

LUCARA
DIAMOND

PDAC 2020
Diamond Session

MARCH 2, 2020

LucaraDiamond.com | LUC.TSX | LUC.XSTO | LUC.BSE



Cautionary Statement

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 release may contain forward looking information pertaining to the following: potential to expand the life of mine; updated resource and reserves for the Karowe Mine, including the Underground and the total expected life of mine production; estimates of the Company's production and sales volumes for the Karowe Mine, including the Underground and associated cash flow and revenues; estimates of the economic benefits of the Underground, including the payback period; pre-production capital costs for the Underground and the quantum required, and availability of, external financing; anticipated operating margins for the Underground operations; the ability to integrate the underground operations seamlessly into the existing infrastructure; the anticipated mine plan and mining methods; the schedule of development of the underground, production profile and anticipated changes in diamond pricing, including trends in supplies and demands and the potential for stability in the diamond market and diamond pricing; changes to foreign currency exchange rate; the timing and ability of management to further commercialize the Clara digital sales platform and other forward looking information.

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 "Risks and Uncertainties" in 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.

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

20th 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

549 carat diamond recovered

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

A diamond of **exceptional purity**

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

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

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

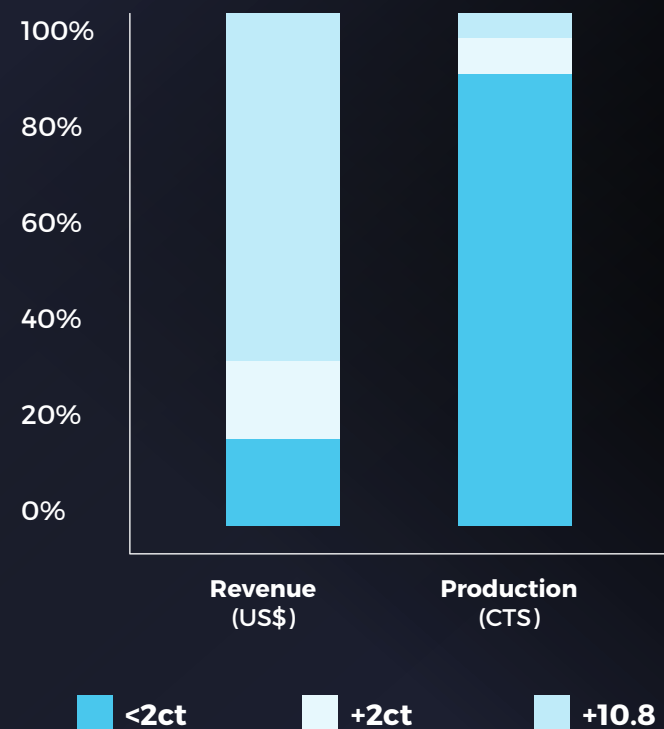


Consistent Recovery of Large Diamonds

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

Revenue and production

includes 2015 to 2019

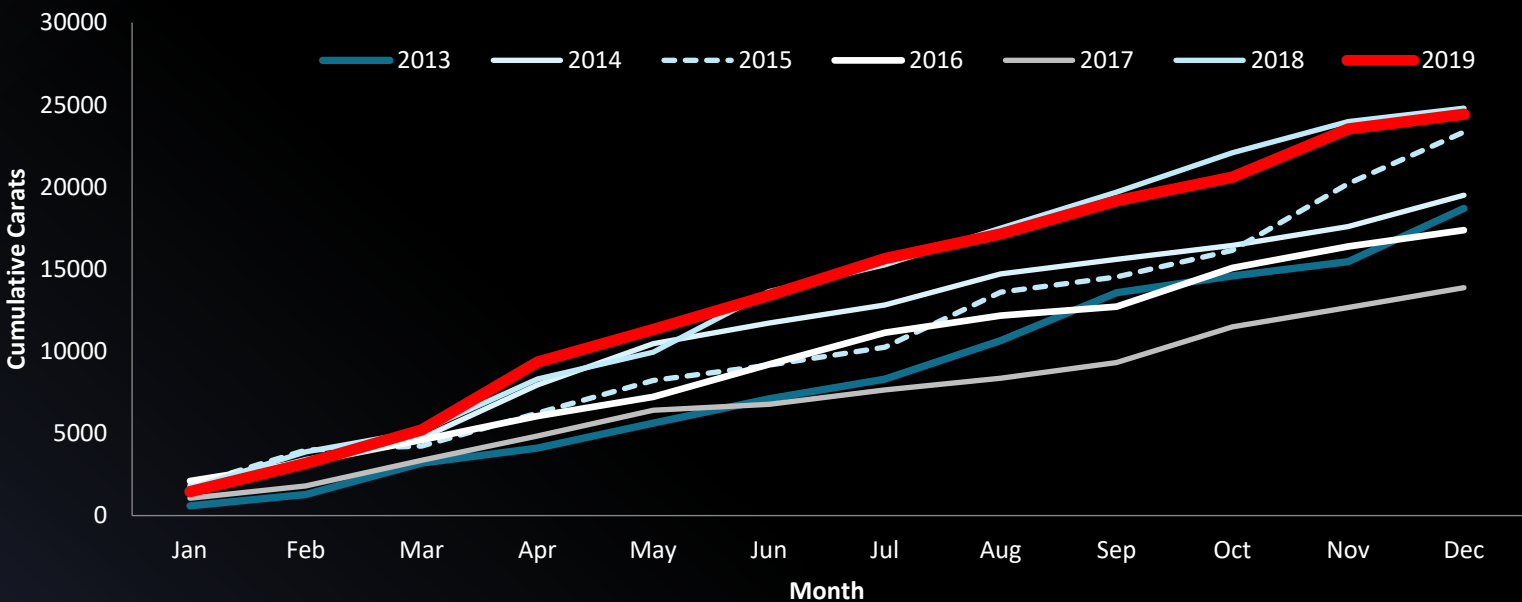


Life of mine recovery of 157,000 carats of individual stones > 10.8ct (over 5,400 diamonds; all sources)

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

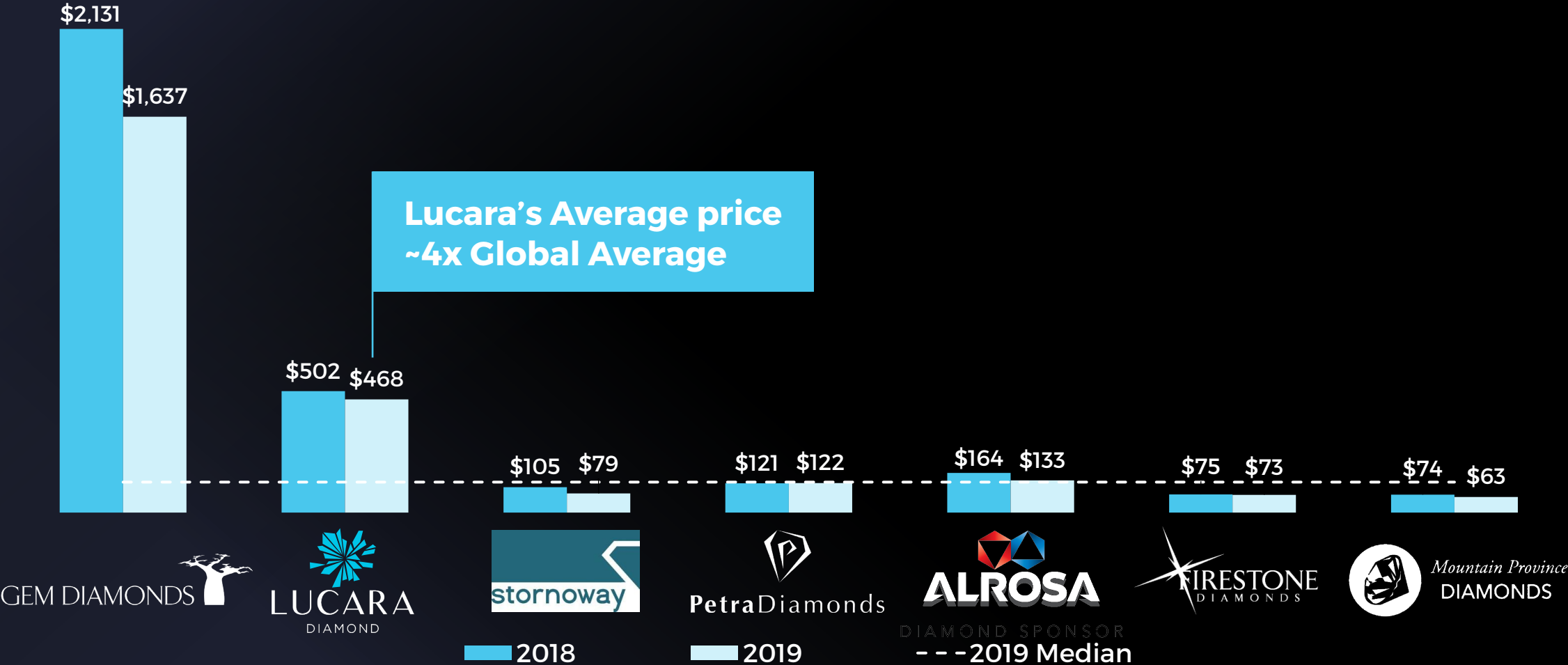
10 diamonds sold for > US\$ 10 million each (not included in resource value models)

