

2018 KAROWE MINERAL RESOURCE UPDATE

June 27, 2018



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Cautionary Statement



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Forward-looking information

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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.

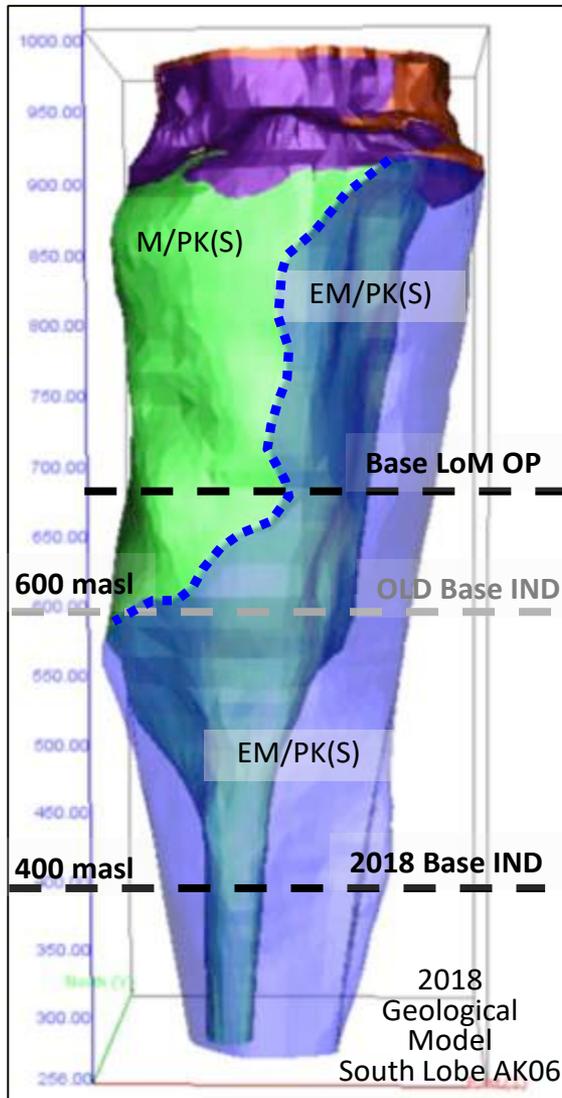
Forward -looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The Company believes that expectations reflected in these forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included herein should not be unduly relied upon. In particular, this release may contain forward -looking statements pertaining to the following: the estimates of the Company’s mineral reserves and resources, including the assumptions and estimates underlying such mineral reserve and resource estimates; estimates of the Company’s production capabilities, processing capabilities, recovery rates, cash flows and sales volumes for the Karowe Project, including the potential effect of the development and integration of the proposed underground mine at the Karowe Project on production, sales volumes and the expected LOM of the Karowe Project; estimated costs to construct the proposed Karowe Underground development at the Karowe Project, expected start-up, exploration and development plans and mine designs at the Karowe Project, and the timelines associated therewith, and objectives, expected production costs, expected exploration and development expenditures and expected reclamation costs at the Karowe Project, including such plans, objectives and economic estimates, including cost and expenditure estimates, used in or arising from the PEA or in relation to the proposed Karowe Underground project; the expected completion date of open-pit operations at the Karowe Mine; the expected completion of an updated mineral resource estimate and a PFS at the Karowe Project; expected Karowe Project enhancement opportunities resulting from the Karowe Underground PEA; expectations regarding diamond prices and changes to foreign currency exchange rates; expectations regarding the need to raise capital; possible impacts of disputes or litigation and other risks and uncertainties describe under Risks and Uncertainties disclosed in the Company’s Annual Information Form.

There can be no assurance that such statements will prove to be accurate, as the Company’s results and future events could differ materially from those anticipated in these forward-looking statements as a result of those factors discussed in or referred to under the heading “Risk Factors” 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, development and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated delays in the completion of the updated mineral resource estimate and PFS at the Karowe Project; unanticipated events relating to the development of the proposed Karowe Underground project; unanticipated operational difficulties (including the failure of plant, equipment or processes to operate in accordance with specifications or expectations, or the failure of the Company to effectively integrate the proposed Karowe Underground with existing operations at the Karowe Project), 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).

