



**LUCARA**  
DIAMOND

# **2020 Results Conference Call**

**FEBRUARY 23, 2021**



# 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.

Qualified Persons: Dr. John Armstrong, Ph.D. P.Geol, is the Qualified Person as defined by NI 43-101. Dr. Armstrong is Vice President Technical Services for the Company and has reviewed and approved the scientific and technical information contained in this presentation. Mr. Cliff Revering, P. Eng. of SRK Consulting is the independent Qualified Person as defined by NI 43-101 responsible for the Karowe Diamond Mine Mineral Resource estimation, and Mr. Gord Doerksen of JDS Energy and Mining Inc. is the Independent Qualified person as defined by NI 43-101 responsible for the Karowe Diamond Mine Mineral Reserve estimation. The most recent Mineral Resource and Mineral Reserve estimations are located in the 2020 Annual Information Form for the year ended December 31, 2020, dated March 30, 2021, which can be found on the Company's website and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Technical Reports: For further details regarding the Karowe Underground Project and Qualified Persons as defined by NI 43-101, please refer to the technical report dated December 16, 2019 with an effective date of September 26, 2019, titled "Karowe Mine Underground Feasibility Study Technical Report, Botswana, posted to the Company's website and under its profile on SEDAR at [www.sedar.com](http://www.sedar.com).

# Fiscal 2020 Highlights

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

## Karowe Diamond Mine

Strong, safe, reliable production results; All physicals achieved to plan; Continuous operations throughout 2020

Record setting year for the recovery of +10.8 carat “specials”, achieving >6%

Exceptional recoveries - the 549 carat “Sethunya”, and additional stones each >300 carats (998 , 341, 378 carats)

Two collaboration agreements with Louis Vuitton & HB Antwerp on the Sethunya & the 1,758 carat Sewelô

Groundbreaking supply agreement with HB Antwerp for +10.8 carat “specials” providing upside exposure through polished sales

Karowe underground expansion progressed; Granted 25-year extension to Karowe mining license (to 2046)

## Clara Diamond Solutions

Growth in customers from 25 to 75 participants (+178%)

Third party supply added to the platform

23 sales in 2020; 42 sales since December 2018

Sales continued through COVID-19 pandemic



Sethunya, 549 carats

## Balance Sheet & Liquidity

Strong cash position and available liquidity as COVID-19 pandemic continues

Cash and cash equivalents of \$4.6 million; Net debt of \$25.9 million (Dec 2020)

\$19.5 million available on credit facility; New lender participating in the facility (Sept 2020)

## COVID-19 Response

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### **Operations consistent, Diamond sales continue**

The Botswana Government declared mining an essential service in late March 2020 and recently extended the State of Emergency to the end of March 2021. Guidelines being followed include increased travel restrictions, work from home, implementation of social distancing and additional cleaning protocols.

We continue to focus on protecting the health and well-being of our employees, contractors and host communities and the financial well being of the Company. We've also contributed to the Botswana Government's COVID-19 Relief Fund and local initiatives.

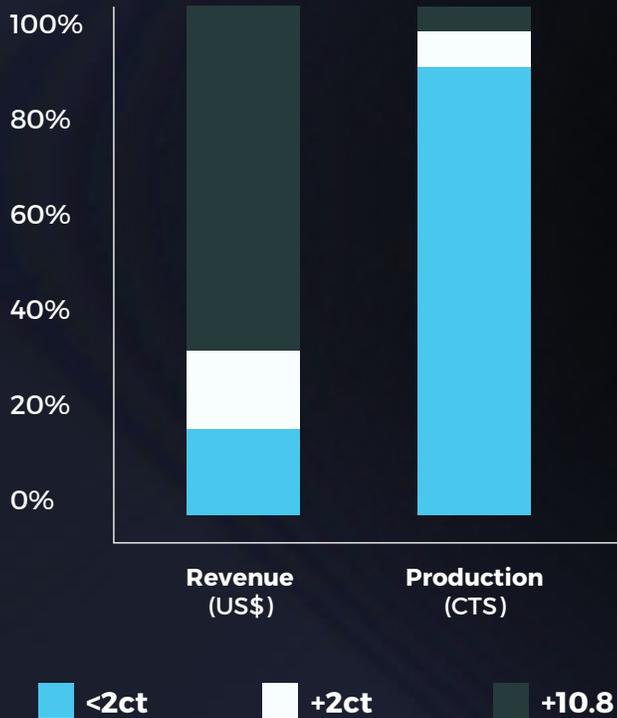
The Government of Botswana recently granted permission to conduct COVID-19 testing at our operations in Botswana. The Company has also constructed several isolation pods for use by the community in the Letlhakane area.