Karowe Cumulative Specials (carats)



Global Achieved Average Diamond Prices 2018/2019

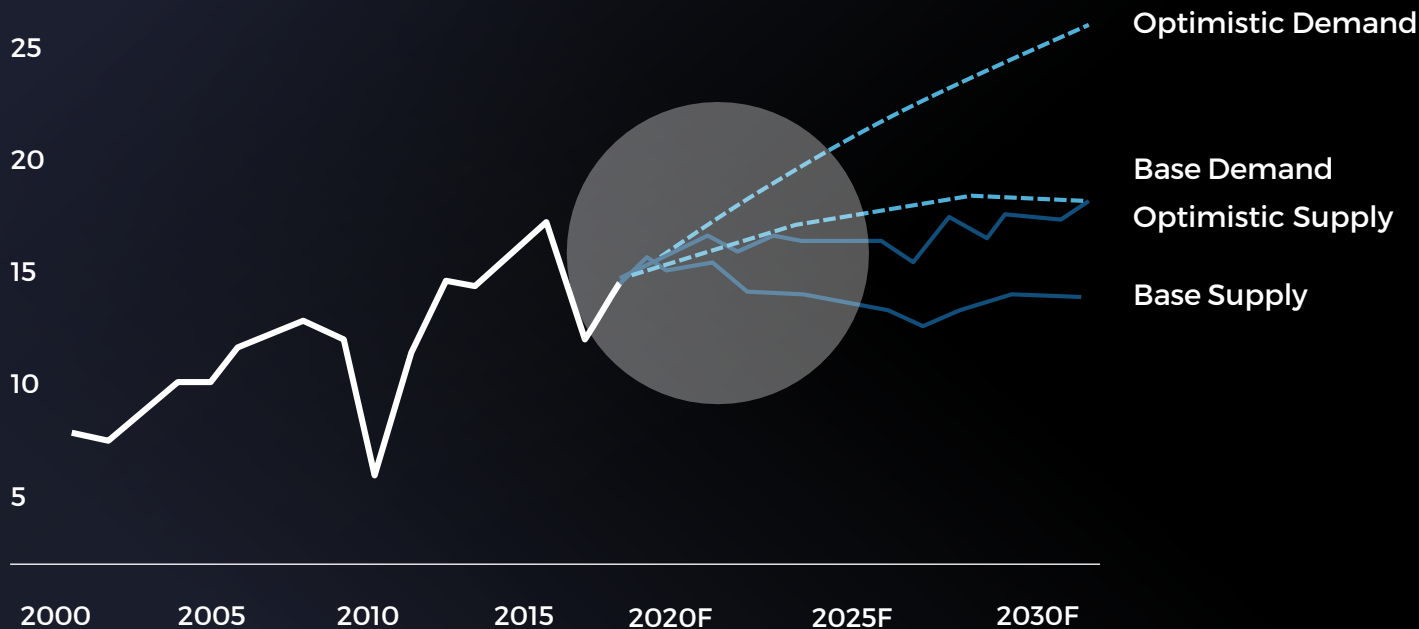
(All figures in U.S. Dollars per carat)