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



2018 Updated Mineral Resource



- Mineral Resource Update prepared in accordance with National Instrument 43-101 (NI 43-101)
- Successful reclassification to Indicated Resource of the AK06 kimberlite between 600 and 400 metres above sea level (masl)
- Focus on prolific South Lobe of AK06
- A 54% increase in the Indicated Mineral Resource of the 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



Mineral Resource Statement

Table 1: Statement of Remaining Mineral Resources in the AK06 kimberlite

Classification	Resource	Volume (Mm ³) ¹	Density (tpm ³) ²	Tonnes (Mt) ³	Carats (Mct) ⁴	Grade (cpht) ⁵	\$/ct
Indicated	North Lobe	0.62	2.48	1.54	0.20	13.0	222
	Centre Lobe	1.68	2.57	4.32	0.63	14.6	367
	South Lobe	16.29	2.92	47.63	6.78	14.2	716
	LOM SP	1.28	1.85	2.36	0.09	3.8	609
	Working SP	1.05	1.91	2.01	0.20	9.7	661
	Total		20.92	2.77	57.85	7.90	13.7
Inferred	South Lobe	1.93	3.02	5.84	1.17	20.0	716

The reported resources are those remaining (including stockpile material) as of 26 December 2017.

1. m³ = million cubic metres, 2. tpm³ = tonnes per cubic metre, 3. Mt = million tonnes, 4. Mct = million carats, 5. cpht = recoverable (+1.25 mm) carats per hundred tonne, \$/ct = recoverable (+1.25 mm) United States dollars per carat. Tonnage, grade and value estimates are based on updated Mineral Resource Estimate prepared by MSC under the supervision of Dr. Tom Nowicki of Mineral Services Canada Inc. a "Qualified Person" within the meaning of NI 43-101 and independent of Lucara. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The AK06 mining licence (ML2008/6L) expires in May 2023. The mining licence will have to be renewed for the underground development at AK06 to progress.



Mineral Resource Statement: South Lobe

Table 1: Statement of Remaining Indicated Mineral Resources in the South Lobe: AK06 kimberlite

Classification	Resource	Volume (Mm ³)	Density (tpm ³)	Tonnes (Mt)	Carats (Mct)	Grade (cpht)	\$/ct
Indicated above 600 masl	South (other)	0.04	2.67	0.11	0.01	12.0	716
	M/PK(S)	8.24	2.91	23.97	2.64	11.0	716
	EM/PK(S)	2.56	2.76	7.06	1.31	18.6	716
Indicated 600 to 400 masl	M/PK(S)	2.23	3.05	6.80	0.70	10.3	716
	EM/PK(S)	3.23	3.00	9.68	2.11	21.8	716
Indicated South Lobe	South Lobe Total	16.29	2.92	47.63	6.78	14.2	716

The reported resources are those remaining (including stockpile material) as of December 2017.

1. m³ = million cubic metres, 2. tpm³ = tonnes per cubic metre, 3. Mt = million tonnes, 4. Mct = million carats, 5. cpht = recoverable (+1.25 mm) carats per hundred tonne, , \$/ct = recoverable (+1.25 mm) United States dollars per carat. Tonnage, grade and value estimates are based on updated Mineral Resource Estimate prepared by MSC under the supervision of Dr. Tom Nowicki of Mineral Services Canada Inc. a "Qualified Person" within the meaning of NI 43-101 and independent of Lucara. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The AK06 mining licence (ML2008/6L) expires in May 2023. The mining licence will have to be renewed for the underground development at AK06 to progress.