Diamond sales through HB Antwerp, Clara and quarterly tenders in Antwerp have continued.

# Consistent Recovery of Large Diamonds

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

## Revenue and production includes 2015 to 2020

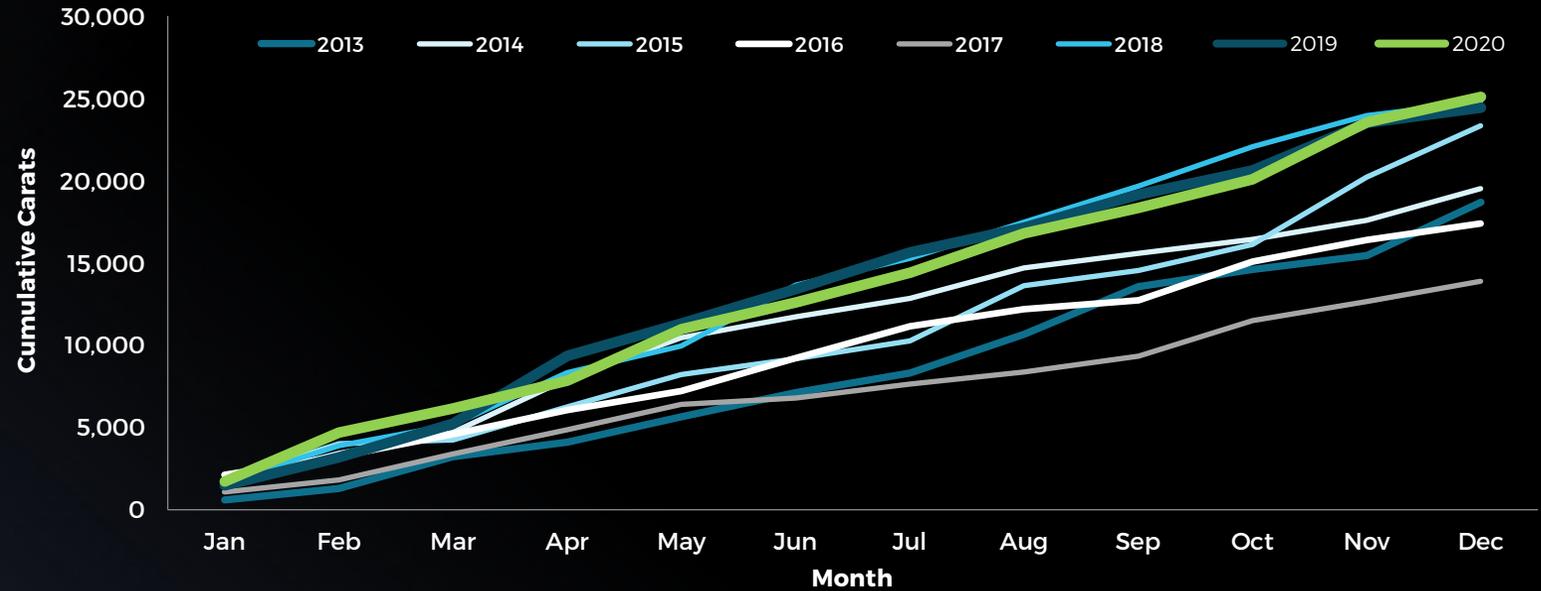


Life of mine recovery of +182,000 carats of individual stones > 10.8ct (over 6,200 diamonds; all sources)

Since 2012: 19 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)



# Collaboration Agreement on “Sethunya” with Louis Vuitton and HB Antwerp

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**November 2020**

**549 carat** white gem diamond “**Sethunya**”, meaning flower in Setswana, recovered from the Karowe Mine in February 2020

Lucara, Louis Vuitton and HB will collaborate and plan the creation of the **highest value polished diamonds** from the Sethunya rough, which will be made available **exclusively** to Louis Vuitton