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

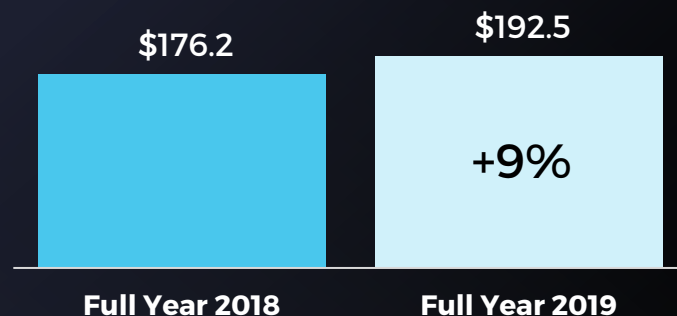
31 stones > 100 carats



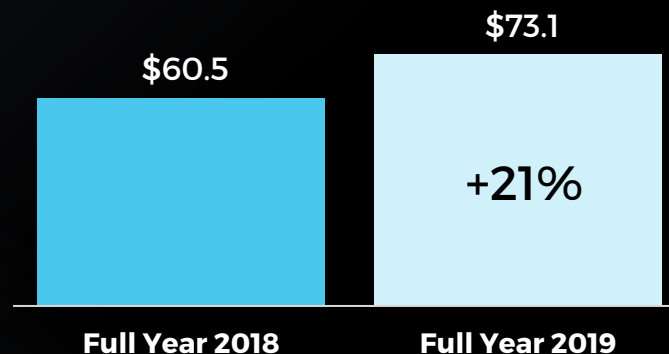
2019 Financial & Operational Highlights

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

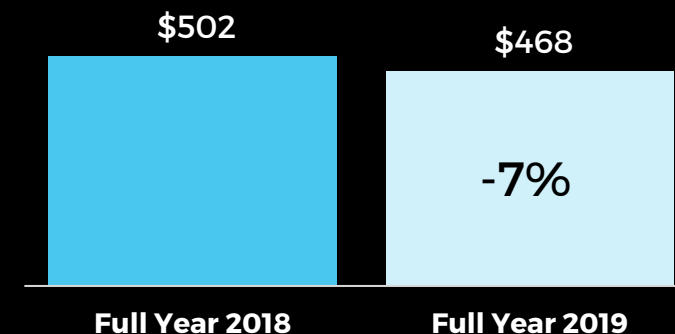
Revenue (millions)



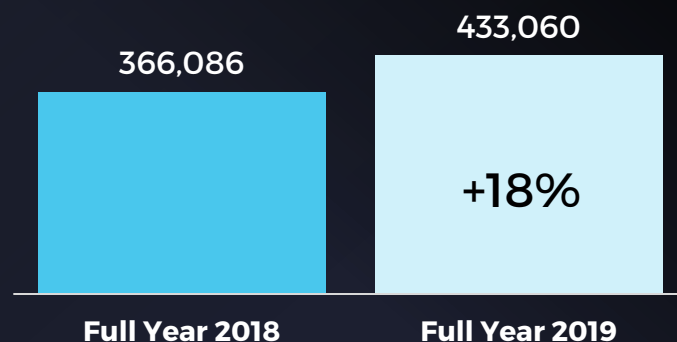
Adjusted EBITDA⁽¹⁾ (millions)



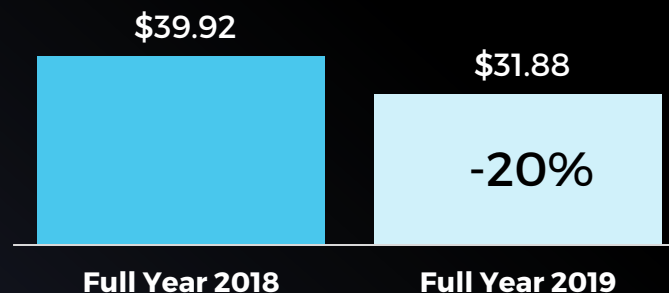
Average price (\$/Carat)⁽¹⁾



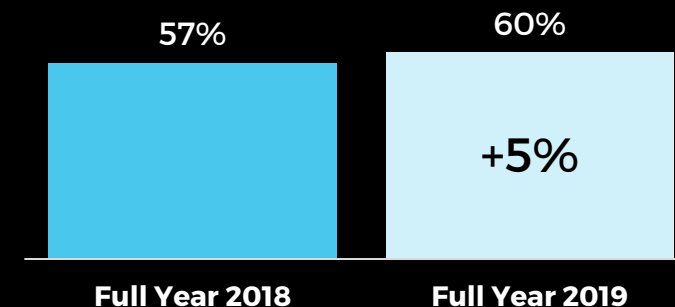
Carats recovered (carats)



Operating Cost
(\$ per tonne processed)⁽¹⁾



Operating margin (%)

