

**LUCARA**  
DIAMOND

**PDAC 2020**  
**Diamond Session**

**MARCH 2, 2020**

[LucaraDiamond.com](http://LucaraDiamond.com) | [LUC.TSX](http://LUC.TSX) | [LUC.XSTO](http://LUC.XSTO) | [LUC.BSE](http://LUC.BSE)



# 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 2020 Annual Information Form for the year ended December 31, 2020, dated March 30, 2021, 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).

# 2019 Highlights

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

## Karowe Diamond Mine (100%)

Strong, stable operations for consecutive quarters in 2019

Very strong safety record;

Operating costs of \$31.88 per tonne of ore processed below guidance; Operating Margin ~60%

Revenue of \$192.5 million exceeding annual guidance (including Clara) vs. 2018 revenue of \$176.2 million

241 carat stone sold for \$8.1 million; 127 carat stone sold for \$5.14 million; 165 carat sold for \$3.97 million

Positive Underground Feasibility Study; Doubling the mine life

## Clara Diamond Solutions (100%)

Fifteen sales completed for proceeds of ~\$8 million

20<sup>th</sup> sale ongoing

Sales frequency and value increasing; Doubled number of sales and total value transacted in H2

Customer base grew from 4 to 32 participants on the platform



549 ct

## Strong Balance Sheet & Dividend Policy Change

\$22.4 million in dividends paid

Decision to suspend quarterly dividend to focus on early works for underground development

Cash and cash equivalents of \$11.2 million

No long-term debt; \$50 million credit facility undrawn

Market Cap ~C\$330 million

# Sewelô Collaboration with Louis Vuitton

## Botswana's Largest Diamond

Sewelô “rare find”, an unbroken 1,758 carat near gem quality diamond recovered in April 2019

Collaboration between Lucara (50%), Louis Vuitton (25%), HB Company (25%) – planning, cutting and polishing a collection of diamonds from Sewelô

Lucara to receive an upfront non-material payment from the JV partners; LUC to participate in 50% of the proceeds of the polished diamonds that result

5% of all the retail sales proceeds from the historic jewellery collection will be invested back into Botswana community-based initiatives



# Record Recoveries

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## 549 carat diamond recovered

Recovered **unbroken** from the MDR (Mega Diamond Recovery) XRT circuit

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A diamond of **exceptional purity**

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Recovered from direct milling ore sourced from the **EM/PK(S) unit of the South Lobe**

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Follows the recent recovery of a **gem quality 176 carat** stone from the same ore block

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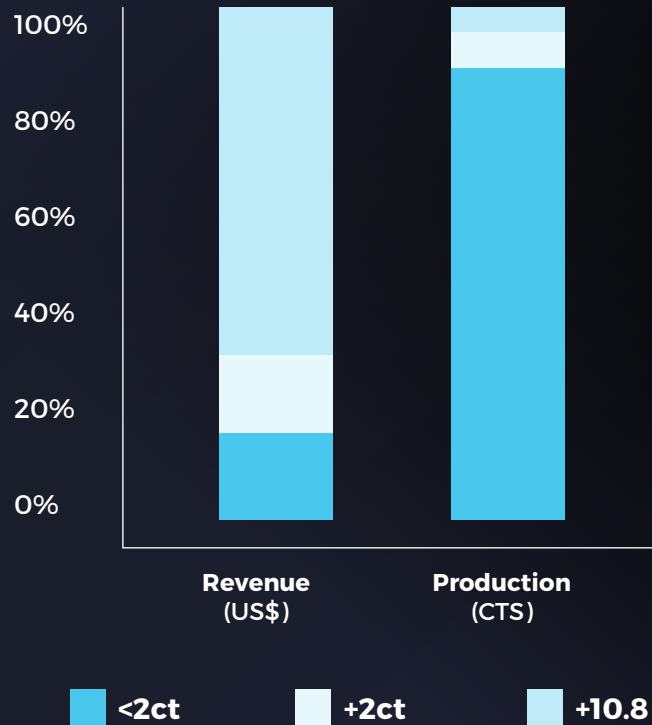
EM/PK(S) unit **continues to produce large gem quality diamonds; Important economic driver** for the Karowe Underground



