



**LUCARA**  
DIAMOND

# Corporate Update Pareto Securities

**MAY 12, 2020**



# 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; 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.

# COVID-19 Response and Implications

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## Operations Continue, 2020 Guidance Withdrawn

### Crisis Management Strategy Implemented

**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.**

**Botswana Government declared mining an essential service during the April 2020 lock-down. No material changes to target production levels following this declaration although operating protocols adjusted for health and safety considerations.**

**2020 Guidance suspended due to uncertainty arising from impact of the pandemic, particularly around global demand for diamonds.**

**Temporary permission received from the Botswana Government to export and sell diamonds from Antwerp. Q2 tender postponed for several weeks, pending an evaluation of market conditions (originally scheduled for mid-May).**

**Sales continue through the Clara Platform with some delays in delivery due to international travel restrictions. Addition of third-party production to the platform unlikely to occur until later in the year.**

**\$50 million working capital facility extended for one year, to May 5, 2021 providing an important source of liquidity.**

**Underground expansion plans re-scoped and reduced to focus on critical path items for the remainder of year. Ability to flex spending depending on cash flows from operations.**

**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**

## 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



# Q1 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

Q1 tender completed with prices achieved within 1% of reserve prices; Average sales price \$396/carat

Operating costs of \$31.43 per tonne of ore processed; Trending at the low end of previous guidance

Early works and detailed engineering underway on Underground Expansion; 2020 spend is being re-scoped given uncertainty of impact of COVID - 19