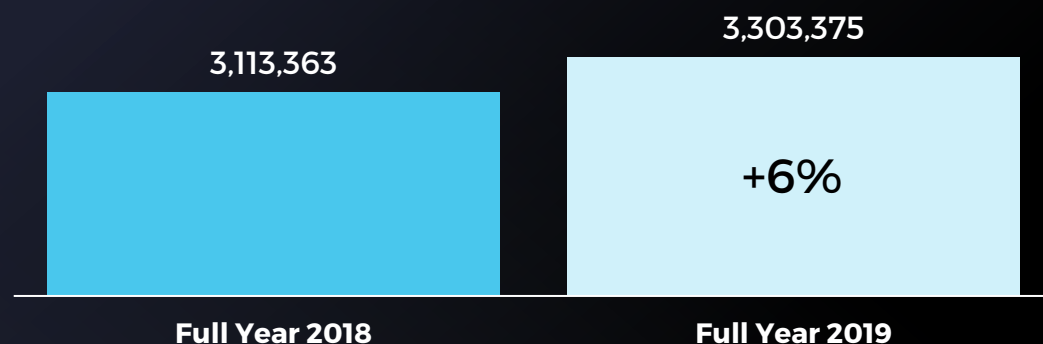


⁽¹⁾ Non-IFRS measure

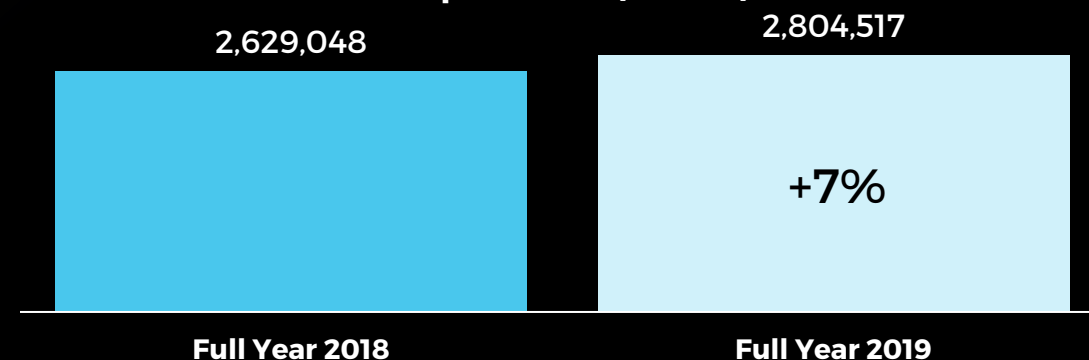
2019 Operational Highlights

Full Year ending December 31, 2019

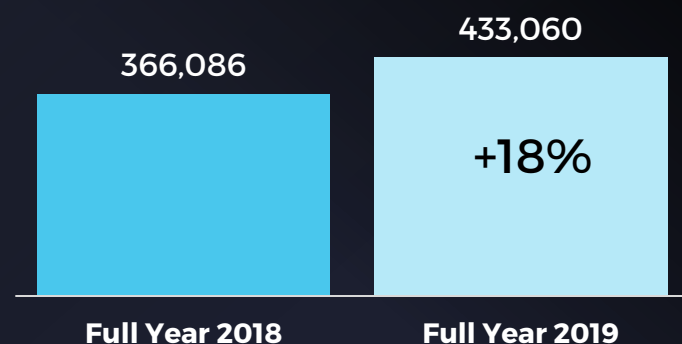
Ore mined (tonnes)



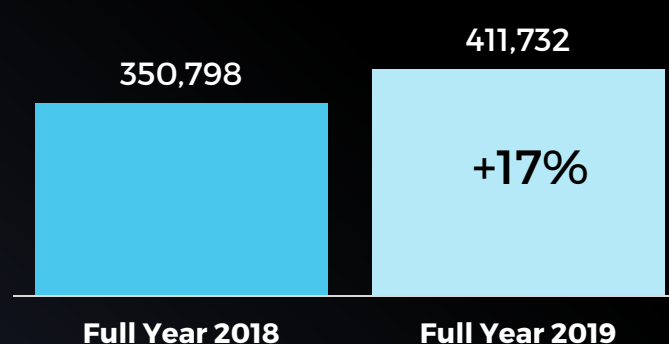
Ore processed (tonnes)



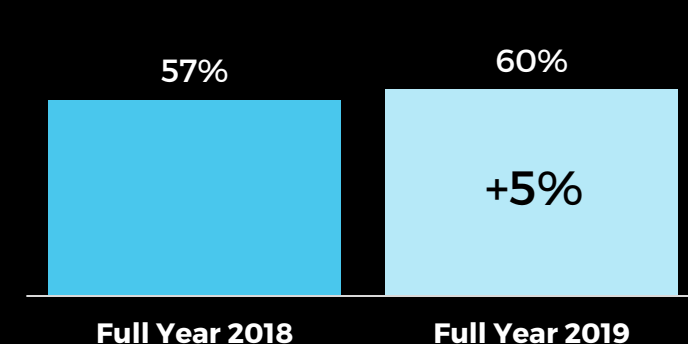
Carats recovered (carats)



Carats sold (carats)



Operating margin (%)



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)

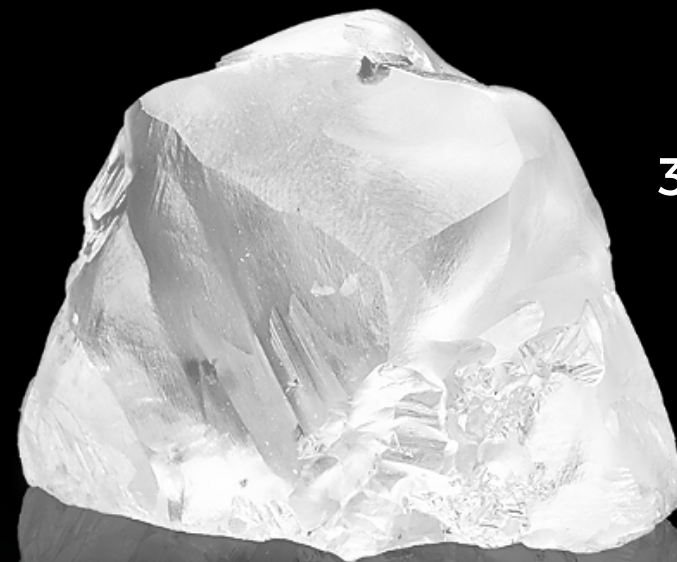
3.5 – 3.9 Million
Ore Tonnes Mined

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/carats
(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

