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 described 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 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.

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

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


Millennials will be the highest-spending generation from 2020 and the leaders in luxury spending, especially in China.
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 designed to modernize the diamond supply chain, driving efficiencies, unlocking value and ensuring diamond provenance from mine to finger

Dividend & Strong Balance Sheet

CDN$0.10 annual dividend/~6% yield
Over US$250 million in dividends paid
$31.1 million in cash on hand, no debt (Q3/2018)
Large, High Value Diamonds
7.9 million carats at $673/ct

Open Pit
Resources to 2026
Potential underground expansion to 2040

Innovative Design
First diamond mine to use state of the art XRT technology for diamond recovery
HISTORIC DIAMOND RECOVERIES

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

Lesedi La Rona 1109 carat
Second largest gem diamond ever recovered in the world

Constellation 813 carat
Sold for a record $63.1 M USD
SPECIALS (+10.8 CARAT) DRIVE VALUE

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

- Specials 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
DIAMOND PRICE PER CARAT

Karowe is a leading diamond producer by value
2019 OUTLOOK
(all amounts in USD)

$170 – $200 million
DIAMOND REVENUE

300,000 – 320,000
DIAMOND SALES (CARATS)

300,000 – 330,000
DIAMOND RECOVERED (CARATS)

2.5 – 2.8 million
ORE TONNES MINED

2.5 – 2.8 million
ORE TONNES PROCESSED

$32 - $37 per tonne of ore processed
OPERATING CASH COSTS

6.0-9.0 million
WASTE TONNES PROCESSED

2.84
AVERAGE STRIP RATIO
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
LUCARA DIAMOND

• 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
TRANSFORMING THE DIAMOND SALES PROCESS USING INNOVATION AND TECHNOLOGY
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
PREVAILING SUPPLY CHAIN

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

PRODUCERS
(25, 5 principal)

SIGHTHOLDERS/PRIMARY
(<100 customers)

SECONDARY, TERTIARY
ROUGH TRADERS/
MANUFACTURERS
(1000s)

MANUFACTURERS,
INTEGRATED JEWELLERS
(1000s)

Unfulfilled Demand
Galaxy scans all rough diamonds as they are extracted (continuous, real time).

Diamonds undergo a “basic” assortment for size and color.

Clara plans each rough diamond.

Clara matches the sellers with buyers based on strength of demand from the buyer.

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

Clara plans each rough diamond.

Clara matches the sellers with buyers based on strength of demand from the buyer.

$$$

$$$

$$$

PDP$
**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

**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
IN AUGURAL CLARA SALE COMPLETED
December 2018

CLARA
Trial sales process completed
POSITIVE RESULTS

US$660,000
worth of diamonds sold
between one and four carats in size in better colors and qualities

+8% over Lucara’s market price
+15% over Lucara’s reserve price

- Trial sales process completed December – POSITIVE RESULTS
- Participants included large, vertically integrated jewelry houses and global diamond manufacturers
- 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

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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<thead>
<tr>
<th>CAPITAL STRUCTURE</th>
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<tbody>
<tr>
<td>~C$630M</td>
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<tr>
<td>MARKET CAP</td>
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<tr>
<td>Nil</td>
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<tr>
<td>DEBT</td>
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<td>396.5M (Dec 2018)</td>
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<td>ISSUED SHARES</td>
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<td>402M (Dec 2018)</td>
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<td>FULLY DILUTED SHARES</td>
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<td>US$31.1M (Q3/2018)</td>
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<td>US$50 million</td>
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<td>Credit Facility (undrawn)</td>
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<td>CASH ON HAND</td>
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<td>22%   Fully Diluted Bases</td>
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<td>INSIDER HOLDINGS</td>
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