Unique collaboration on the 1,758 Sewelô diamond

549 carat top white gem recovered in February 2020

## Clara Diamond Solutions (100%)

Six sales completed in Q1 for proceeds of ~\$3 million

24<sup>th</sup> sale (since inception) currently underway

Sales continued through COVID-19 pandemic

Customer base grew from 19% in the first quarter; from 27 to 32 participants

549 ct



## Strong Balance Sheet

Cash and cash equivalents of \$27.4 million; Net cash of \$8.4 million

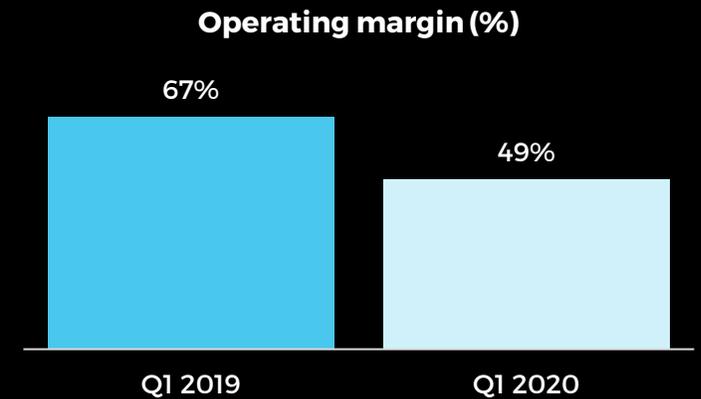
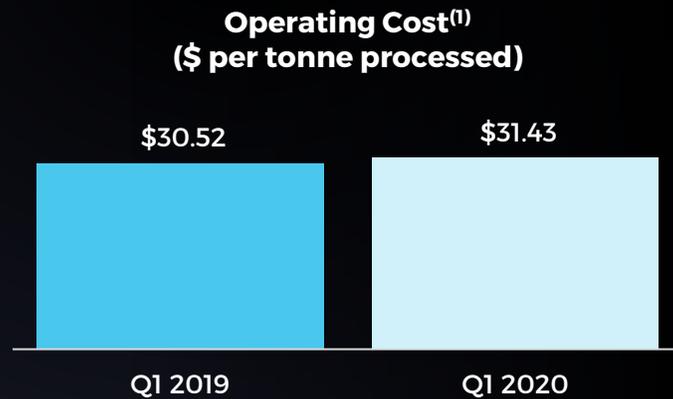
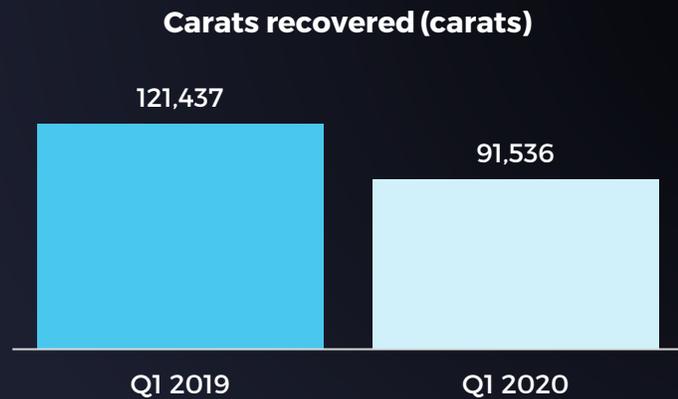
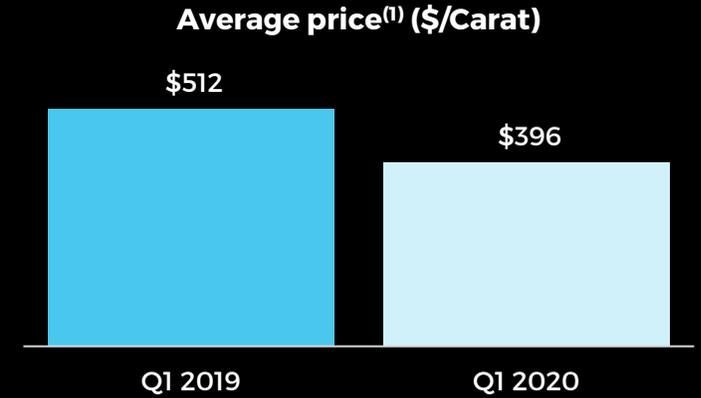
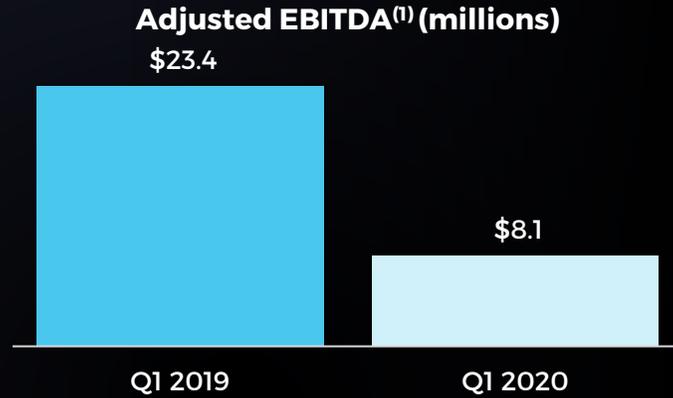
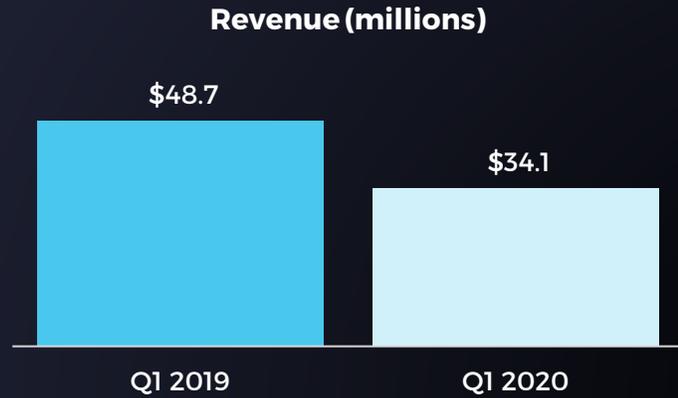
\$50 million credit facility; Term extended to May 2021; \$31 million available

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

Market Cap ~C\$202 million

# Q1 2020 Financial & Operational Highlights

Three Months ending March 31, 2020  
(All currency figures in U.S. Dollars)



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

# 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 to receive an upfront non-material payment from the JV partners; Lucara to 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 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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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