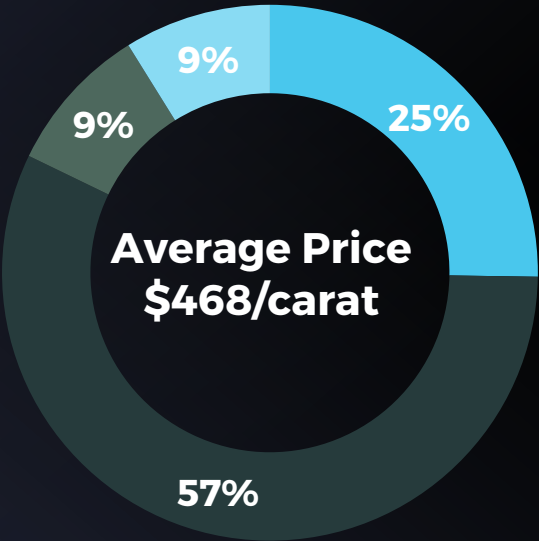
The Company will also be **reviewing financing options** and will update the market when such decisions are reached

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

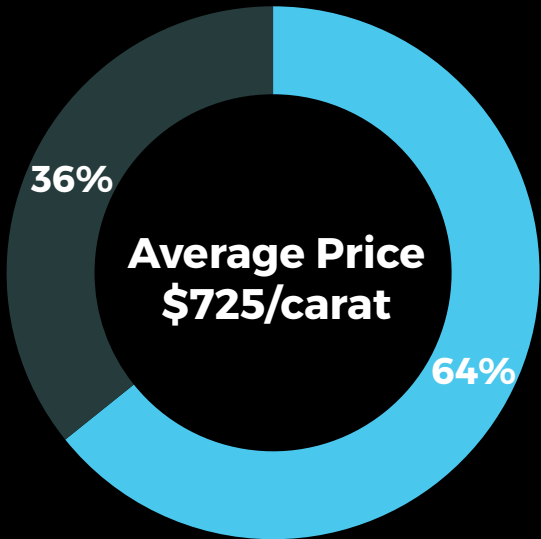
(All currency figures in U.S. Dollars)