# Consistent Recovery of Large Diamonds

Specials contribute ~70% by revenue and ~6% by volume

## Revenue and production includes 2015 to 2019

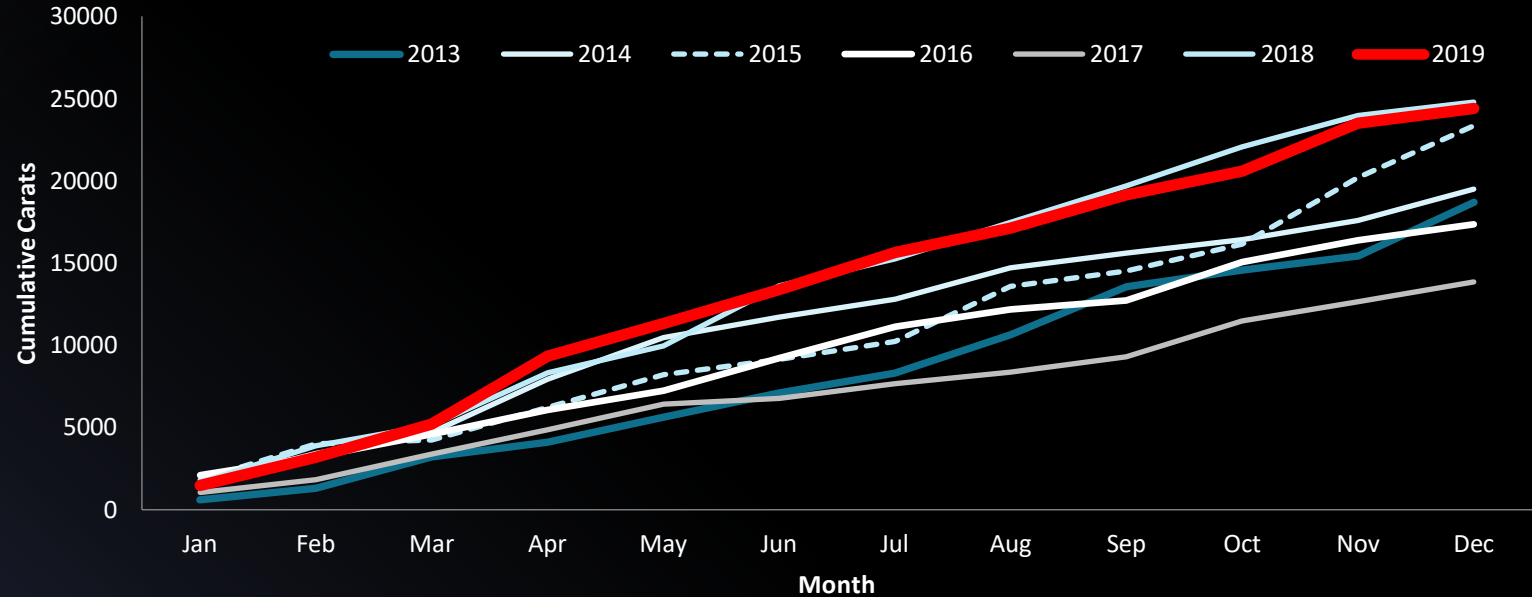


Life of mine recovery of 157,000 carats of individual stones > 10.8ct (over 5,400 diamonds; all sources)

Since 2012: 15 diamonds in excess of 300 carats have been recovered, including 2 diamonds > 1,000ct

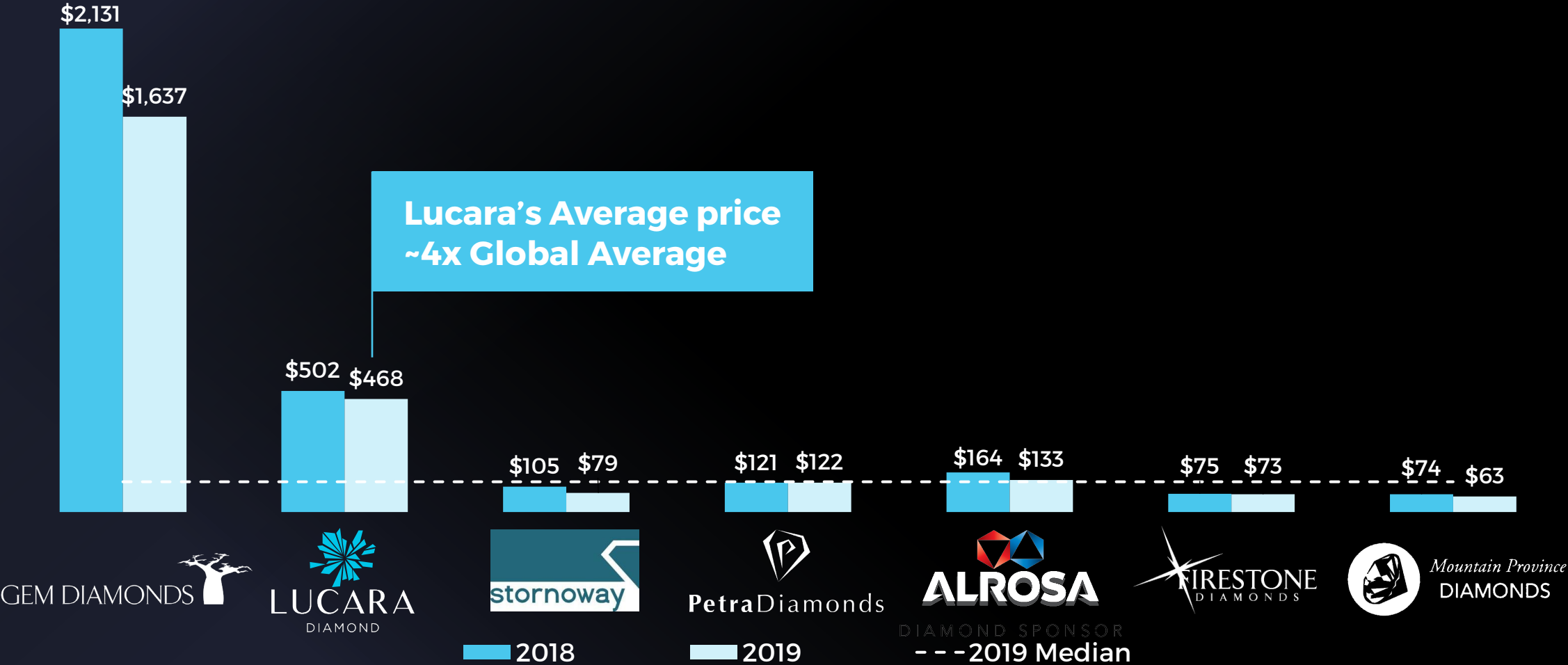
10 diamonds sold for > US\$ 10 million each (not included in resource value models)