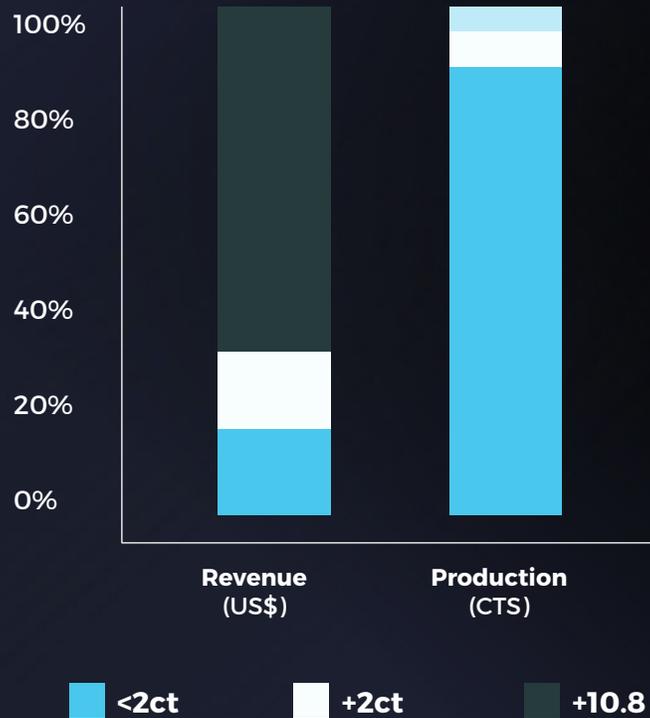
549 carat



# Consistent Recovery of Large Diamonds

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

## Revenue and production includes 2015 to 2019

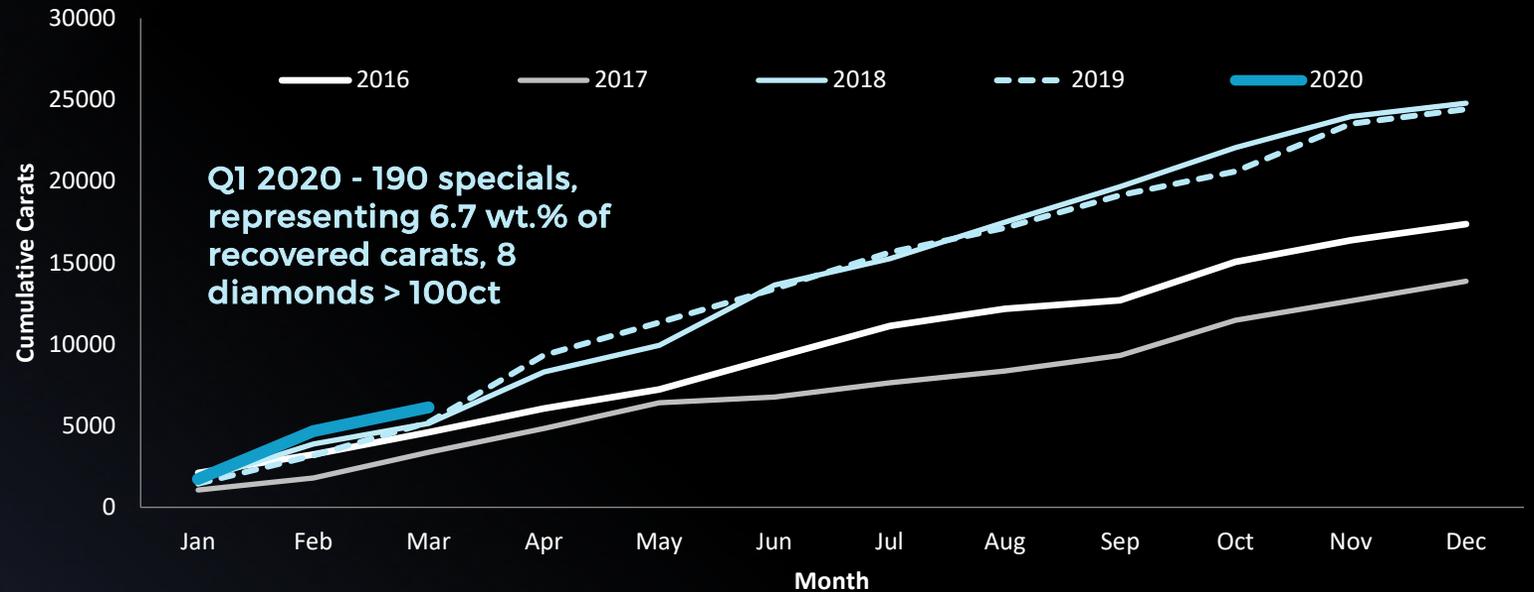


Life of mine recovery of 157,000 carats of