



**LUCARA**  
DIAMOND

**121 Mining Investment**  
***APAC Online***

**7-9 OCTOBER 2020**



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# 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.

**Botswana**

**KAROWE DIAMOND  
MINE (100%)**





**High operating margin**  
sustained since production  
began in 2012

Consistent recovery of high value  
**+10.8ct diamonds**  
with additional realized input  
from high value coloured diamonds  
(blue, pink)

**2.9 million**  
carats sold

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**\$1.6 billion**  
in revenue in ~7 years

**Innovative design**  
First diamond mine to use state  
of the art XRT technology for  
primary diamond recovery

Total capital investment less than  
**\$200 million**

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**\$271 million**  
in dividends paid since 2014

Top of class, only mine in  
recorded history to ever recover  
**Two +1,000 carat diamonds**

# Sustainability

## Mokubilo Farm Initiative

Community focused initiative to generate, broad based sustainable income

Lucara's Sustainability Report is prepared in accordance with the GRI Standards: Core option, and selected G4 Mining and Metals Sector Disclosures

In 2018, Lucara became a UN GC participant and contributes to 10 of the 17 UN SDGs

Lucara is certified by the Responsible Jewellery Council (RJC), compliant with the Kimberley Process, and a member of the Natural Diamond Council (NDC)



## SUSTAINABLE DEVELOPMENT

# GOALS

17 GOALS TO TRANSFORM OUR WORLD



## Historic Diamond Recoveries

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**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 US\$63.1 million

## Lesedi La Rona & Constellation

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The 1,109 carat Lesedi La Rona was recovered in 2015 and purchased by Graff in 2017 for US\$53 million resulting in the 302.37 carat Graff Lesedi La Rona



Graded by the GIA, one of the world's largest square emerald cut diamond; 66 satellite diamonds were also cut ranging from <1 carat to >26 carats



The 813 carat Constellation was recovered in 2015 and purchased for US\$63 million, the highest price ever achieved for the sale of a rough diamond



The resulting 313 carat Constellation One is the largest D coloured emerald cut diamond in the world today and is the largest ever graded by the GIA; 7 satellite diamonds were also cut with the largest being 102 carats



# Sewelô Collaboration with Louis Vuitton

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## Botswana's Largest Diamond

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

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

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Lucara has received an upfront non-material payment from the JV partners; Lucara will participate in 50% of the proceeds of the polished diamonds that result

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



## 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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Followed the 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

