



Lucara Diamond

# LUCARA DIAMOND CORP.

September 2014





# Cautionary Statement

## *Forward-looking information*

This document contains statements about expected or anticipated future events and financial results of Lucara that are forward-looking in nature and are based on Lucara's current expectations, estimates and projections. This forward-looking information is subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. The actual results, activities, performance or achievements of Lucara may differ materially from those projected by management. A discussion of factors that may affect Lucara's actual results, performance, achievements or financial position is contained in the filings by Lucara with the Canadian provincial securities regulatory authorities, including Lucara's 2013 annual MD&A filed on February 20, 2013 on the system for electronic document analysis and retrieval ("SEDAR") at [www.sedar.com](http://www.sedar.com).

## *Technical information*

The technical information in this document for the Mothae diamond project in Lesotho ("Mothae") and the AK6 diamond project (Karowe Mine) in Botswana is based on the following technical reports, respectively:

NI 43-101 Technical Report and Mineral Resource Estimate for the Mothae Diamond Project, Lesotho Prepared by MSA Geoservices (Pty) Ltd on behalf of Lucara Diamond Corp., dated February 28, 2013

NI 43-101 Technical Report on the Feasibility Study for the AK6 Kimberlite Project, Botswana Prepared by MSA Geoservices (Pty) Ltd on behalf of Lucara Diamond Corp., dated December 31, 2010. Updated NI43-101 report released on February 4, 2014, based on update Mineral Resource Estimate released by Lucara Diamond Corp., dated December 19, 2013.

The authors of these technical reports are independent of the Company and are qualified persons for the purposes of National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). The technical reports are available for review on SEDAR at [www.sedar.com](http://www.sedar.com).

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



# Lucara 2014 Guidance

## Karowe

- Forecast revenue of \$240 - \$250 million
- Carat production of between 400,000 - 420,000 carats
- Operating costs of \$31 - \$33 per tonne
- Capital expenditure of \$50 - \$55 million
- Updated NI43-101 Technical Report (Feb 3, 2014)



## Mothae

- Initial development option finalization

## Exploration

- Two prospecting licenses covering 5 known kimberlite occurrences awarded to Lucara (Boteti)