individual stones > 10.8ct (over 5,600 diamonds; all sources)

Since 2012: 16 diamonds in excess of 300 carats have been recovered, including 2 diamonds > 1,000ct

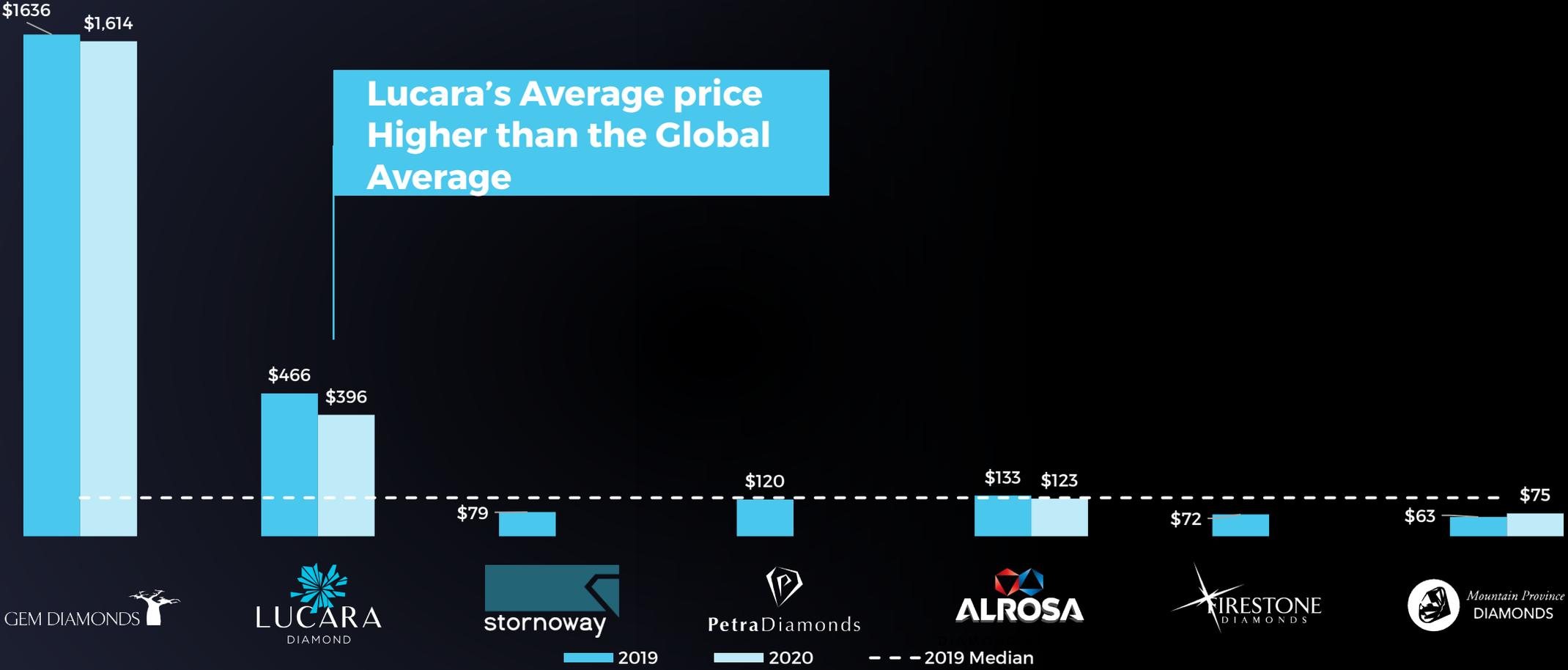
10 diamonds sold for > US\$ 10 million each (not included in resource value models)