In line with its long tradition of personalisation, **Louis Vuitton** envisages crafting beautiful, bespoke and made-to-order, high value polished stones of variable size and shape; The opportunity to create a **storied family heirloom**

Lucara will receive payment based on the polished outcome **no later than Q4 2021**



# Karowe Underground Expansion

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## Update

### **Covid-19 Response**

Pushed out early surface civil works due to travel restrictions and reduced capital spend

### **2020 Plan Rescoped**

Focus on detailed engineering and early site works using local contractors; Commenced long lead time item procurement; Underground investment of \$18.7 million

### **Mining License Extended to 2046**

Granted 25-year extension to Karowe mining license covering the open pit and underground expansion

### **Financing**

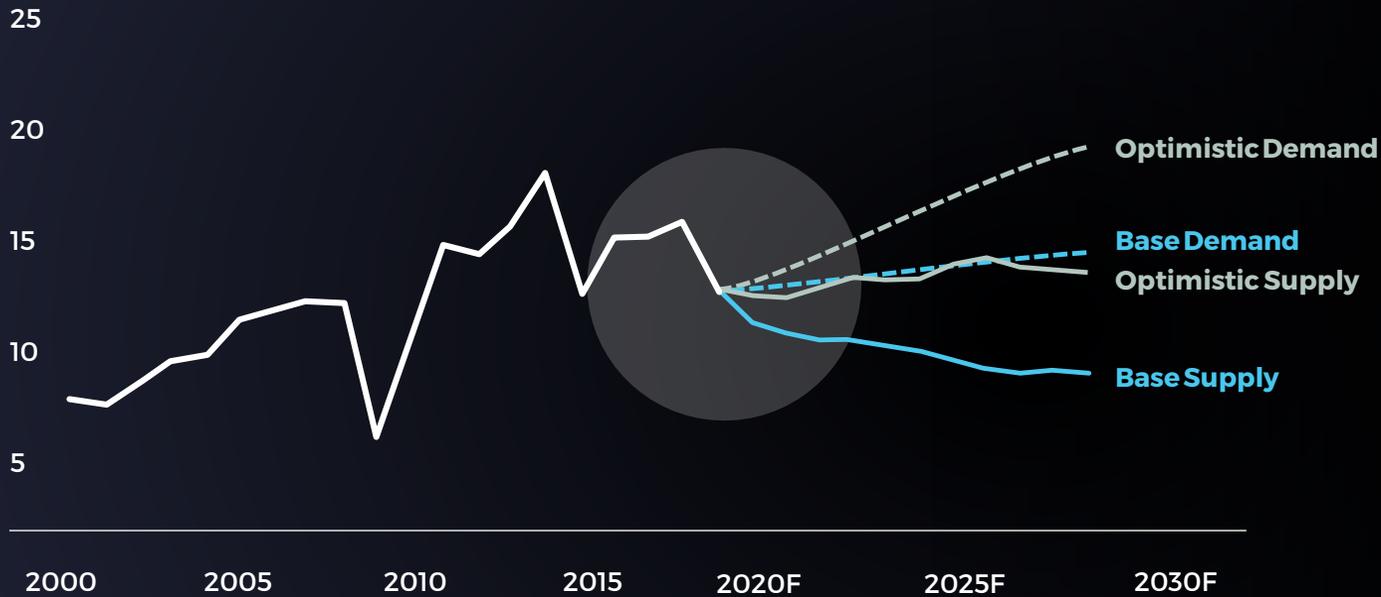
Focus on debt financing options; targeting H2 2021



# Diamond Market

**Restocking activity in the midstream late 2020, continues in 2021 driving better prices; Longer term outlook remains strong supported by supply constraints**

Rough diamond supply and demand



**Demand pick up in the US & China;  
Strong Retail Holiday Season**

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

# Supply Agreement with HB Antwerp

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2020

+10.8 carat diamonds produced from the 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

Sales of **\$28.2 million** from the supply agreement in **Q4**

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

Revenue from shipments in 2020, and recoveries to end of year, **will continue to be recognized in 2021**