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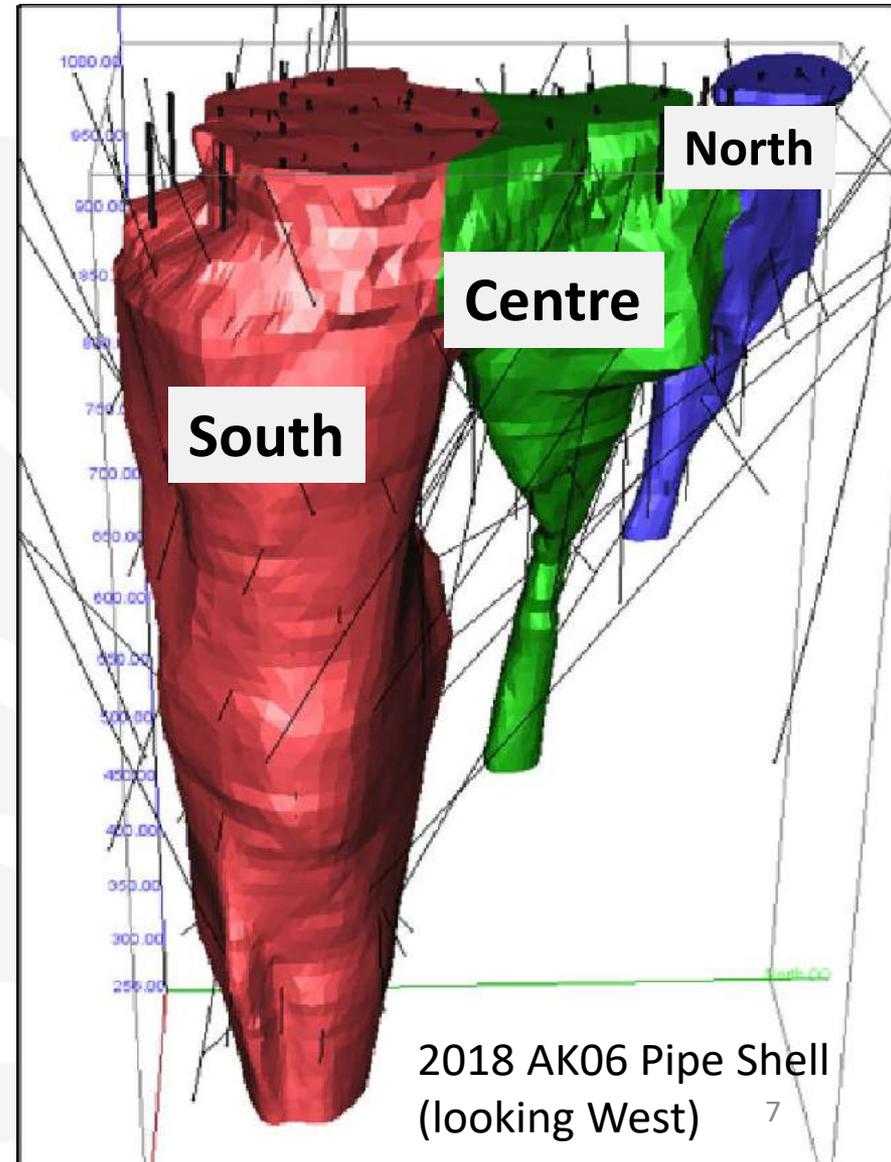
Highlights

- 7.9 million carats hosted in 57.85 million tonnes, at an average grade of 13.7 cpht with an average diamond value of US\$ 673 per carat
- New base of the Indicated Mineral Resource is at 400 masl (600 metres below surface)
- Updated size distribution and value models which reflect diamond recovery and sales data over the past 4 to 6 years
- 51% of the remaining South Lobe recoverable Indicated carats and 35% of the tonnage is attributable to the EM/PK(S) unit, in comparison with 12% carats and 8% tonnage from the previous estimate
- Recognition of the EM/PK(S) unit as the volumetrically dominant unit at depth within the South Lobe
- EM/PK(S) unit: Higher grade, volume and value at depth