## Karowe Cumulative Specials (carats)



# Global Achieved Average Diamond Prices 2018/2019

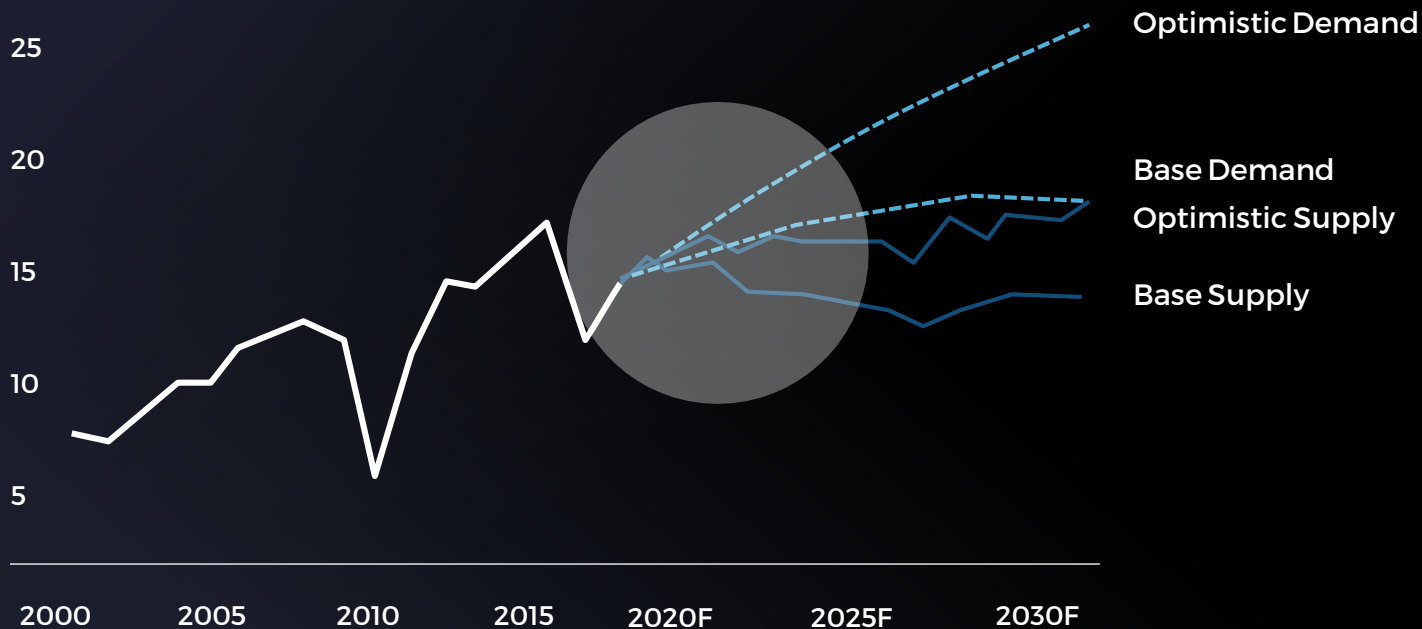
(All figures in U.S. Dollars per carat)



# Diamond Market

Long term fundamentals strong but pricing environment has been challenged; Evidence of market stability

Rough diamond supply and demand



2000-2030: 2019 prices, constant exchange rates, optimistic and base scenarios

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 2018



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



# Diamond Sales Highlights 2019

(All currency figures in U.S. Dollars)

Total proceeds of \$192.5 million (including Clara);  
Strong December tender

Average Price \$468/carat

30 diamonds which sold for > \$1 million, including  
7 for > \$3 million

241 carat sold for \$8.1 million; 127 carat sold for \$5.14  
million; 165 carat sold for \$3.97 million

2019 is the first full year for Blended Tenders  
resulting in a smoother revenue profile & decreased  
time to market for high value diamonds