# Clara

## Digital sales platform

**42 sales** completed since inception  
**~US\$23.7 million** of diamonds sold by value through the platform

**Regular Sales** ongoing

**>15,000 carats** sold through the platform

Buyers on the platform increased from 27 to 75 in 2020: **+178%**

Trials of third party supply **began in the third quarter**

Travel restrictions **accelerating adoption** of new technology



**CLARA**

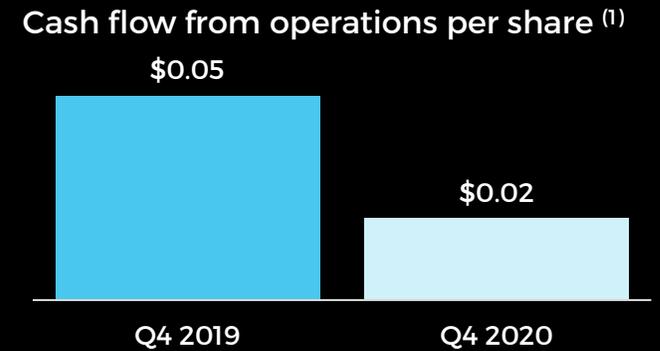
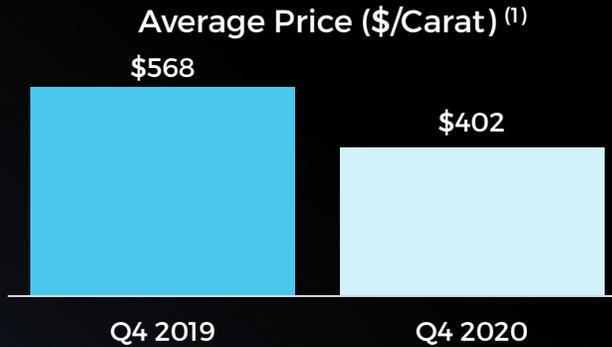
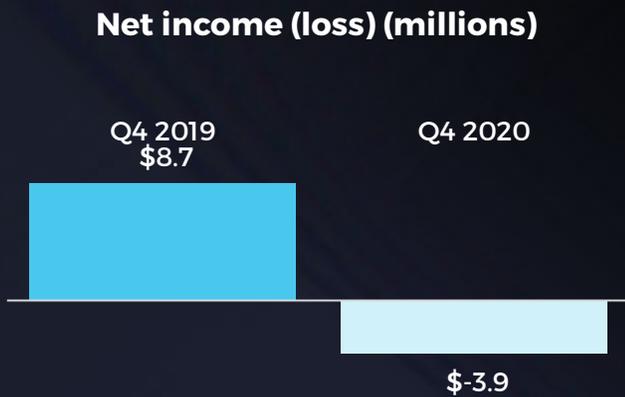
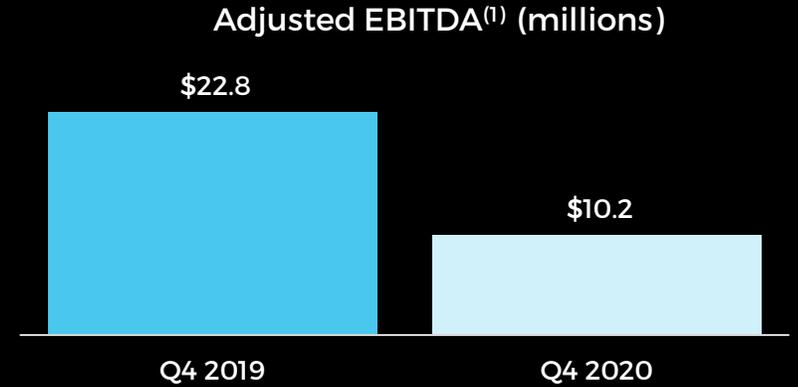
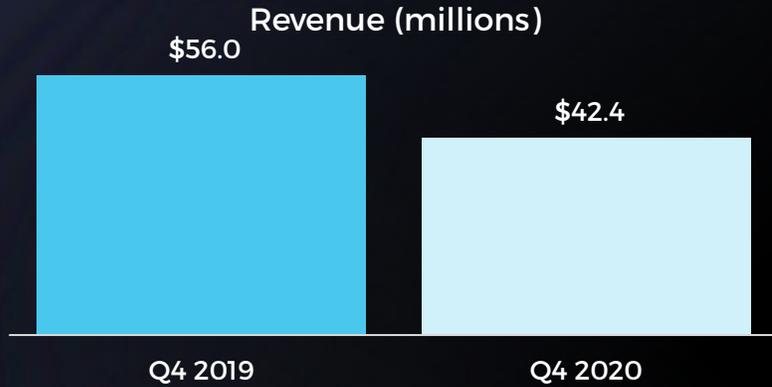
**Forty-two sales between December 2018 and January 2021**  
**POSITIVE RESULTS**