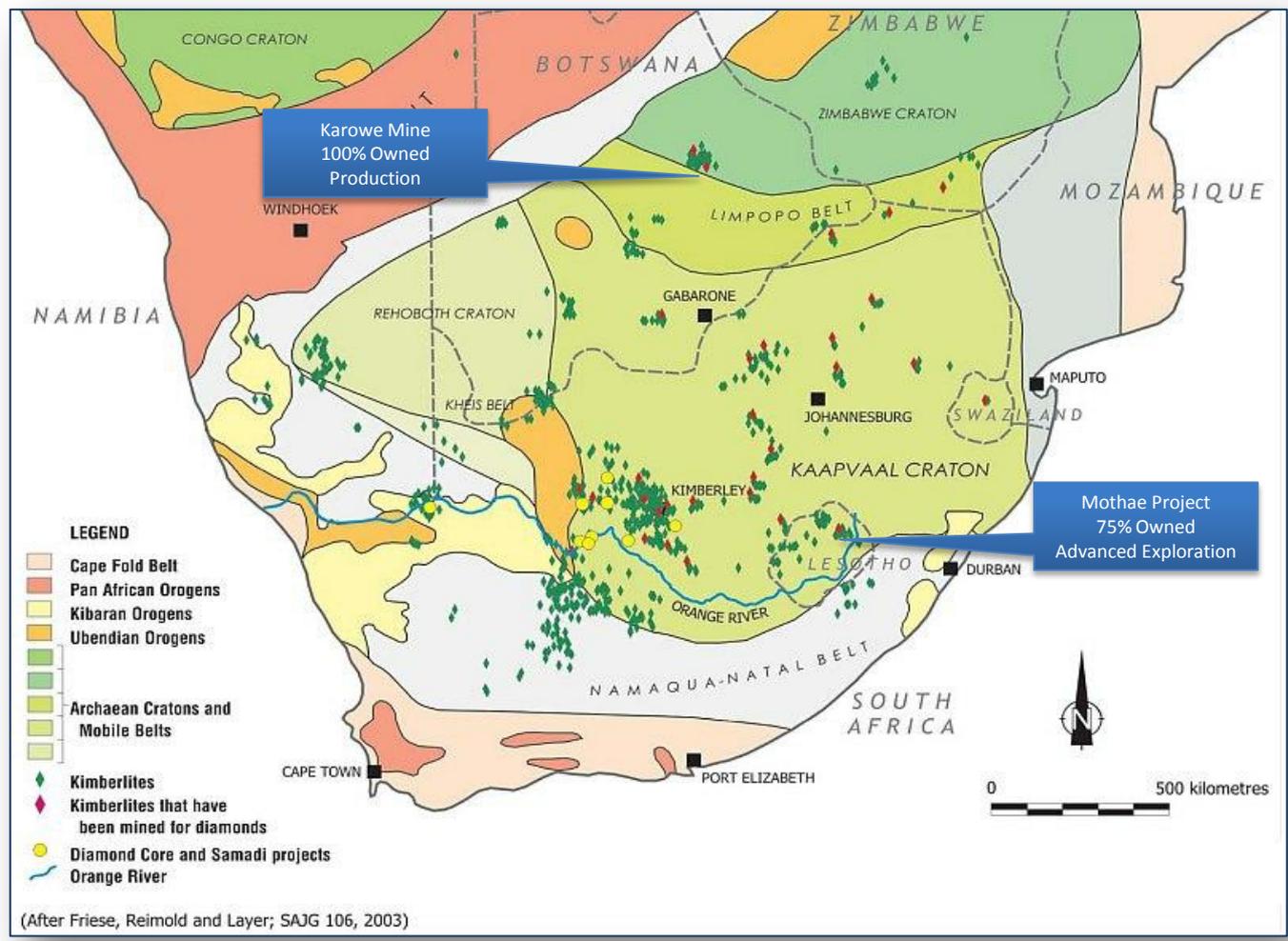
## Capital Structure

- Listed Exchanges under Symbol “LUC”
  - TSX
  - NASDAQ OMX (Sweden)
  - BSE (Botswana)
  
- Issued share 379M
- Fully diluted shares 381M
  - Options 2.4M (C\$ 0.89 WA exercise price)
  - Warrants Nil
  - Convertibles Nil
  
- Market Cap C\$ 950 million (Aug, 2014)
  