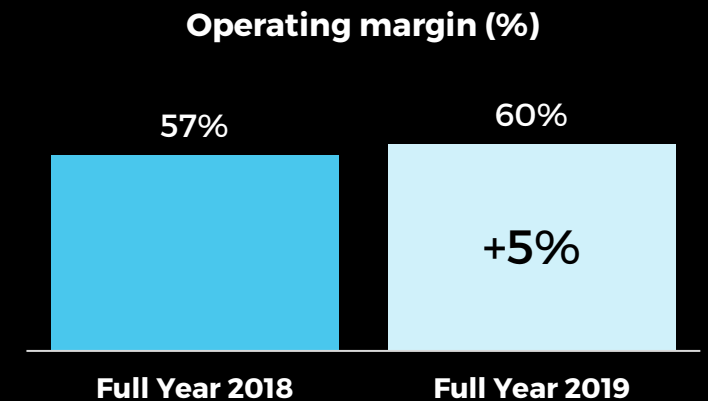
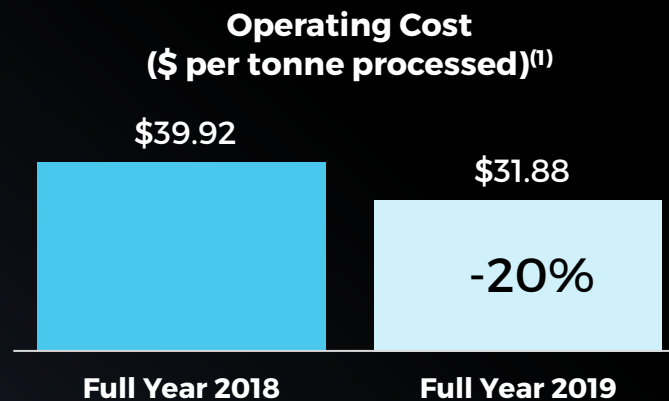
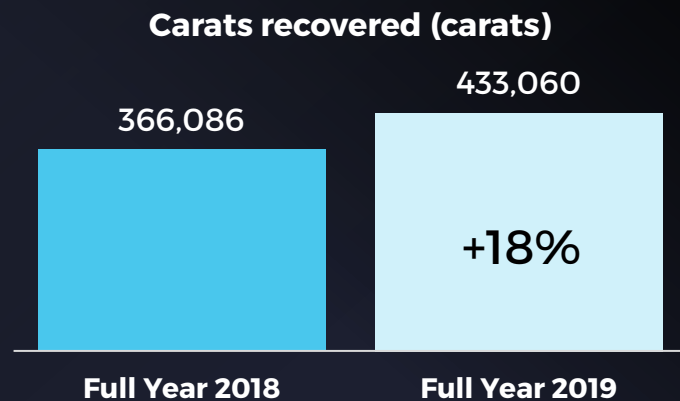
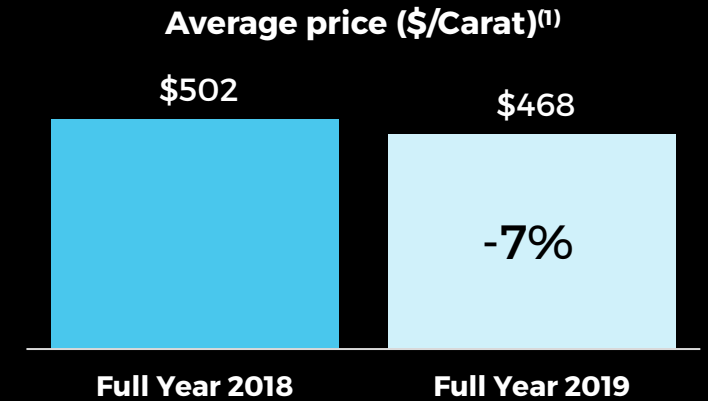
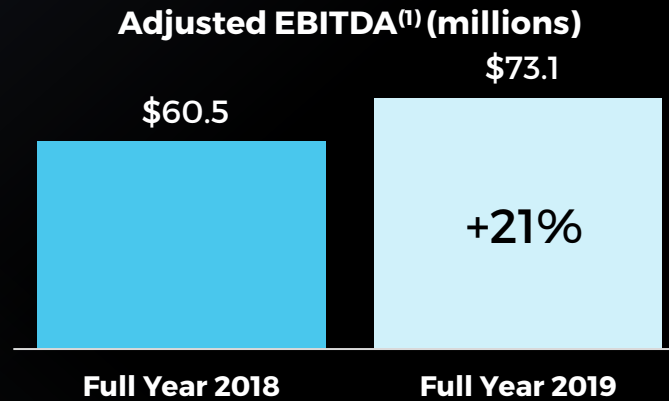
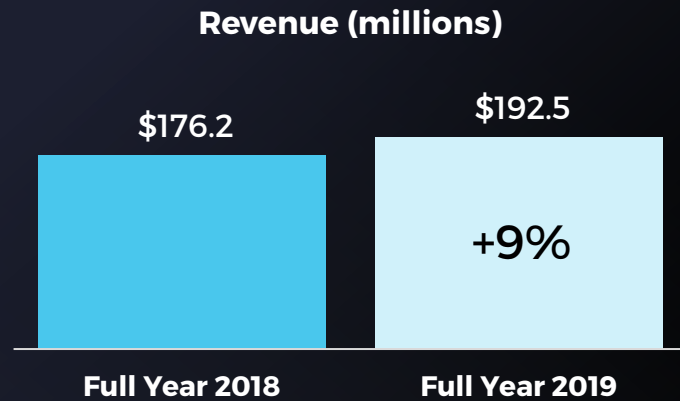
786 Specials recovered, representing 6.1% weight  
percentage of total recovered direct milling carats  
including the 1,758 carat Sewelô, the largest stone  
recovered in Karowe's history