## Karowe Cumulative Specials (carats)



# Global Achieved Average Diamond Prices (2019/2020)

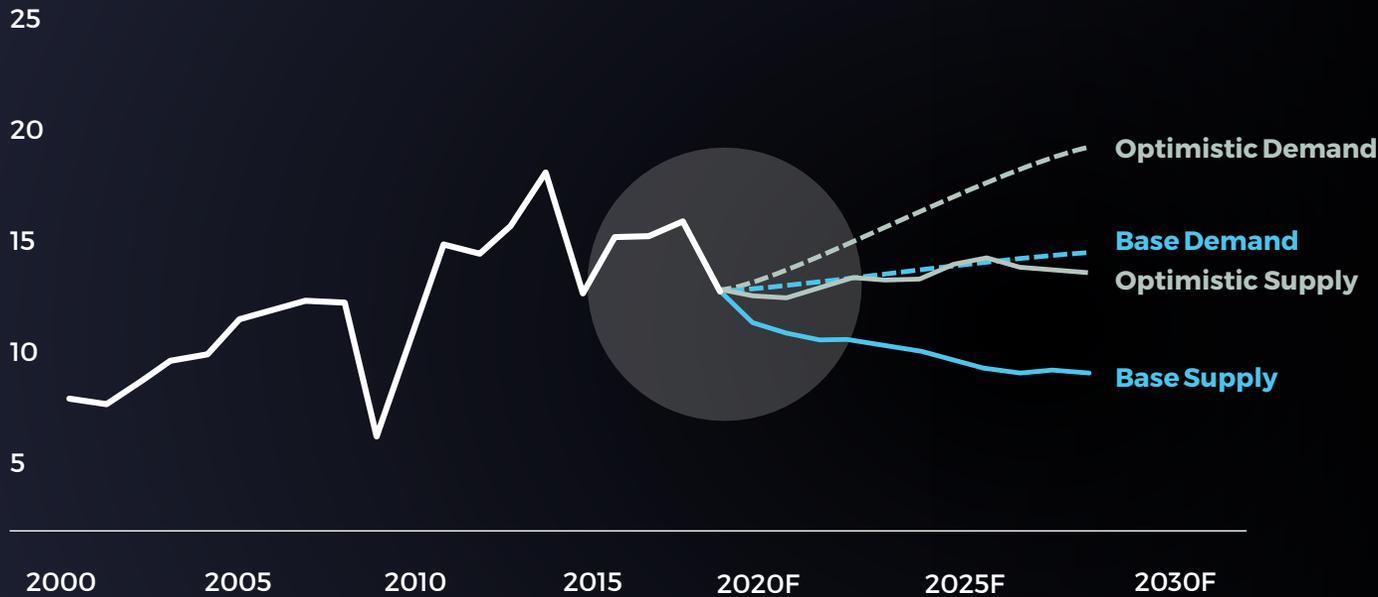
(All figures in U.S. Dollars per carat)



# Diamond Market

Evidence of strengthening market late 2019 was interrupted by COVID-19; Short term prices weak, 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 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

Maintains current 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%)

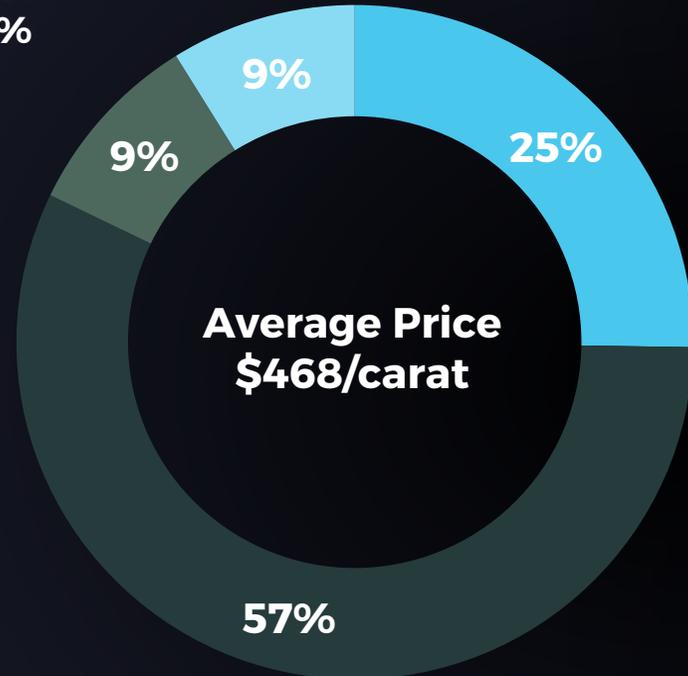
\$2.2 billion / \$1.2 billion Cash Flow (pre/post tax)