Geological Model Update

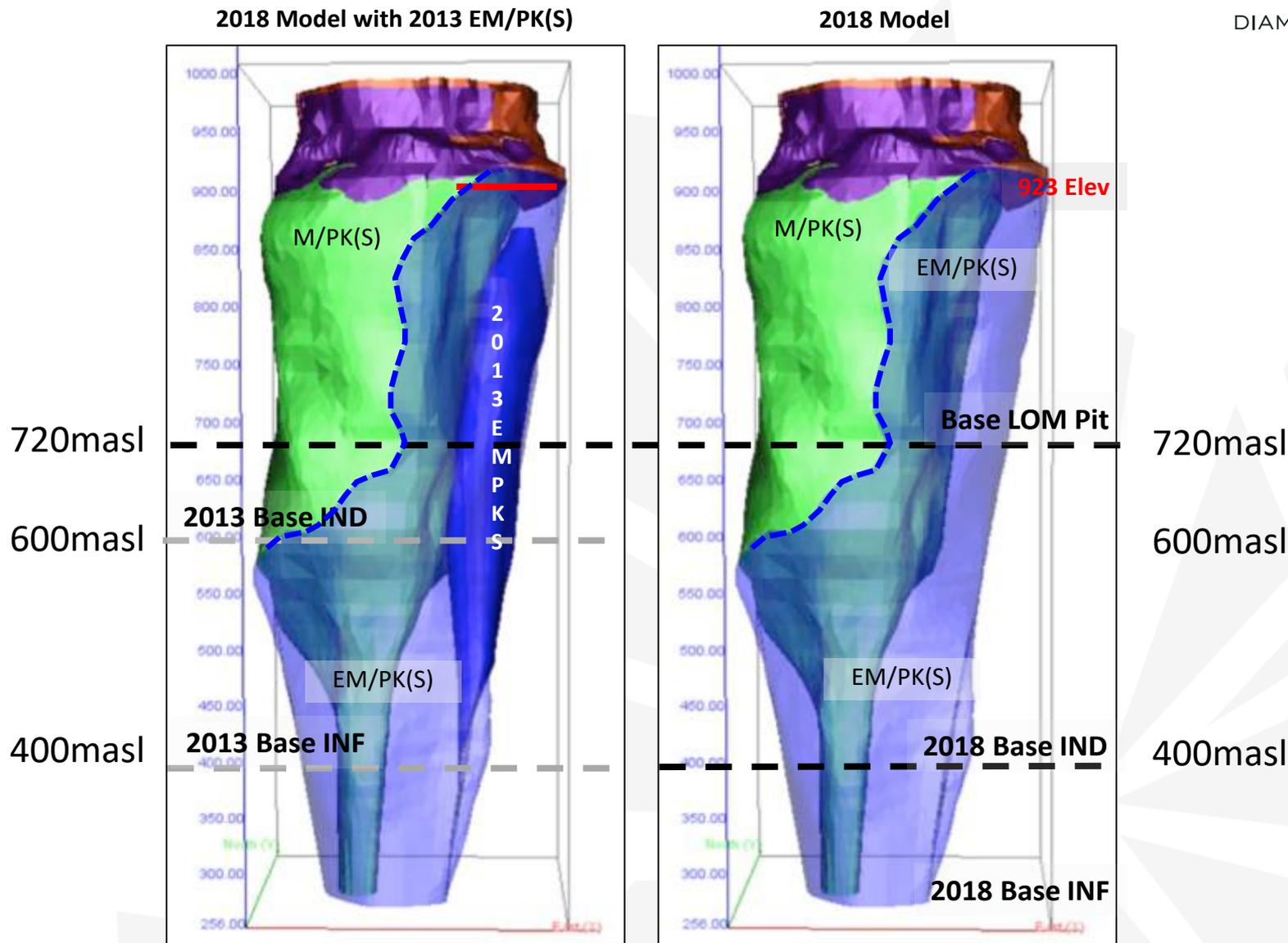
- The 2018 pipe shell model is defined by a total of 154 pierce points in 71 core drill holes
- The shell extends from surface (1000 masl) to an elevation of 256 masl
- The EM/PK(S) domain represents approximately 23% (by mass) of the pipe infill above 600 masl, below 600 this increases to represents 65%
- The EM/PK(S) is significantly higher grade than the M/PK(S), and this accounts for an increase of 40% in the average remaining grade of South Lobe from above (12.7 cpht) to below (17.9 cpht) the 600 masl elevation