2019 Carats by Source
South Lobe Ore 82%



■ EM/PK(S) ■ M/PK(S) ■ Centre ■ North

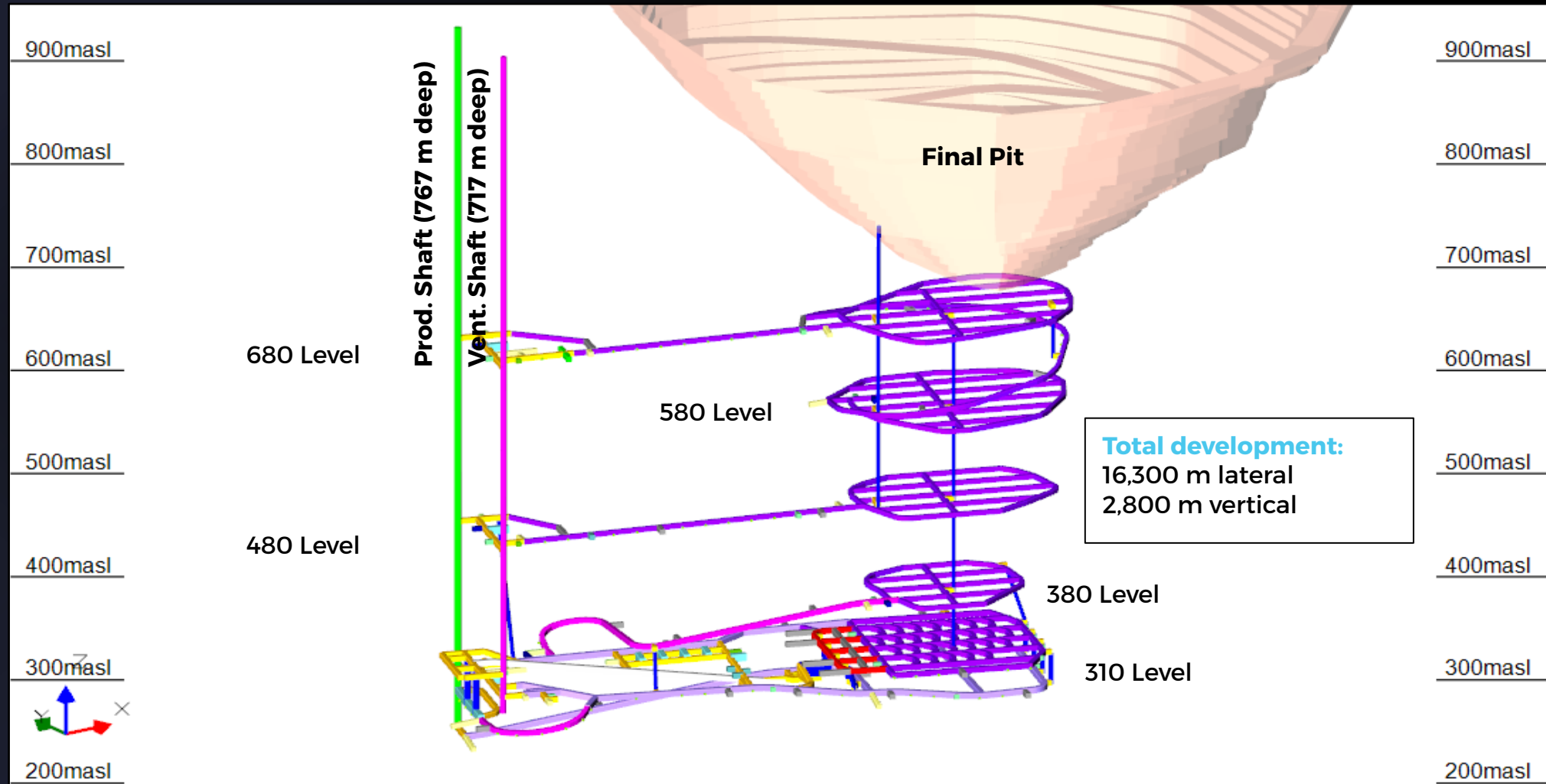
UG Carats By Source 2025-39
South Lobe Ore 100%



■ EM/PK(S) ■ M/PK(S)

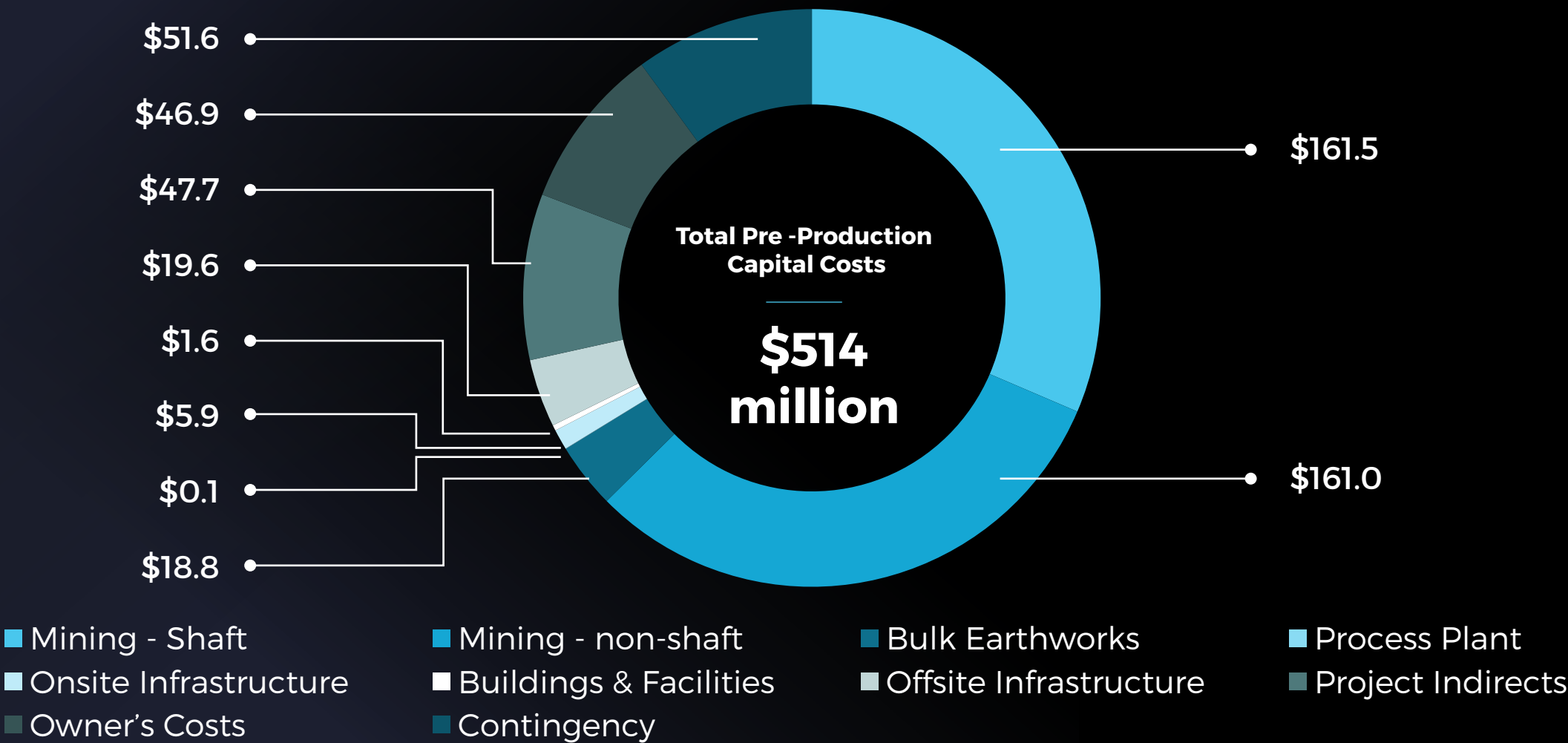
Production schedule is based on current assumptions which are listed in the FS and subject to risks and uncertainties and general operational factors which may vary from scheduling contemplated in the FS , review cautionary statement