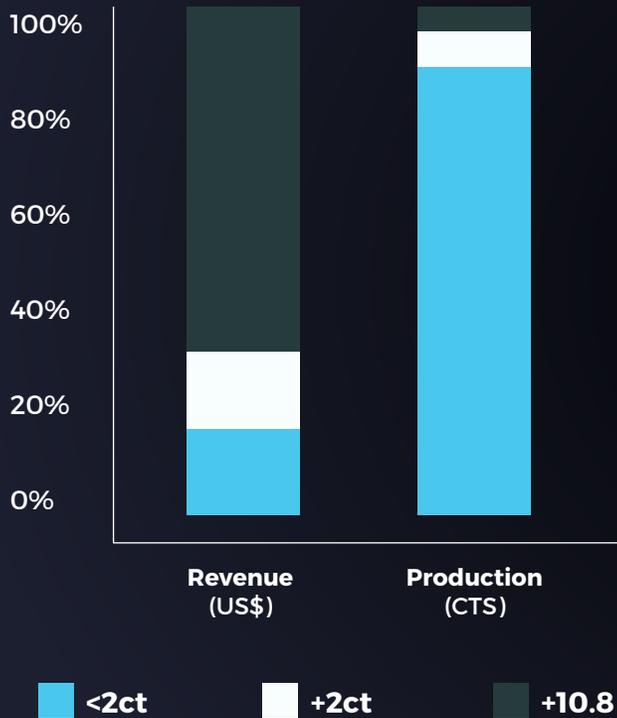


549 carat

# Consistent Recovery of Large Diamonds

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

## Revenue and production includes 2015 to 2019

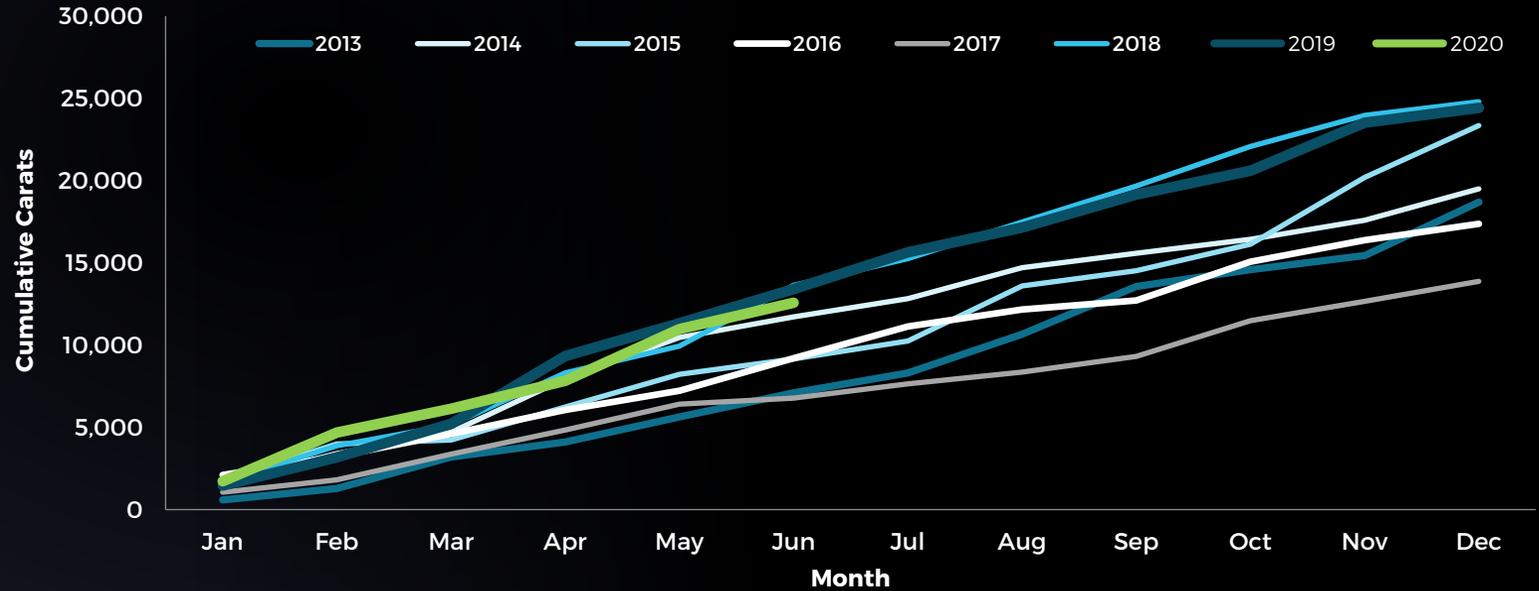


Life of mine recovery of 158,000 carats of individual stones > 10.8ct (over 5,400 diamonds; all sources)

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 (ct)



## COVID-19 Response

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### Operations Strong and Stable

- Botswana Government declared mining an essential service in late March 2020. Guidelines being followed include increased travel restrictions, implementation of social distancing and additional cleaning protocols.
- Focus on protecting the health and well-being of our employees, contractors and host communities and the financial well being of the Company. Contributions to the Botswana Government's COVID-19 Relief Fund and local initiatives.
- Strong operating environment in Q2 with results consistent with original 2020 plan and costs achieved below budget.
- Q2 tender held in early June 2020 (diamonds less than 10.8 carats in size) with sales continuing through the Clara Platform. Temporary permission received from the Botswana Government to export and sell diamonds from Antwerp.
- Underground expansion plans re-scoped and reduced to focus on long lead time critical-path items for the remainder of year.
- 2020 Guidance remains suspended due to current market uncertainties.
- Lucara continues to have a strong availability of working capital, including \$13.7 million in cash at the end of Q2 and \$31 million available from its revolving term working capital facility.