31 stones > 100 carats



# 2019 Financial & Operational Highlights

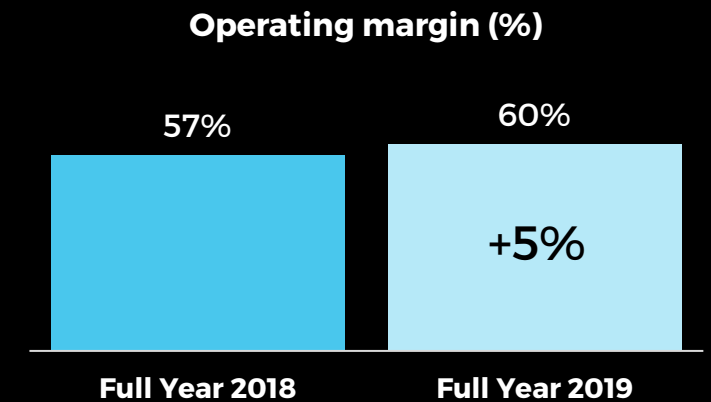
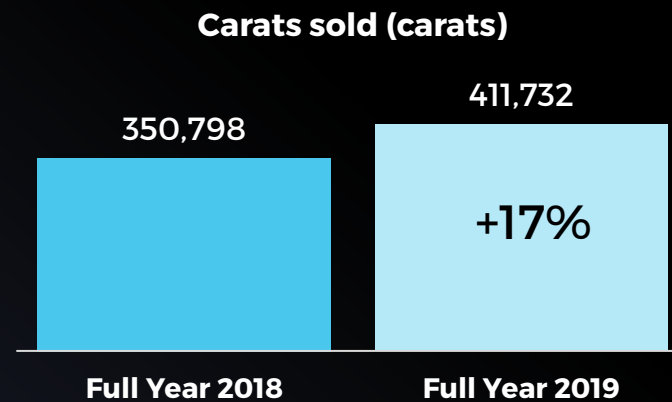
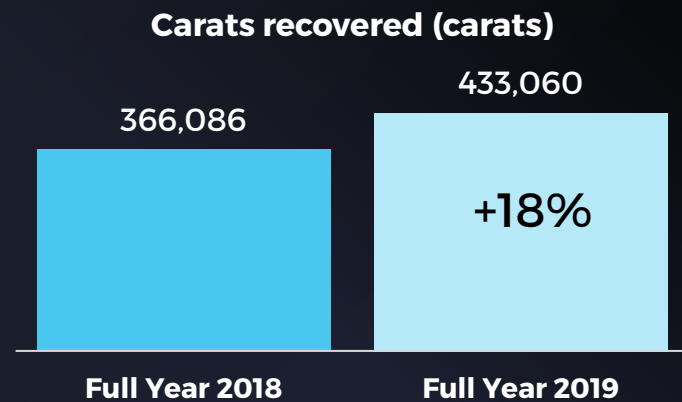
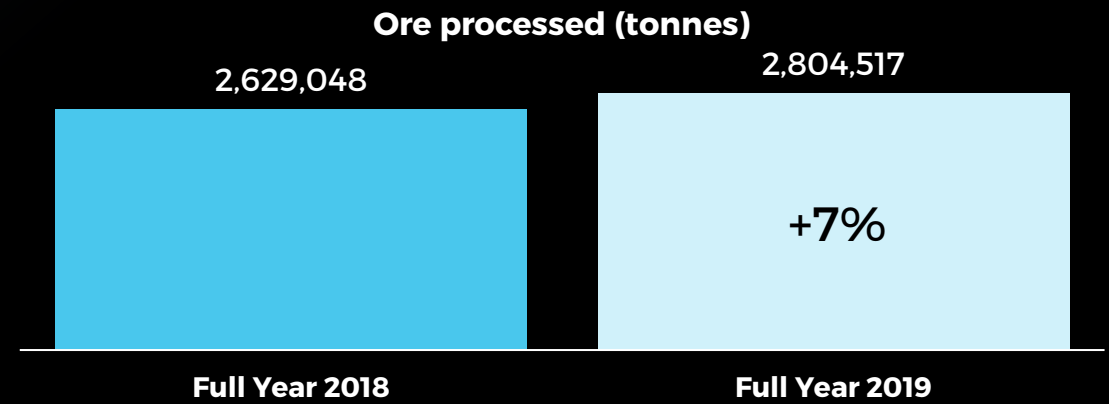
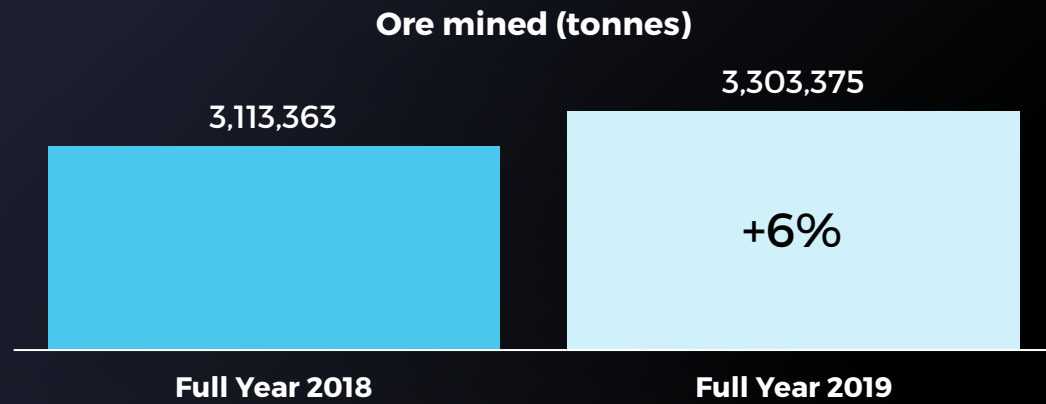
Full Year ending December 31, 2019  
(All currency figures in U.S. Dollars)



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

# 2019 Operational Highlights

Full Year ending December 31, 2019



# 2020 Outlook

(All currency figures in U.S. Dollars)



**\$180 – \$210 million**  
Diamond Revenue

**350,000 – 390,000**  
Diamond Sales (Carats)

**370,000 – 410,000**  
Diamonds Recovered  
(Carats)

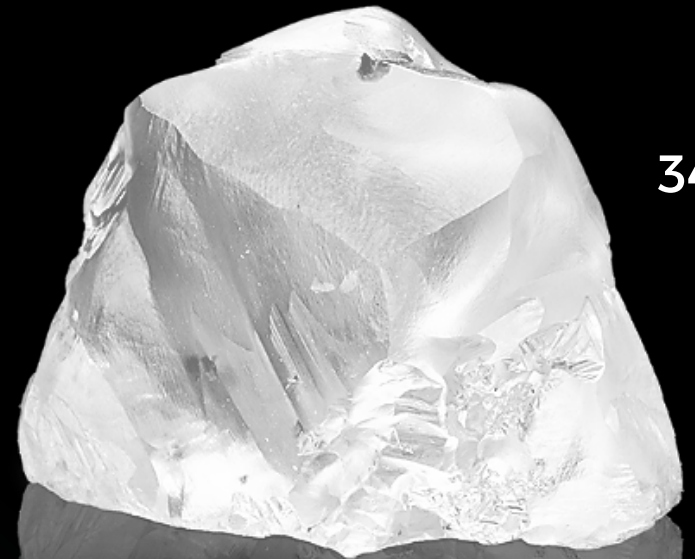


**3.5 – 3.9 Million**  
Ore Tonnes Mined

**2.5 – 2.8 million**  
Ore Tonnes Processed

**3.6 – 4.2 million**  
Waste Tonnes Mined

**\$32 – \$36 per tonne**  
**of ore processed**  
Operating Cash Cost



342 ct

# Karowe Underground

## Extending Mine-life to 2040

UG development will **double the mine life** from original 2010 Feasibility Study