Karowe Underground Mine Design



Underground Estimated Pre-production Capital

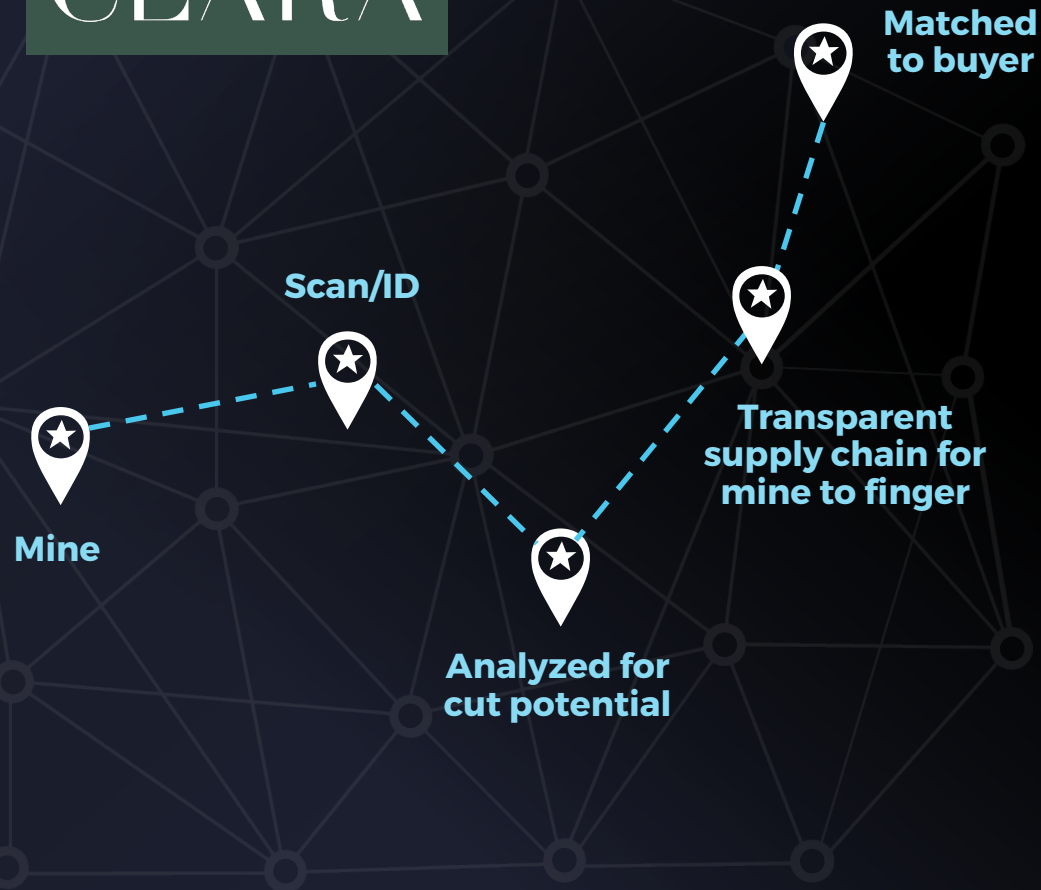
(All currency figures in U.S. Dollars)



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

The CLARA logo is displayed in white serif font within a dark teal rectangular box. The background of the slide features a close-up of a hand holding a large, clear diamond, with a small white circle containing a downward-pointing triangle overlaid on the diamond.

**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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