# Q2 2020 Highlights

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

## Karowe Diamond Mine (100%)

Continued strong operational results & safety performance; All physicals achieved to plan

Operating costs of \$27.14 per tonne of ore processed; below budget and plan

No sales of goods greater than +10.8 carats in size in Q2; Groundbreaking supply partnership announced in July

Q2 cash inflows of \$21.0 million consisting of a partial payment of \$13.5 million under the new supply agreement with HB, proceeds of \$7.5 million from continuous sales on Clara and a tender in Antwerp of all stones less than 10.8 carats

## Clara Diamond Solutions (100%)

Five sales completed in Q2

16 sales year-to-date

Sales continued through COVID-19 pandemic

Customer base grew 30% in the first half of 2020 from 27 to 35 participants and now stands at 69



549 ct

## Strong Balance Sheet

Cash and cash equivalents of \$13.7 million; Net debt of \$5.3 million

\$31 million available on credit facility; Term extended to May 2021

Strong cash position and available liquidity to manage COVID-19 pandemic

# Supply Agreement with HB Group

## Groundbreaking Partnership for 2020

All **+10.8 carat stones** produced from Karowe Mine

Initial price is based on an **estimated polished outcome**, determined through state of the art scanning and planning technology, with a true-up paid on actual achieved polished sales, less a fee and cost of manufacturing

Expect to begin recognizing **revenue** from the supply agreement in **Q3**

**Regular cash flow** from the large, high value segment of production

Initial advance of **\$13.5 million** received in June

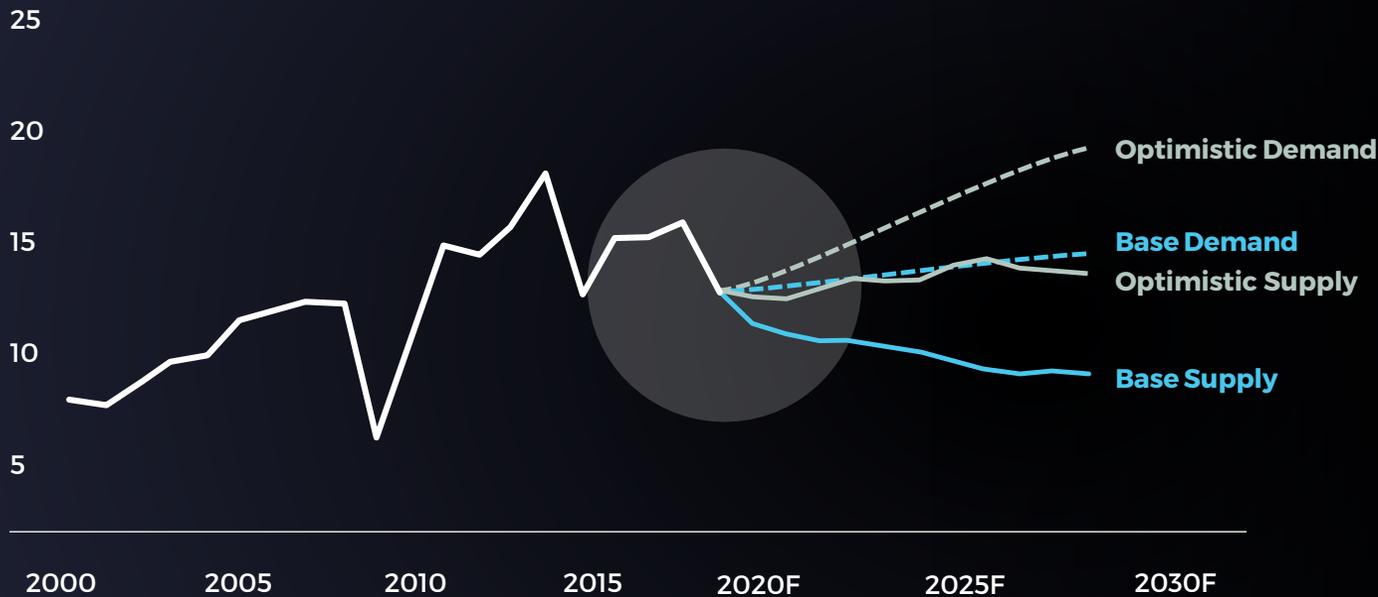


549 carat

# Diamond Market

Evidence of strengthening market late 2019 was interrupted by COVID-19; Longer term outlook remains strong