Resource work completed since November 2017 identified a much **larger economic opportunity at depth**, on the basis of new drilling and open pit recoveries

UG would add ~ **US\$4 billion in additional net revenue**

+US\$200 million in revenue from **'exceptional' diamonds not included in economic analysis**: Potential for + US\$500 million in additional revenue over proposed new LOM



# Underground Feasibility Key Findings

(All currency figures in U.S. Dollars)

## Updated geological resource confirms increasing value with depth

Underground NI 43-101  
Indicated resources of 35 million tonnes  
@ 15 cpht for 5.1 million carats

100% South Lobe Ore –  
EMPK(S) unit dominant

Diamond price of \$725/carat  
(no escalation)

\$3.7 billion in net revenue

\$514 million Pre-Production  
Capital

## Long hole shrinkage selected as underground mining method (700-310 masl)

Provides access to higher value ore early

Payback period in granites lowers risk; 2.8 Year payback

Maintains current production rate of 7,200 tpd 2.6 Mt/annum



549 ct

## Strong Economics on both stand alone UG and OP+UG scenarios OP &UG Combined:

NPV \$945 million/\$536 million  
(Pre/Post Tax @ 8%)

NPV \$1,266 million/\$718 million  
(pre/post tax@ 5%)

\$2.2 billion / \$1.2 billion Cash  
Flow (pre/post tax)

High Margin Operation;  
Carat Margin \$522

# Karowe Underground Next Steps



Based on the assumptions used for this evaluation, the project shows **positive economics** and should proceed to detailed engineering, financing and construction

**In the first half of 2020** the Company will focus on detailed engineering, early procurement initiatives

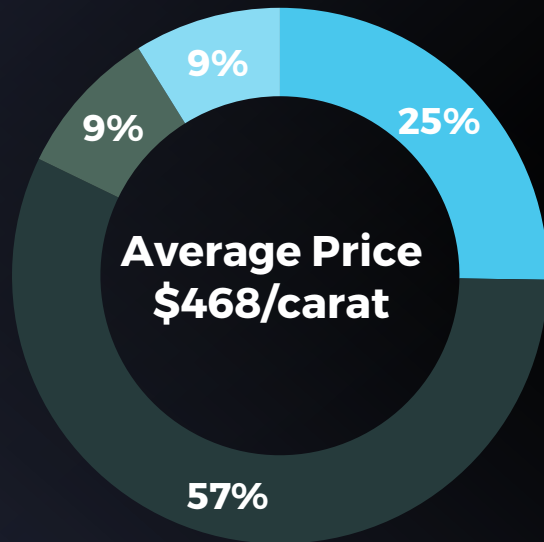
The Company will also be **reviewing financing options** and will update the market when such decisions are reached

The anticipated capital requirements in 2020 represent **less than 10%** of the initial capex estimate for the underground project. The Company anticipates funding initial expenses from cash flow, as financing options are explored.

# Karowe Production Carats by Source

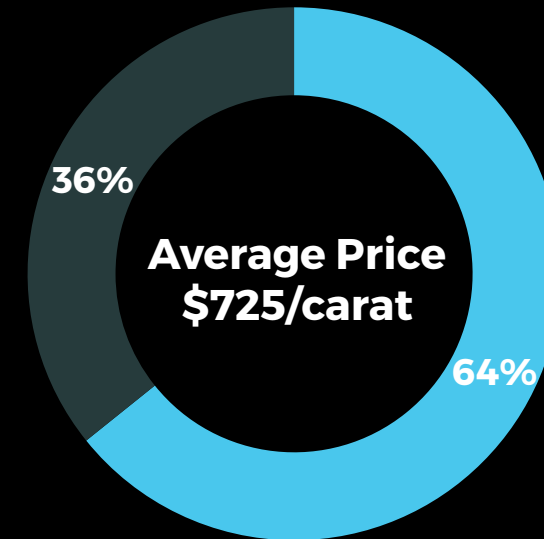
(All currency figures in U.S. Dollars)