**~\$23.7 million diamonds sold by value**  
between one and ten carats in size, in better colours and qualities

The image shows a close-up of a person's hands holding a large, clear diamond. The background is dark and out of focus. The text is overlaid on the image in white and green boxes.

# Q4 2020 Financial Highlights

Three months ending December 31, 2020  
(All currency figures in U.S. Dollars)



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

# 2020 Financial Highlights

Twelve months ending December 31, 2020  
(All currency figures in U.S. Dollars)

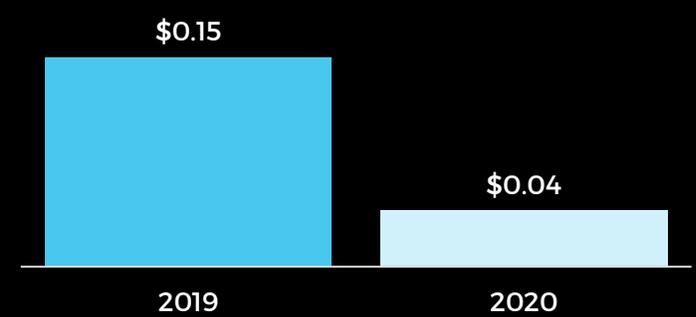
Average Price (Average \$/Carat)<sup>(1)</sup>



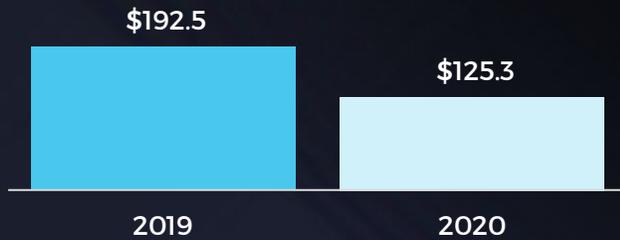
Operating Cost (\$ per tonne processed)<sup>(1)</sup>



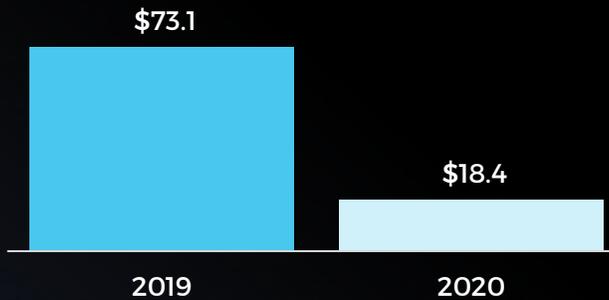
Cash flow from operations per share<sup>(1)</sup>



Revenue (millions)



Adjusted EBITDA<sup>(1)</sup> (millions)



