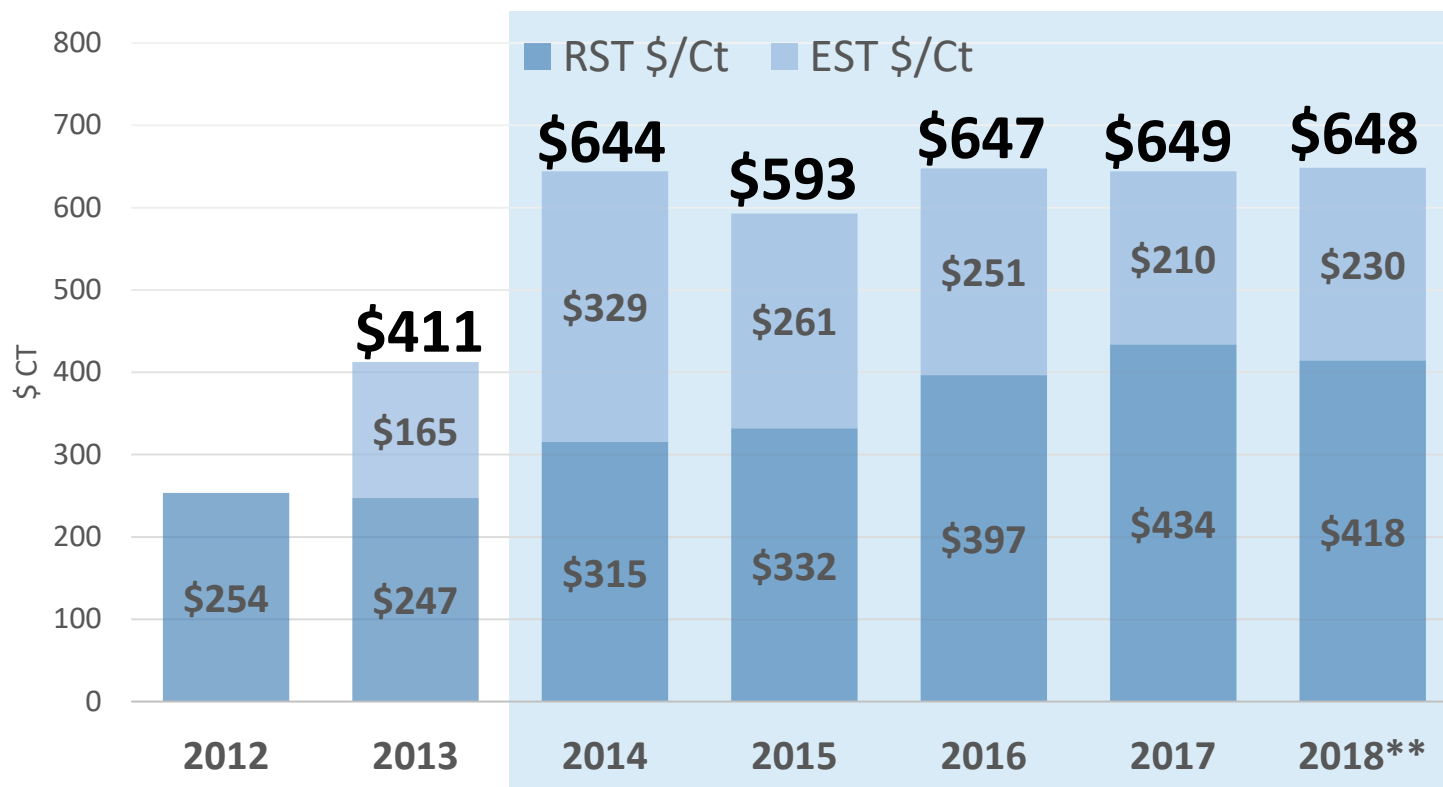
- Historically, Lucara has held both Regular Stone Tenders (RSTs) and Exceptional Stone Tenders (ESTs)
- As of Q3 Lucara will be holding a blended tender process, whereby a greater number of exceptional stones will be sold as part of RSTs
- A blended tender process decreases the inventory time for large, 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