**2019 Carats by Source**  
South Lobe Ore 82%



■ EM/PK(S) ■ M/PK(S) ■ Centre ■ North

**UG Carats By Source 2025-39**  
South Lobe Ore 100%

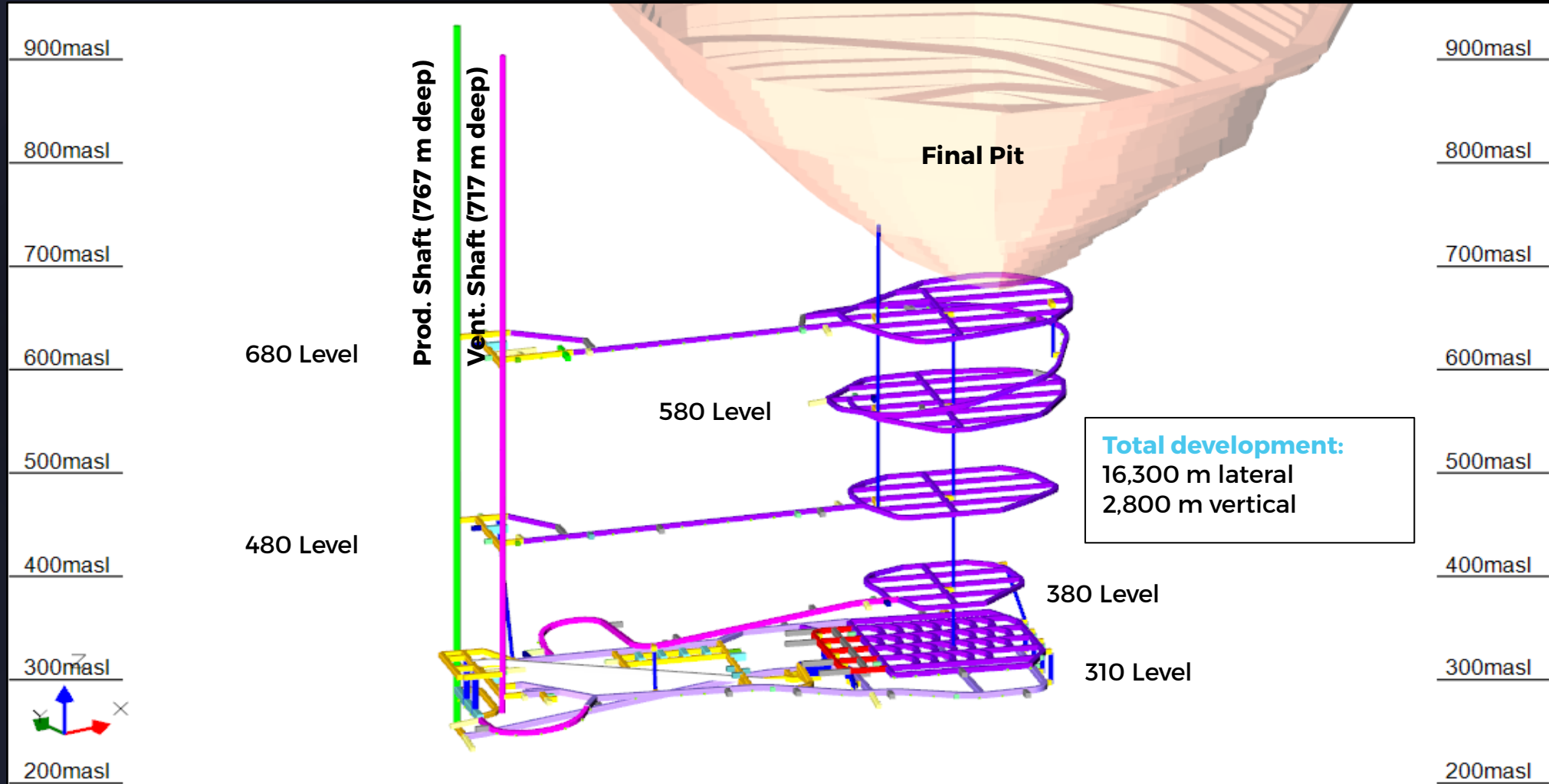


■ EM/PK(S) ■ M/PK(S)

Production schedule is based on current assumptions which are listed in the FS and subject to risks and uncertainties and general operational factors which may vary from scheduling contemplated in the FS, review cautionary statement