2018 AK06 Pipe Shell
(looking West) 7

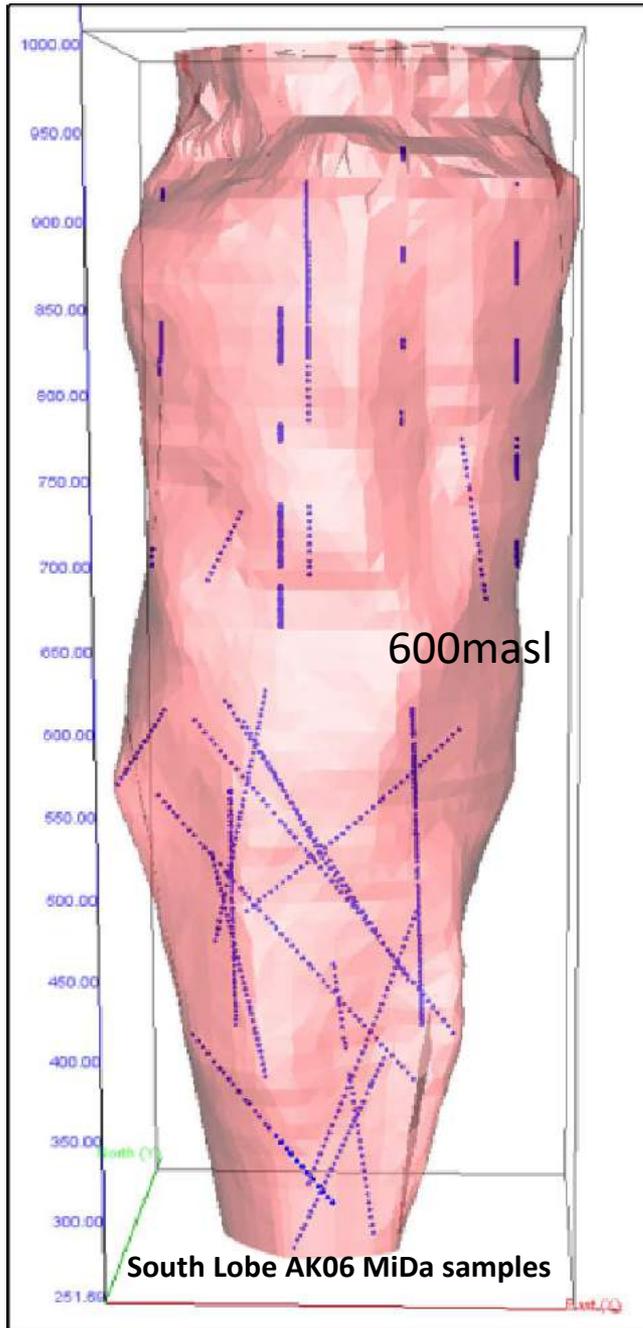


South Lobe Geological Model Update





Grade Estimates



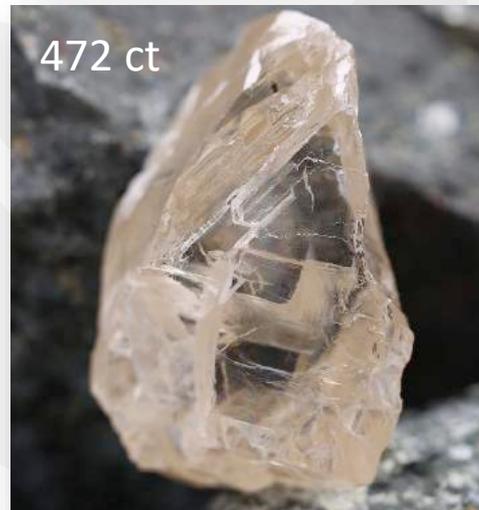
- Grade estimates above 600 masl are restated with minor modifications from the previous Mineral Resource Estimate. Grades are based on a well-distributed LDD sample dataset that supports the interpolation of a local grade model into the block model
- Below 600 masl grade has been estimated using a microdiamond-based approach that is based on a calibration of the ratio of microdiamond stone frequency (stones per kilogram) to + 1 mm LDD macrodiamond data
- The calibration was based on LDD-recovered macrodiamond data and microdiamonds from adjacent pilot hole drill core samples
- Drill core microdiamond results (broad spatially representative coverage of the South Lobe below 600 masl) were used, in conjunction with the established ratio of stone frequency to +1 mm LDD grade to derive average grade estimates domains present below 600 masl in the South Lobe.
- 916 MiDa samples (7,315 kg) recent and historic core



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Mining: Impact of EM/PK(S)

- Gain in mining along SE quadrant of South Lobe, recovered grade circa 17-20cph, coarse SFD (>6 wt.% up to 10 wt.%), good plant throughput, moderate yield
- Recovery of a number of high value diamonds, major contribution to Q2 revenue has been realized, ongoing contribution to Sales