# 2018 Lucara Diamond Sales

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



Steady state production from mostly south lobe

*\*Excluding Constellation and Lesedi La Rona, \*\*Includes Q1 & Q2 RSTs & EST excluding \$3.9mln in revenue to be recognized in Q3.*

*\$/ct based on total carats sold over the period*

# Lucara Diamond Sales Forecast 2018



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## 2018 Forecast

- Forecast sales remain in line with guidance (\$170-\$200m)
- Carats forecast to be sold are in line with budget (guidance 270-290k)
- Average \$/carat sold is forecast at budget between \$630/carat and \$690/carat
- Average \$/carat for Karowe diamonds sold YTD is \$648/carat <sup>(1)</sup>

(1) Non-IFRS measure



Growth Strategy 2018  
*Karowe Underground and Clara*



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# Building on Positive PEA

## Next Steps Toward Feasibility Study

### Understanding Risk

- Incorporation of Q2/18 resource update
- Geotechnical and hydrogeological studies progressing well
- Open Pit to Underground transition
- Mine design, mining options, trade off studies in progress

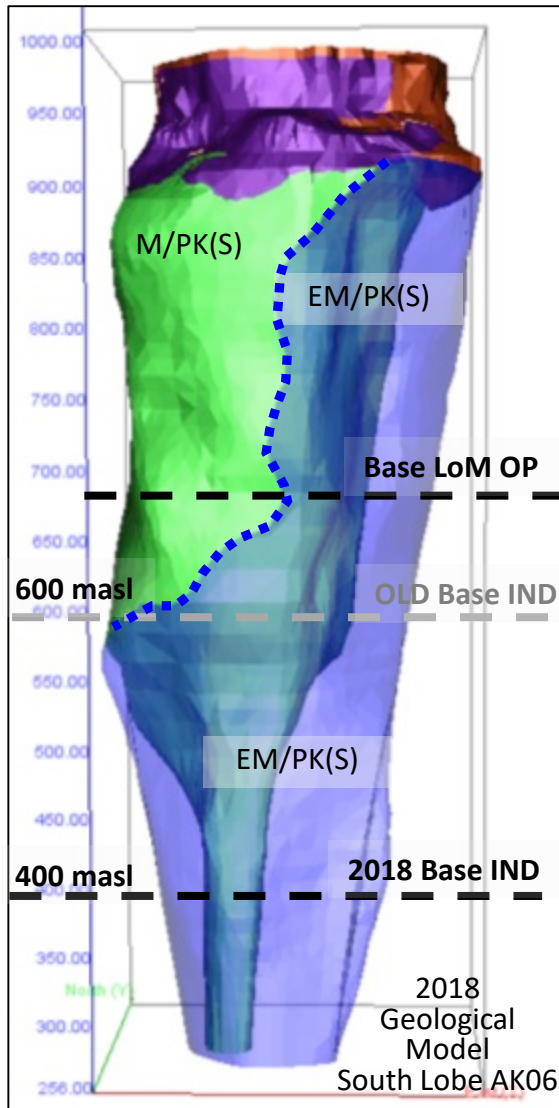
### Opportunities

- Financial aspects are known: revenues, diamond characteristics, size distribution, strong client base and brand recognition
- Process plant in place, modern, state of the art
- Existing operational site
- Efficiency improvements may increase potential operational throughputs





# 2018 Updated Mineral Resource



- 7.9 million carats hosted in 57.85 million tonnes, average grade of 13.7 cpht, average diamond value of US\$ 673 per carat (NI 43-101)
- Successful reclassification to Indicated Resource of the AK06 kimberlite between 600 and 400 metres above sea level (masl) providing a new base
- Focus on prolific South Lobe of AK06
- A 54% increase in the Indicated Mineral Resource of the 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



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# Mining: Impact of EM/PK(S)

- Gain in mining along SE quadrant of South Lobe, recovered grade circa 17-20cph, coarse SFD (>6 wt.% up to 10 wt.%), good plant throughput, moderate yield
- Recovery of a number of high value diamonds, major contribution to Q2 revenue has been realized, ongoing contribution to Sales