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

# Karowe Underground

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## Extending Mine-life to 2040

UG development will **double the mine life** from the 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 ~ **\$4 billion in additional net revenue**

+\$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 cph for 5.1 million carats

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

Diamond price of \$725/carat (no escalation) ; ~\$4 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

Production rate of 7,200 tpd / 2.6 Mt/annum



342 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**

## 2020 Plan

Focus on detailed engineering and early site works using local contractors, start on long lead time item procurement and explore financing options

## COVID-19 Response

Push out early surface civil works pending lifting of travel restrictions and reduce capital spend

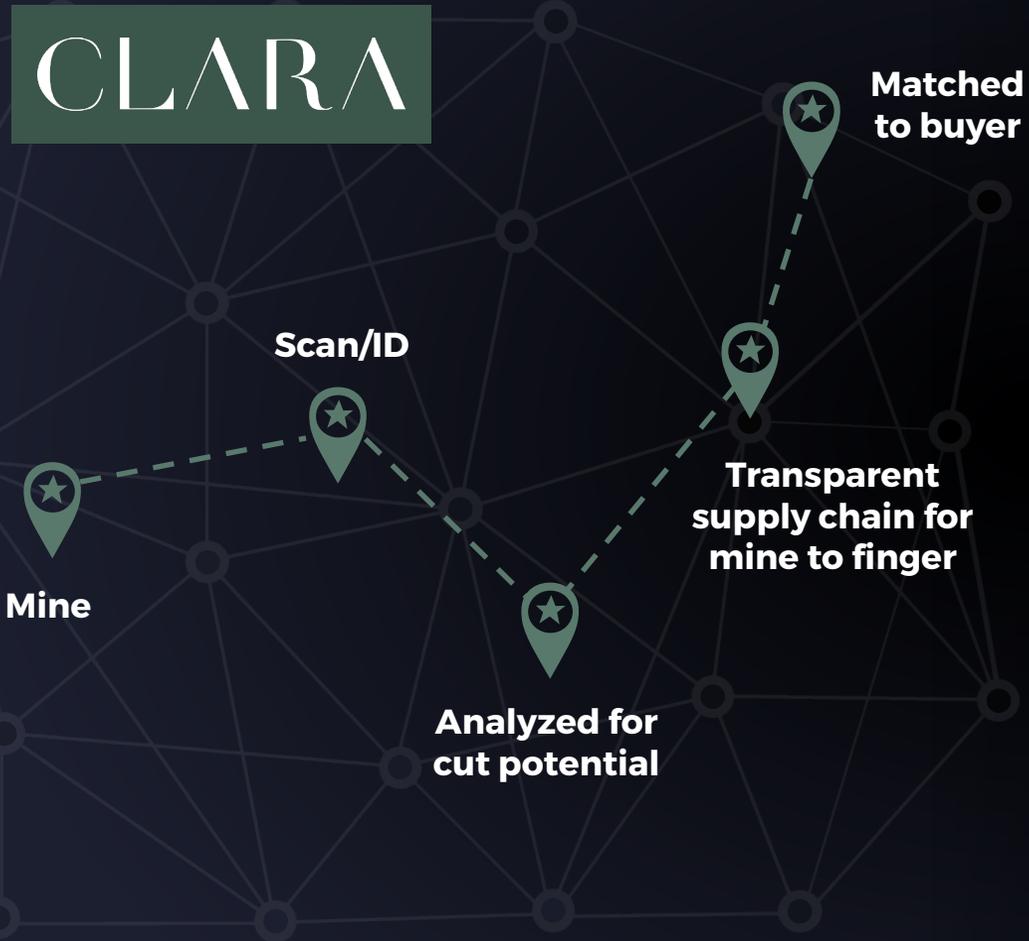
Continue to explore

**financing options**

Focus on debt financing opportunities

# 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

# Clara

## Clara sales platform

**32 sales** completed since inception  
**US\$15.6 million** of diamonds sold by value through the platform

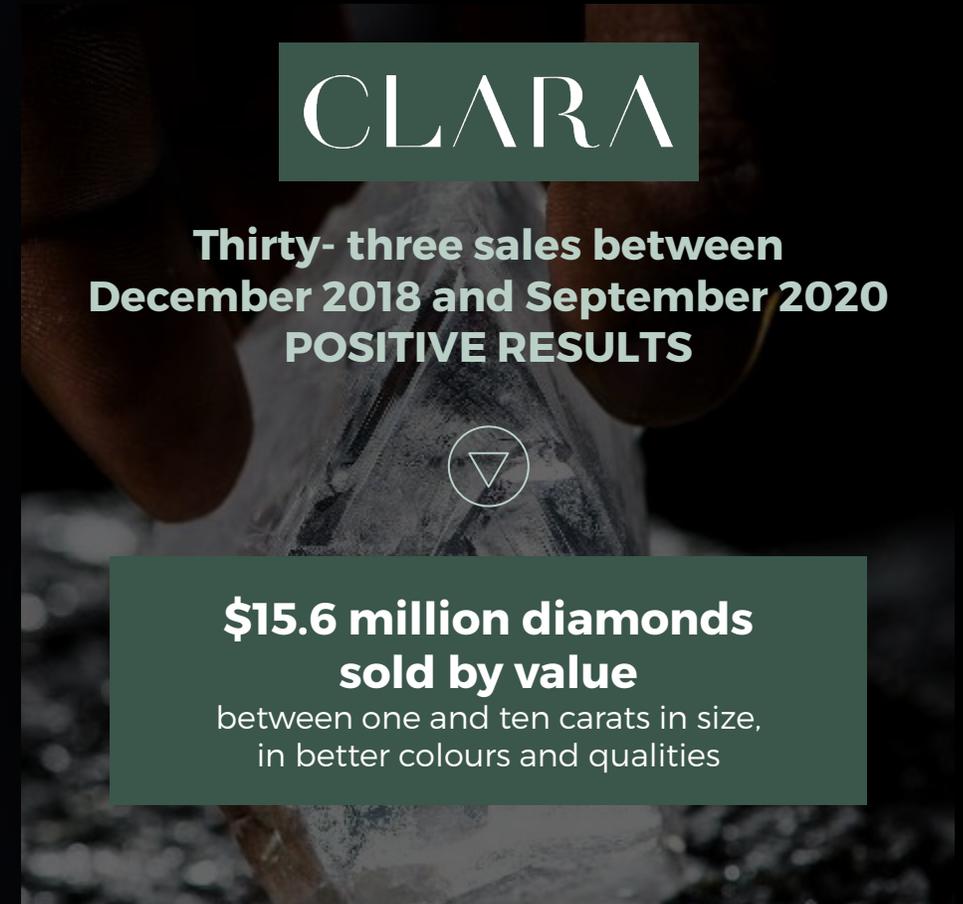
**33<sup>rd</sup>** sale ongoing

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

Manufacturers on the platform have grown from **4 to 69 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

Trials of **third-party supply** have begun in the third quarter



**CLARA**

**Thirty- three sales between December 2018 and September 2020**  
**POSITIVE RESULTS**

**\$15.6 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

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## LUC

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

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TSX

NASDAQ Stockholm

BSE (Botswana)

**~C\$218M**

Market Cap

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**US\$19.0**

(June 2020)

Working capital facility

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**396.9M**

(June 2020)

Issued shares

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**22.5%**

Fully Diluted Basis

Insider Holdings

**404.6M**

(June 2020)

Fully diluted Shares

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**US\$13.7M**

(June 2020)

Cash on hand

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**US\$31.0M**

(available)

Credit Facility



549 ct



**LUCARA**  
DIAMOND

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