72 ct

64 ct

41 ct

21ct

18ct

18 ct

12ct

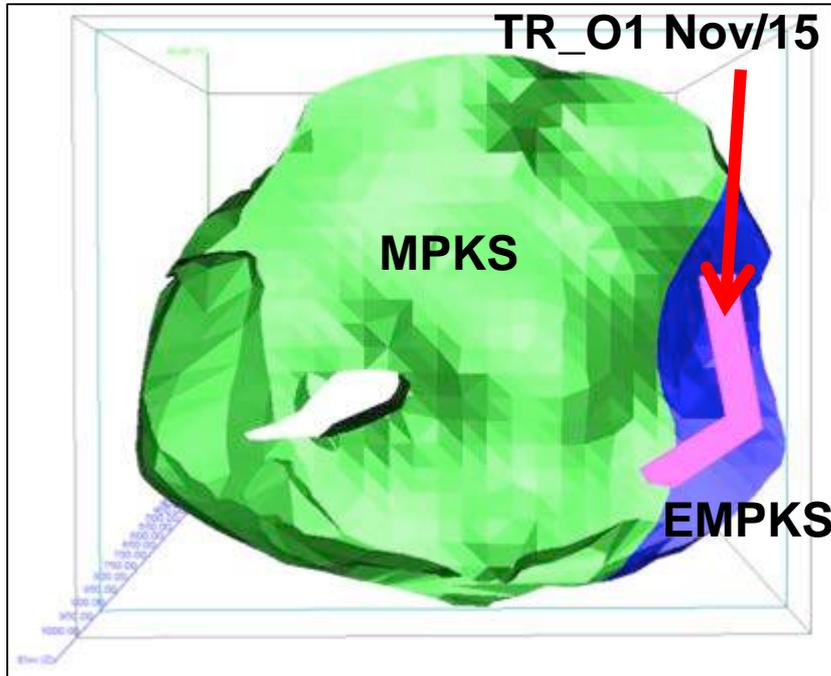
Selection white goods EM/PK(S) Sample



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EM/PK(S) Impact

South Lobe Plan View : 920masl



- 02/18 Sampling of EM/PK(S), coarse SFD (9.5wt.% specials),
- 47 diamonds > 10.8ct, 6>50ct, 1>100ct
- Observed price per carat of \$753/ct
- Nov 2015 – TR_O1 – now shown to lie within EMPKS : circa \$150 million in revenue, produced the 1109, 813, 374 ct,

M/PK(S) and EM/PK(S) produce demonstrably coarse diamond populations that host exceptional, high value, rare Type IIa diamonds



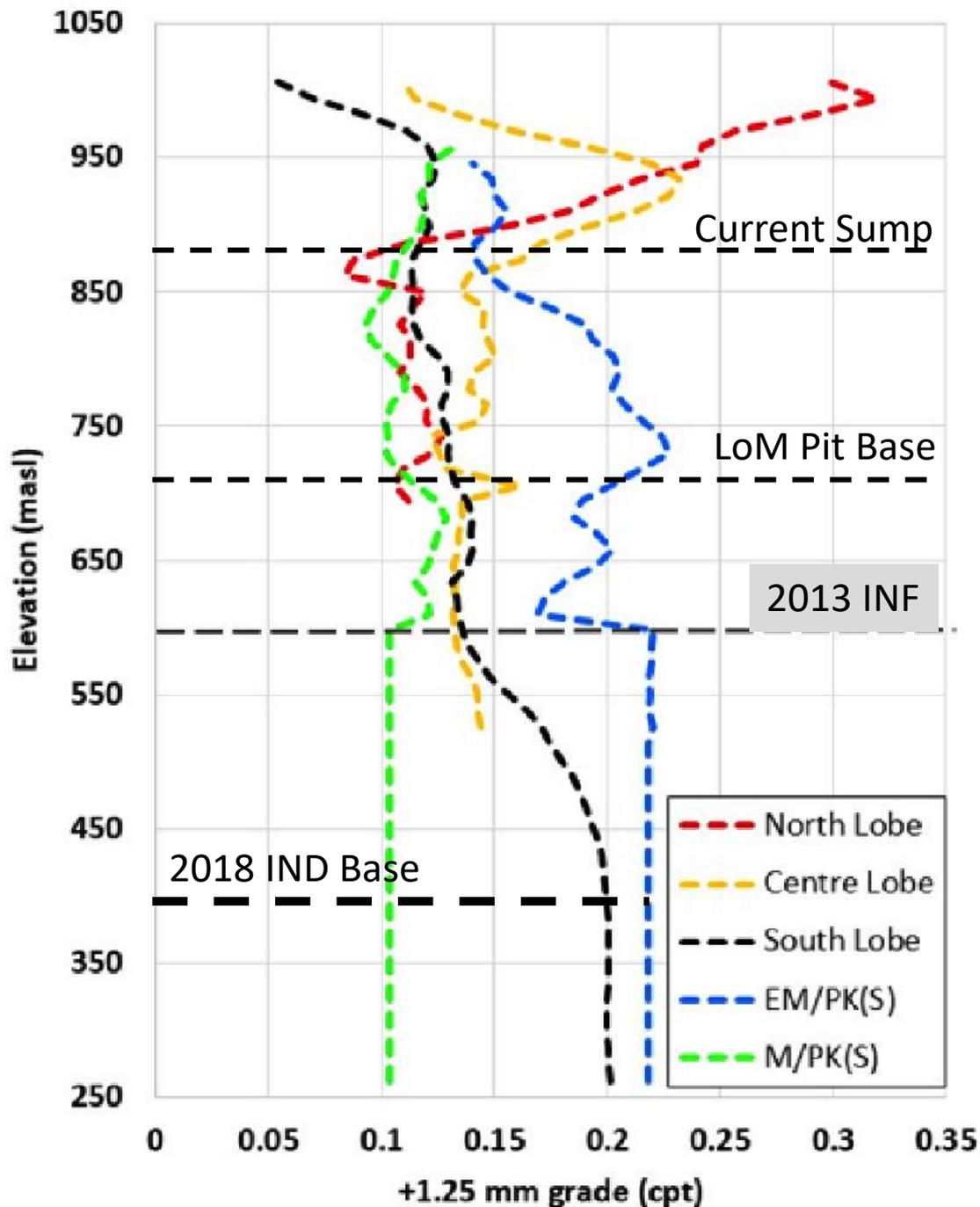
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Recoverable Grade Models with depth