72 ct

64 ct

41 ct

21ct

18ct

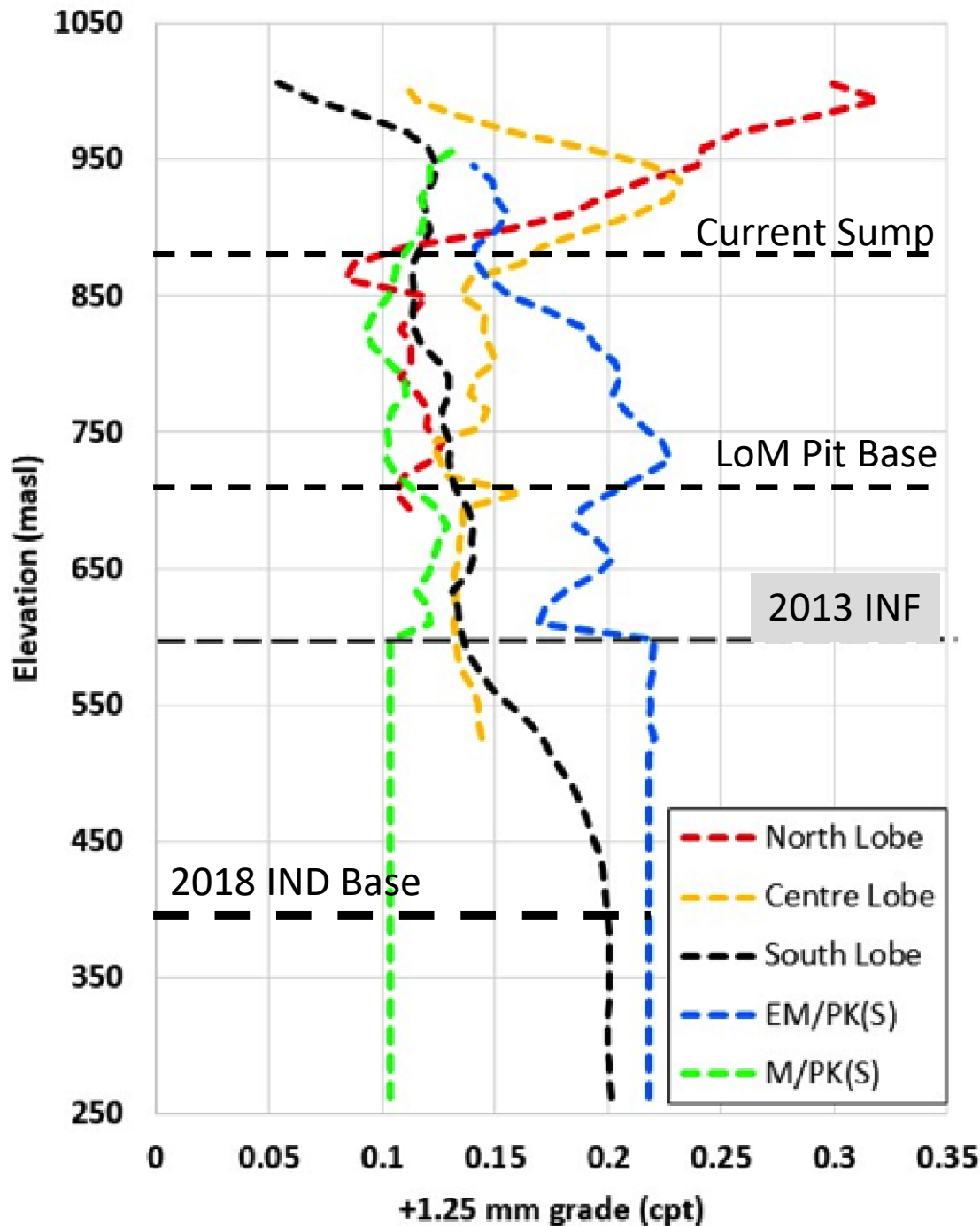
18 ct

12ct

Selection white goods EM/PK(S) Sample



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- Recoverable Grade Models with depth
- Above 600masl –soft boundaries
- Below 600masl – hard boundaries
- Increase in South Lobe grade results from greater volume of EM/PK(S)