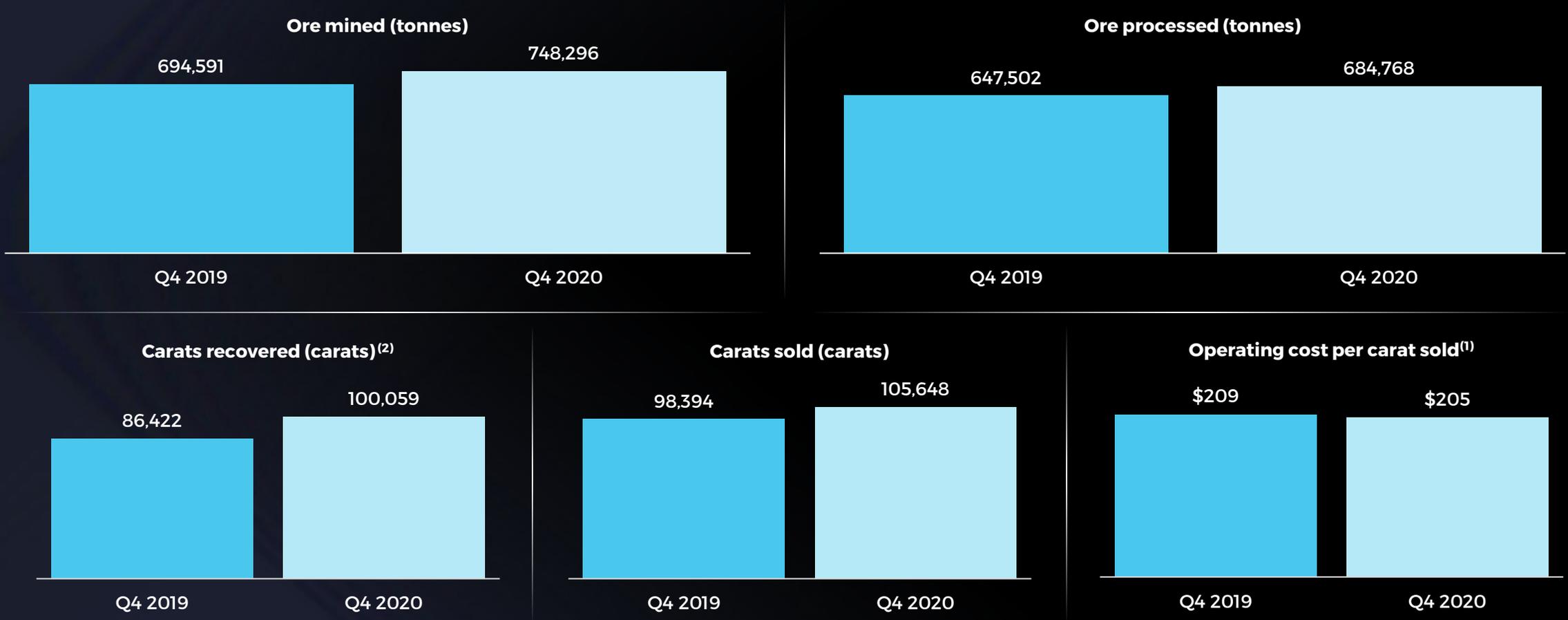
Net income (loss) (millions)



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

# Q4 2020 Operational Highlights – Karowe Mine

Three months ending December 31, 2020  
(All currency figures in U.S. Dollars)