Above 600masl – soft boundaries

Below 600masl – hard boundaries

Increase in South Lobe grade results from greater volume of EM/PK(S)





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Diamond Value / SFD's

- In excess of 2 million carats of diamond produced from AK6 have been sold up to the end of Q1 2018 generating revenues of US\$1.25 billion for an average price of US\$606 per carat
- 168 diamonds have sold for > US\$1 million each

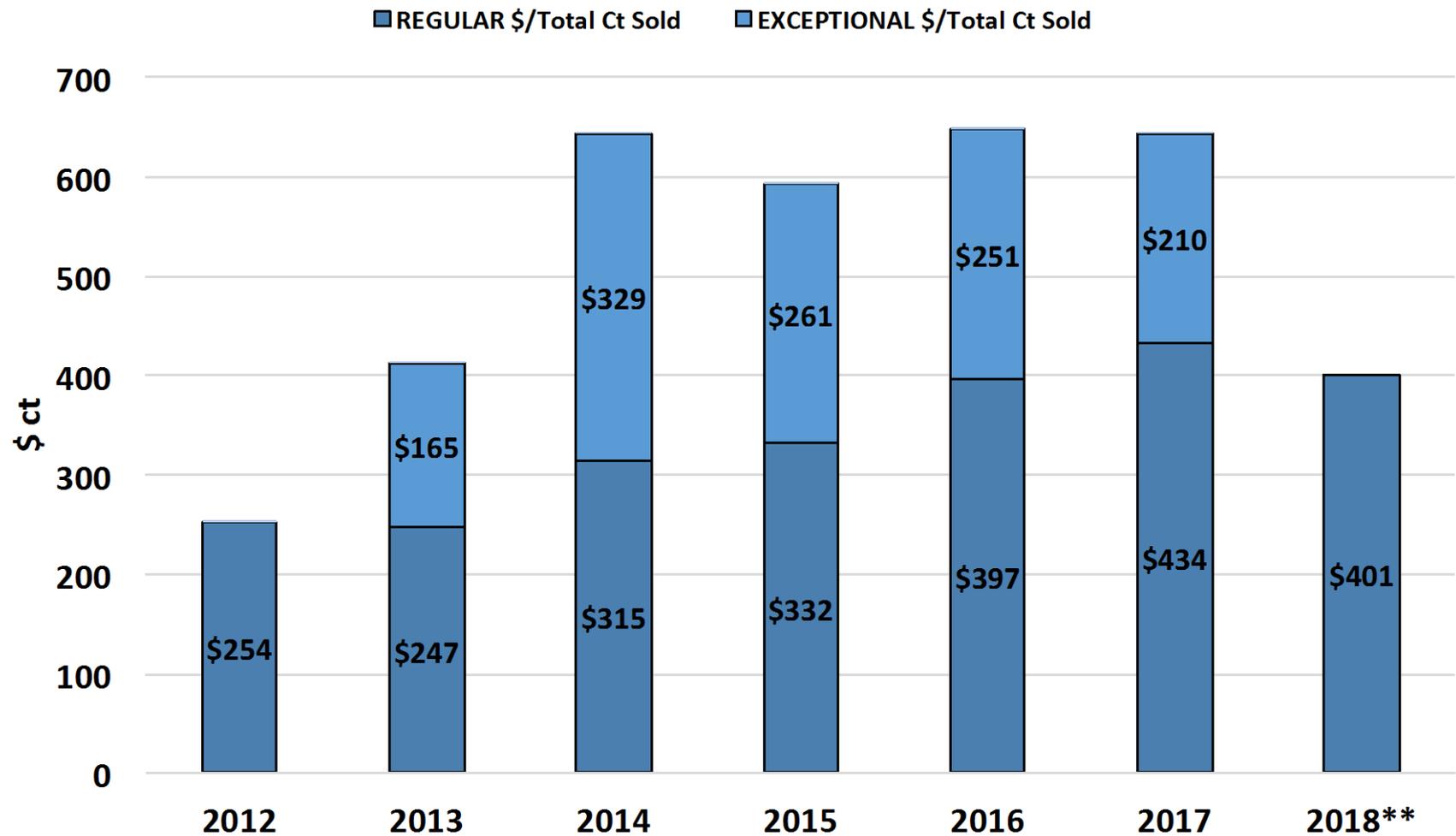
Year	2012	2013	2014	2015	2016	2017	Q1 2018	Total
Kimberlite mined (tonnes)	1,600,971	3,944,343	3,327,754	2,358,657	2,722,375	1,575,052	630,242	16,159,394
Waste mined (tonnes)	4,074,196	5,493,445	10,270,720	11,407,010	11,058,041	15,865,121	3,991,648	62,160,181
Kimberlite processed (tonnes)	1,327,682	2,354,538	2,421,506	2,238,975	2,613,217	2,335,550	599,407	13,890,875
Carats recovered	294,167	440,751	430,292	365,690	353,974	249,767	75,698	2,210,339
Recovered grade (cpht)	22	19	18	16	14	11	13	16
Carats sold	152,724	438,717	412,136	377,136	358,806	260,526	63,317	2,063,362
Sales average \$/ct	\$274	\$415	\$617	\$612	\$824	\$847	\$401	\$606