# CLARA

Lucara's Next Generation  
Growth Project

# CLARA

*A secure, digital diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies to transform the sales process, matching diamond demand to supply, ensuring diamond provenance from mine to finger, driving efficiencies and unlocking value for all stakeholders*

# Summary of Clara Acquisition

Clara is an affordable, potentially high value growth opportunity for Lucara that is compatible with our core diamond mining business

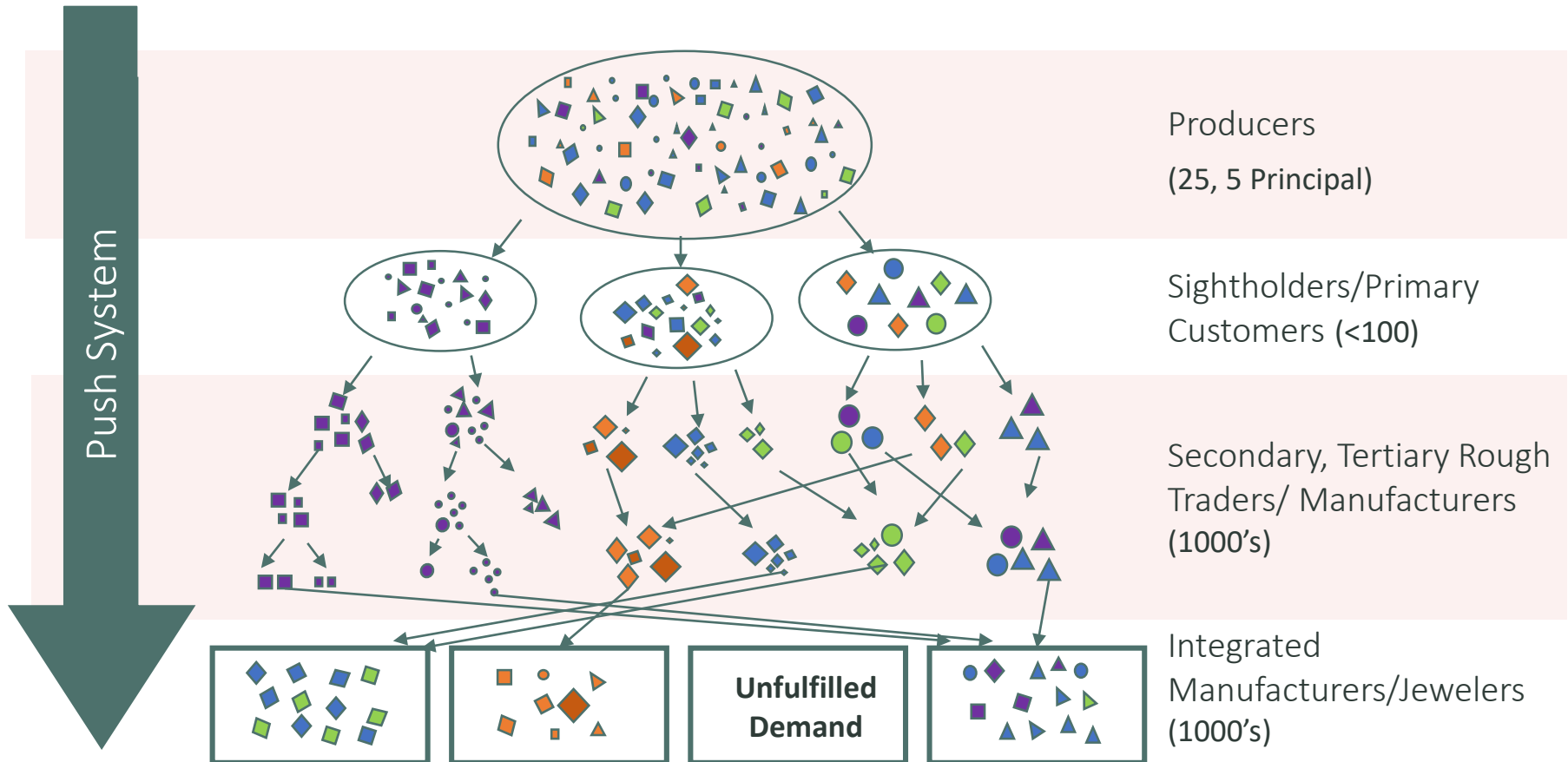
- All share transaction; low dilution (3.7%) and no impact to dividend
- 13.1 million shares up front
- Contingent payments of 13.4 million shares on milestones achieved
- 80/20 EBITDA sharing for ten years capped at \$25 million/annum