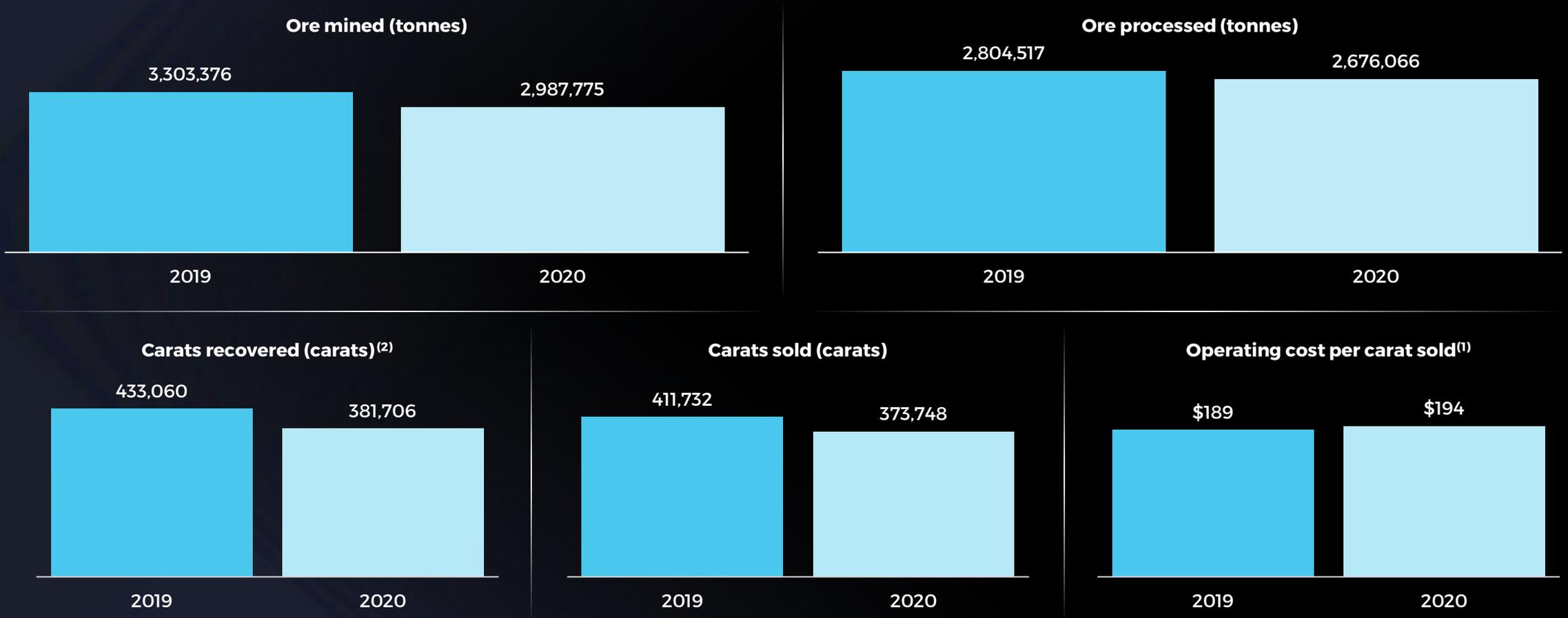


<sup>(1)</sup> Non-IFRS measure

<sup>(2)</sup> Carats recovered during Q4 2019 included 273 carats recovered from re-processing historic recovery tailings.

# 2020 Operational Highlights – Karowe Mine

Twelve months ending December 31, 2020  
(All currency figures in U.S. Dollars)



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

<sup>(2)</sup> Carats recovered during 2019 included 29,990 carats recovered from re-processing historic recovery tailings.

# Sales Channels 2020

## Sales through Clara, HB Antwerp and Tenders

- All +10.8 carat are sold through HB Antwerp; only high value Specials (+10.8 carats) are manufactured and sold as polished
- Higher quality diamonds between 1 and 10 carats are sold through Clara; all other diamonds less than 10.8 carats which are not extracted for sale on Clara are sold through a quarterly tender

Q4 2020 Rough Carats Sold	Q4 2020 Revenue Recognized (millions)	Q4 2020 Average Price per Carat	Sales Channel	2020 Rough Carats Sold	2020 Revenue Recognized (millions)	2020 Average Price per Carat
2,831 cts	\$ 4.0	\$ 1,425	CLARA	7,384 cts	\$ 10.7	\$ 1,452
13,045 cts	\$ 28.2	\$ 2,160 *		19,556 cts	\$ 55.2	\$ 2,822 *
89,772 cts	\$ 10.2	\$ 113		346,808 cts	\$ 59.4	\$ 171
<b>105,648 cts</b>	<b>\$ 42.4</b>	<b>\$ 402</b>	<b>Total Sales</b>	<b>373,748 cts</b>	<b>\$ 125.3</b>	<b>\$ 335</b>

\* The Q4 and 2020 average price per carat sold through HB does not include several large, high value polished stones due to the timing of sales.

## 2021 Guidance

(All currency figures in U.S. Dollars)

Karowe Diamond Mine	Full Year - 2021
Diamond revenue	\$180 million to \$210 million
Diamond sales	350,000 to 390,000 carats
Diamonds recovered	340,000 to 370,000 carats
Ore tonnes mined	2.8 million to 3.2 million
Waste tonnes mined	2.8 million to 3.4 million
Ore tonnes processed	2.6 million to 2.9 million
Total operating cash costs <sup>(1)</sup>	\$28 to \$32 per tonne processed
Botswana G&A (including sales & marketing)	\$3 to \$4 per tonne processed
Tax rate	0% to 25%
Average exchange rate - USD/Pula	11.0



# Conclusion

**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 and available liquidity



Consistent recovery of high value Specials (+10.8 carats);  
Open pit mineable reserves to 2026 with underground expansion extending the mine life to at least 2040



Asset diversification and additional revenue stream opportunity through Clara



1,758 carat Sewelô



**LUCARA**  
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