High Margin Operation; Carat Margin \$522

# Karowe Production Carats by Source

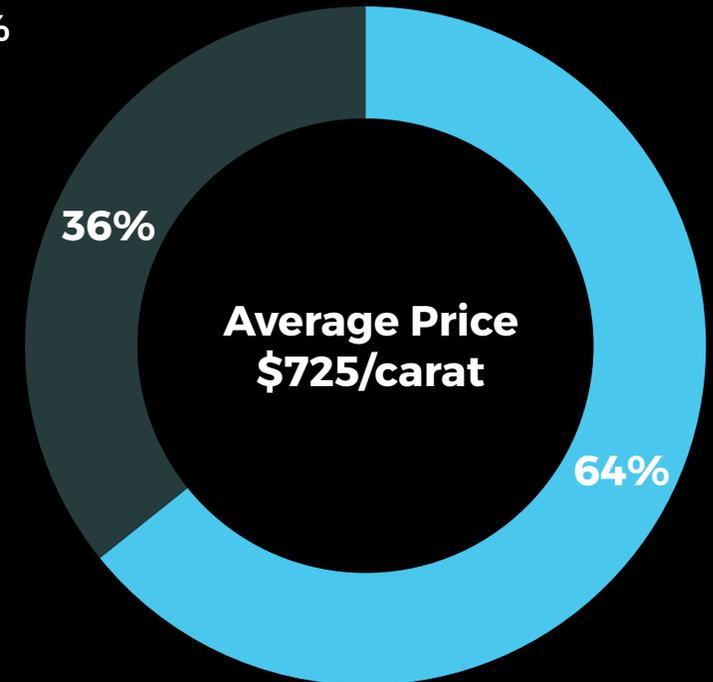
(All currency figures in U.S. Dollars)

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 Next Steps

Based on the assumptions used for this evaluation, the project shows

### **positive economics**

now proceeding to detailed engineering, financing and construction

### **Q1 2020**

Focused on detailed engineering and early site works using local contractors, start on long lead time item procurement