# 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

100 yrs old, Highly Inefficient, Unoptimized; 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.

# 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

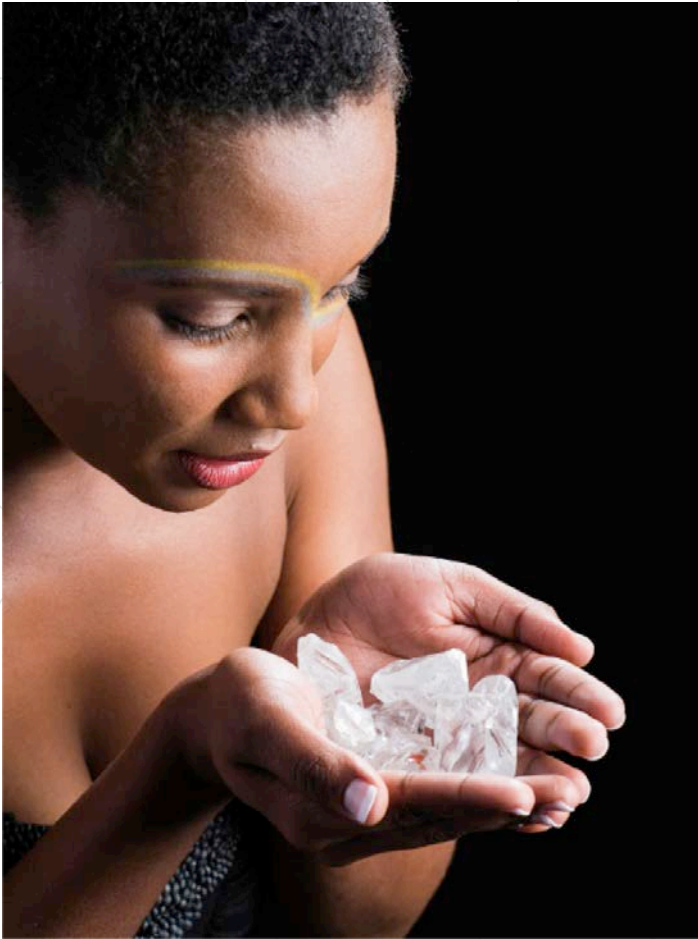
- Maximum selling price achieved for every stone
- Not reliant on tender sale cycles
- Reduces sorting inefficiencies, removes human factor
- Inventory greatly reduced, potentially eliminated
- Opportunity to establish a true “block chain” system to provide chain of custody and assurance on diamond provenance

# 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

# 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



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## 2018 Outlook (all amounts in USD)

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 <sup>(1)</sup> 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

(1) Non-IFRS measure

# Catalysts



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- Commercialization of Clara platform Q3
- Feasibility Study underway on Karowe underground with potential to extend the mine life to 2036
- Blended tender process to start Q3 - lowers inventory time for large, high value diamonds, smoother more predictable revenue profile
- Brownfields exploration continuing; Sunbird greenfields initiative launched



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# Capital Structure

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

- TSX
- NASDAQ Sweden
- BSE (Botswana)

Issued shares	396,509,387 (as at Aug 31, 2018)
Fully diluted shares	402,179,417 (as at Aug 31, 2018)
Insider Holdings	22% on a fully diluted basis
Debt	NIL
Cash on hand	\$49.6 million (Q2 2018)
	\$50 million Credit Facility (undrawn)





# 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)