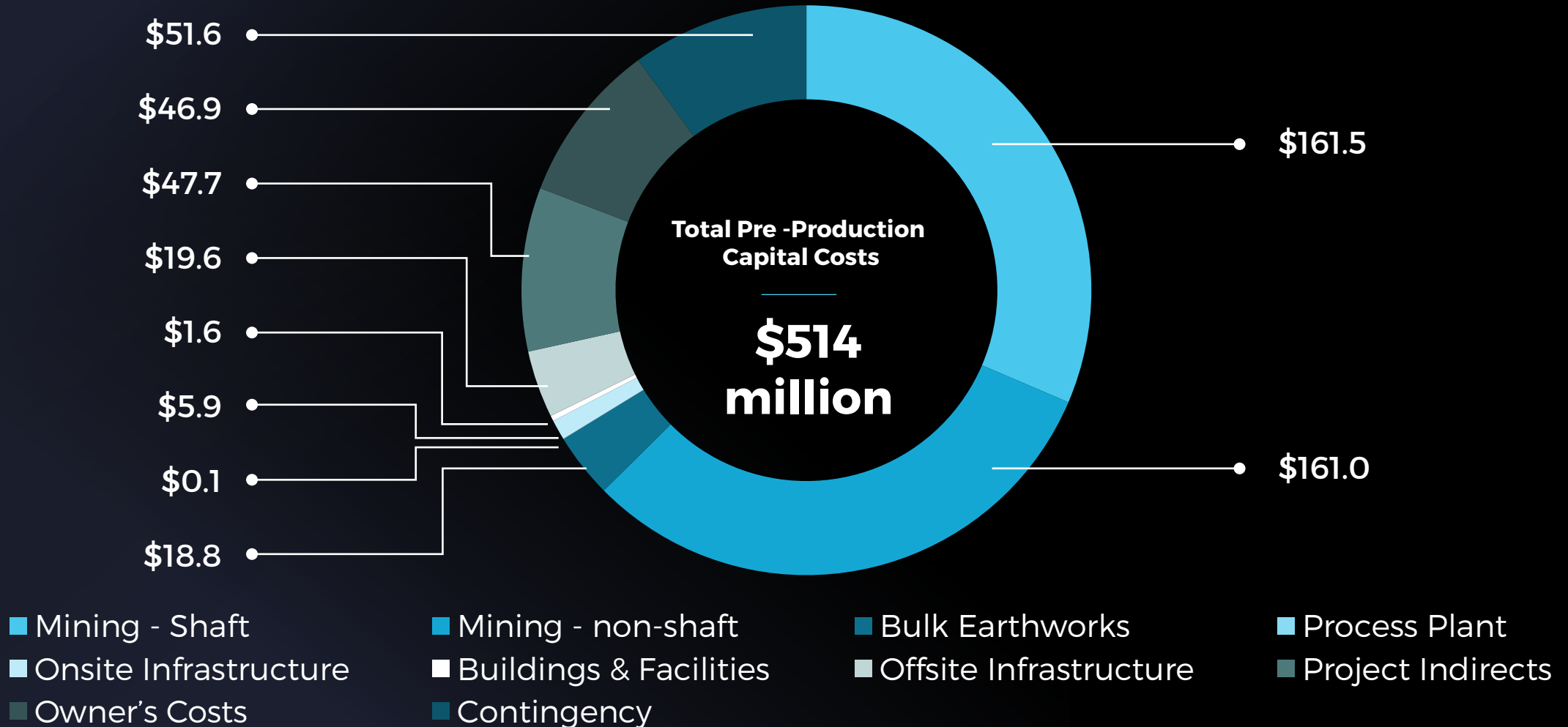


# Karowe Underground Mine Design



# Underground Estimated Pre-production Capital

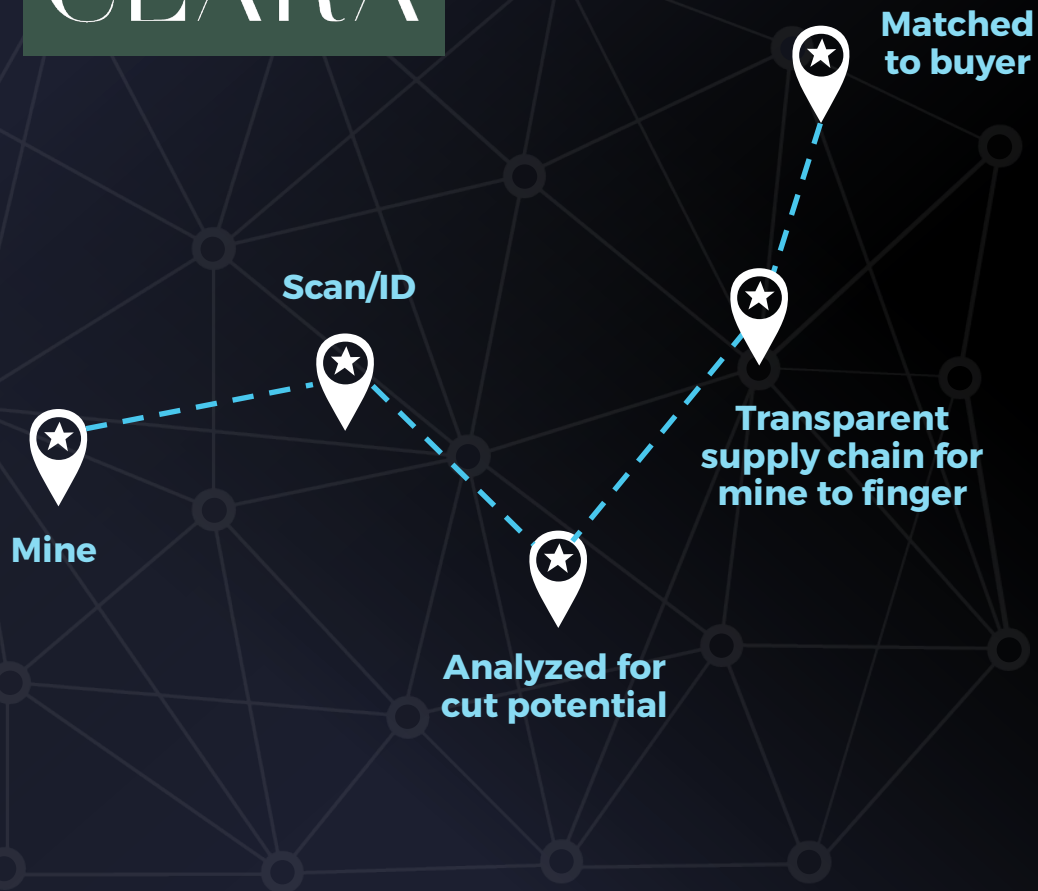
(All currency figures in U.S. Dollars)



# Transforming the Diamond Sales Process

Using Innovation and Technology

CLARA



Opportunity to disrupt the existing supply chain, driving efficiencies and unlocking value



Rough diamonds are sold stone by stone based on polished demand



Diamond provenance is assured



Exclusive collaboration with Sarine Technologies fundamental to the platform

# Clara

## Clara sales platform

**19 sales completed with ~US\$11 million of diamonds sold by value through the platform**

**20th sale ongoing**

**Frequency of sales and number of participants increasing**

**Manufacturers on the platform have grown from 4 to 32 customers**

**Focus on growing supply and demand concurrently through adding third-party production to the platform and increasing the number of manufacturers/buyers invited to join**

**Discussions are underway to add third party supply to the platform**



CLARA

**Nineteen sales between December 2018 and February 2020  
POSITIVE RESULTS**

**~US\$11 million diamonds sold by value**

**between one and ten carats in size, in better colours and qualities**

# Conclusions

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 mineable reserves to 2026,  
Underground reserves will double the mine  
life to 2040



Asset diversification and additional revenue  
stream through Clara



813 ct

# Capital Structure

## LUC

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

TSX

NASDAQ Stockholm

BSE (Botswana)

**~C\$330M**  
Market Cap

**\$Nil**  
(December 2019)  
Working capital facility

**396.9M**  
(December 2019)  
Issued shares

**22%**  
Fully Diluted Basis  
Insider Holdings

**402.5M**  
(December 2019)  
Fully diluted Shares

**US\$11.2M**  
(December 2019)  
Cash on hand

**US\$50.0M**  
(available)  
Credit Facility



549 ct



**LUCARA**  
DIAMOND

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