Consistency



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\$/CT CONTRIBUTION TO OVERALL AVERAGE PRICE *





Production Data for SFD Models

Size Class	Production (ct)			Production (% ct)			SFD model (% ct)		
	North	Centre	South	North	Centre	South	North	Centre	South
+10.8 ct	579	8,836	36,024	1.01	3.44	7.04	0.95	3.05	6.42
6 - 10 ct	1,140	5,626	16,013	1.99	2.19	3.13	2.37	2.94	4.35
3 - 5 ct	3,552	14,378	30,857	6.20	5.59	6.03	5.28	3.95	5.92
8 - 10 gr	4,058	14,263	27,140	7.09	5.55	5.31	7.70	7.20	5.29
3 - 6 gr	14,732	50,292	87,628	25.73	19.55	17.13	25.73	19.43	16.99
+11 DTC	14,130	53,852	93,346	24.68	20.94	18.25	24.68	21.02	18.19
+9 DTC	9,116	41,516	78,568	15.92	16.14	15.36	15.92	15.91	15.31
+7 DTC	5,288	28,524	55,318	9.24	11.09	10.82	9.24	11.00	10.70
+5 DTC	4,584	36,214	77,643	8.01	14.08	15.18	8.01	14.20	15.10
+3 DTC	73	3,686	8,897	0.13	1.43	1.74	0.13	1.30	1.70
Total	57,252	257,188	511,435						

Value Models



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Size Class	Value estimate (US\$ per carat)			Value distribution model (US\$ per carat)		
	North	Centre	South	North	Centre	South
+10.8 ct ¹	1,425	5,849	8,201	1,600	6,050	8,100
6 - 10 ct	1,033	1,082	1,064	1,127	1,357	1,218
3 - 5 ct	753	623	671	808	651	677
8 - 10 gr	451	406	438	484	436	445
3 - 6 gr	235	203	216	223	210	221
+11 DTC	118	95	100	95	95	102
+9 DTC	84	71	71	64	70	72
+7 DTC	63	56	49	56	56	51
+5 DTC	52	47	42	47	47	43
+3 DTC	38	49	39	35	42	39

¹ Values in the +10.8 ct size class are derived from actual sales data and not from pre-sales valuations (as for all other size classes). Large high-value diamonds from Exceptional Stone Tender sales are included. Sales results from the Constellation and Lesedi la Rona diamonds are excluded.



Recoverable Average Price Models

Lobe	Average value (US\$/ct)
North	222
Centre	367
South	716

A single size distribution model and a single value distribution model has been used to estimate average value in the South Lobe. This approach may be revised as more discrete production and sales results become available from the EM/PK(S) unit.



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Summary

- Consistent recovery of large high-value diamonds through top 100 m of mining in South Lobe
- Confirmation of large high-value diamonds in both main kimberlite units of the South Lobe
- Continuity of these main units throughout the open pit resource and now down to at least 400 masl
- Continue to attract the interest and buying power of the World's most foremost diamond manufacturers and diamantaires with strong achieved sales prices



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Next Steps

- Mineral Resource Update will be used for mine planning and to support the preparation of feasibility-level studies for the potential development of an underground mine
- An updated LOM open pit plan will be developed
- Additional studies to determine a drill program to increase geological confidence in the resource below 400 masl