### **COVID-19 Response**

Push out early surface civil works pending lifting of travel restrictions

Reduce capital spend until certainty around diamond sales revenue

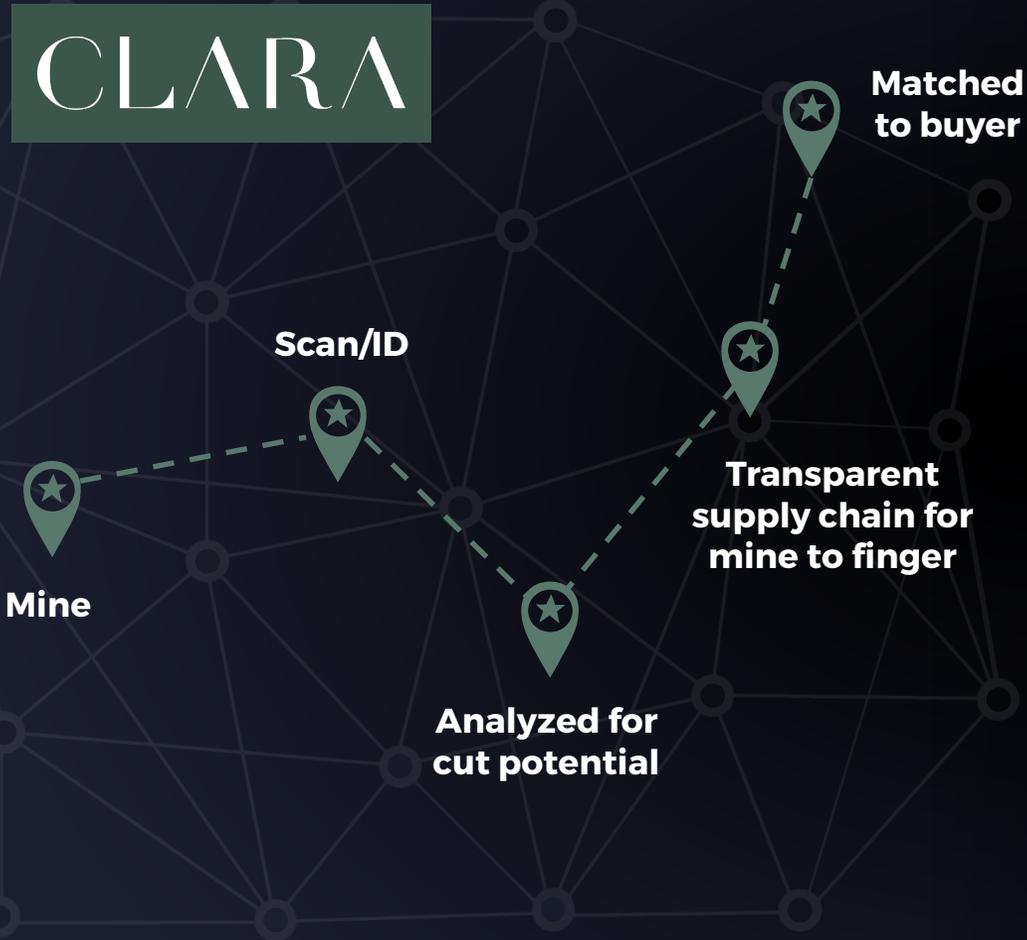
Given the uncertainty in global markets from COVID-19

### **2020 spend is being re-scoped**

from the original \$53 million program to focus on critical-path items, including procurement of long lead equipment, engineering and design work

# 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

**23 sales** completed since inception  
**~\$12.3 million** of diamonds sold by value through the platform

**24th** sale ongoing

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

Manufacturers on the platform have grown from **4 to 33 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

Timing to onboard **third party supply** is uncertain due to the COVID-19 pandemic

The CLARA logo is displayed in white, serif, all-caps font within a dark green rectangular box. The background of the slide is a close-up photograph of a person's hands holding a large, clear diamond, with a white circle containing a downward-pointing triangle overlaid on the diamond.

**Twenty-three sales between December 2018 and April 2020**  
**POSITIVE RESULTS**

**~\$12.3 million diamonds sold by value**

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

# 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 Kimberley Process, and a member of Diamond Producers Association (DPA)



## SUSTAINABLE DEVELOPMENT

# GOALS

17 GOALS TO TRANSFORM OUR WORLD



# Total Clarity

## The facts on modern diamond mining

**Total Clarity Report by Trucost** examined 150 metrics across the DPA members which comprise approximately 75% of the world's diamond production with global operations including Botswana, Russia, South Africa, Lesotho, Australia, Zimbabwe and Tanzania.

Trucost  
ESG Analysis  
S&P Global



THE REPORT FOUND THAT  
DPA MEMBERS CREATE

**US\$16 billion**

IN NET SOCIOECONOMIC AND  
ENVIROMENTAL BENEFITS

**60%**

OF THE US\$16 BILLION NET  
BENEFIT FLOWS BACK INTO  
LOCAL COMMUNITIES

THE ESTIMATED  
CO2 ASSOCIATED  
WITH LABORATORY  
GROWN  
DIAMONDS  
IN NEARLY

**3x  
greater**

THAN DIAMONDS  
RECOVERED BY DPA  
MEMEBERS IN 2016

# Conclusions

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**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



**LUCARA**  
DIAMOND

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