- Debt Nil
  
- Cash on hand – Q2, 2014 US\$ 82 million
  
- Regular dividend \$0.04 per annum



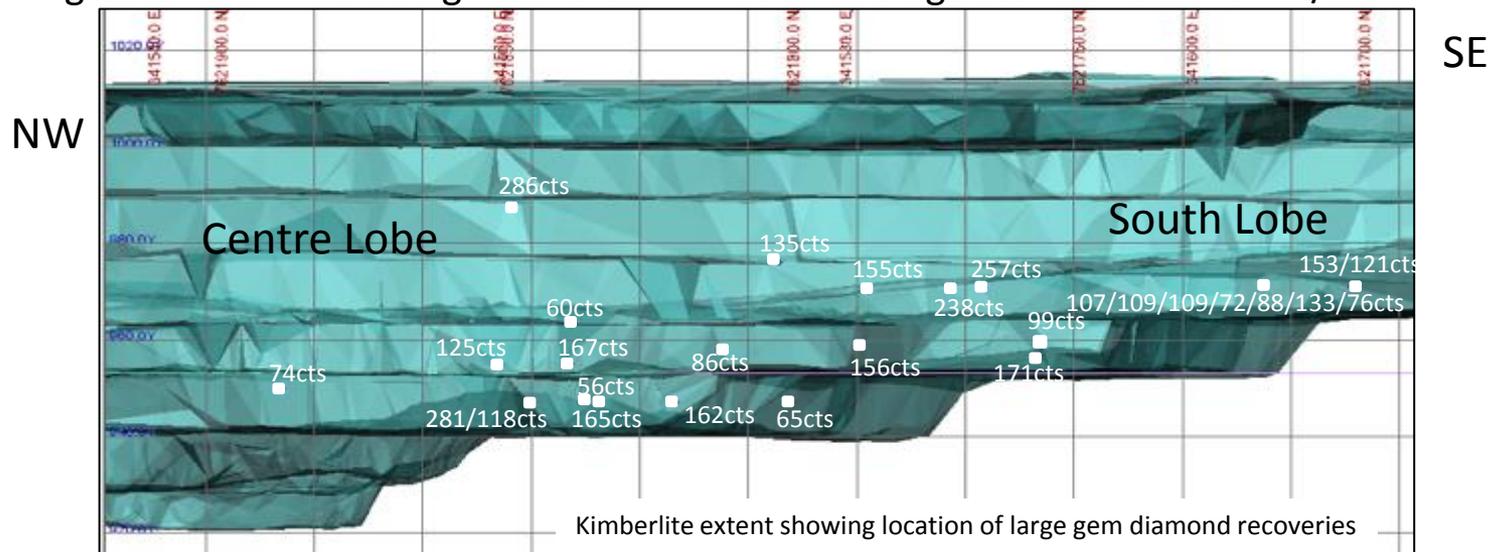


# Focused on Southern Africa



# Resource Update

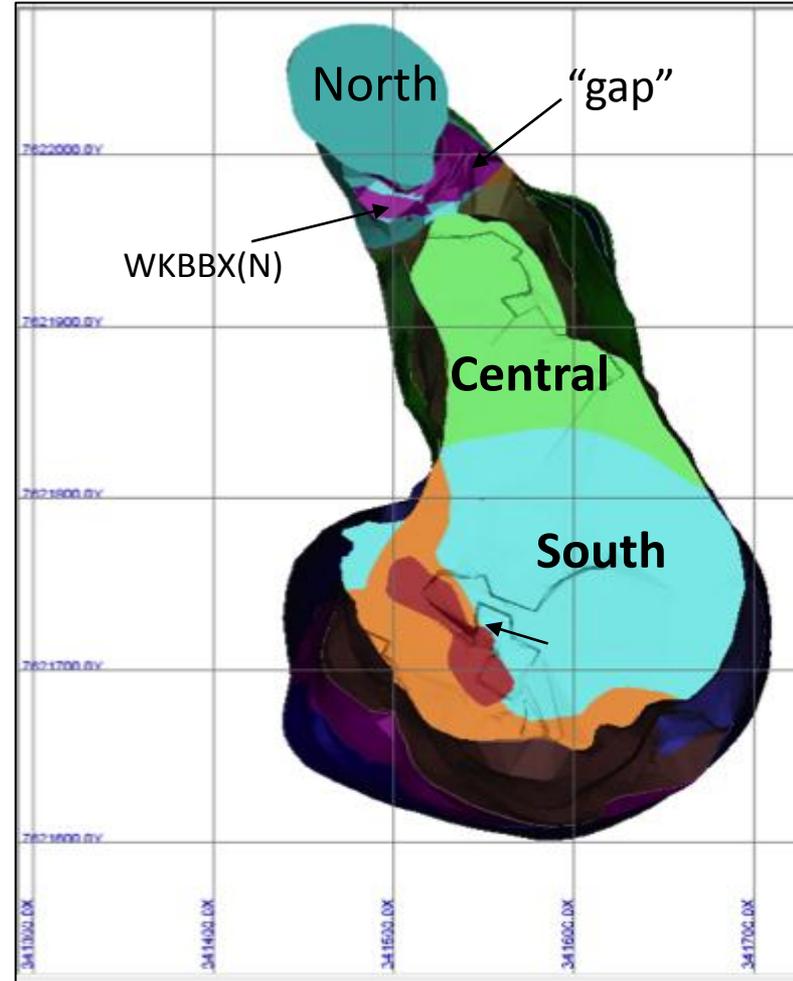
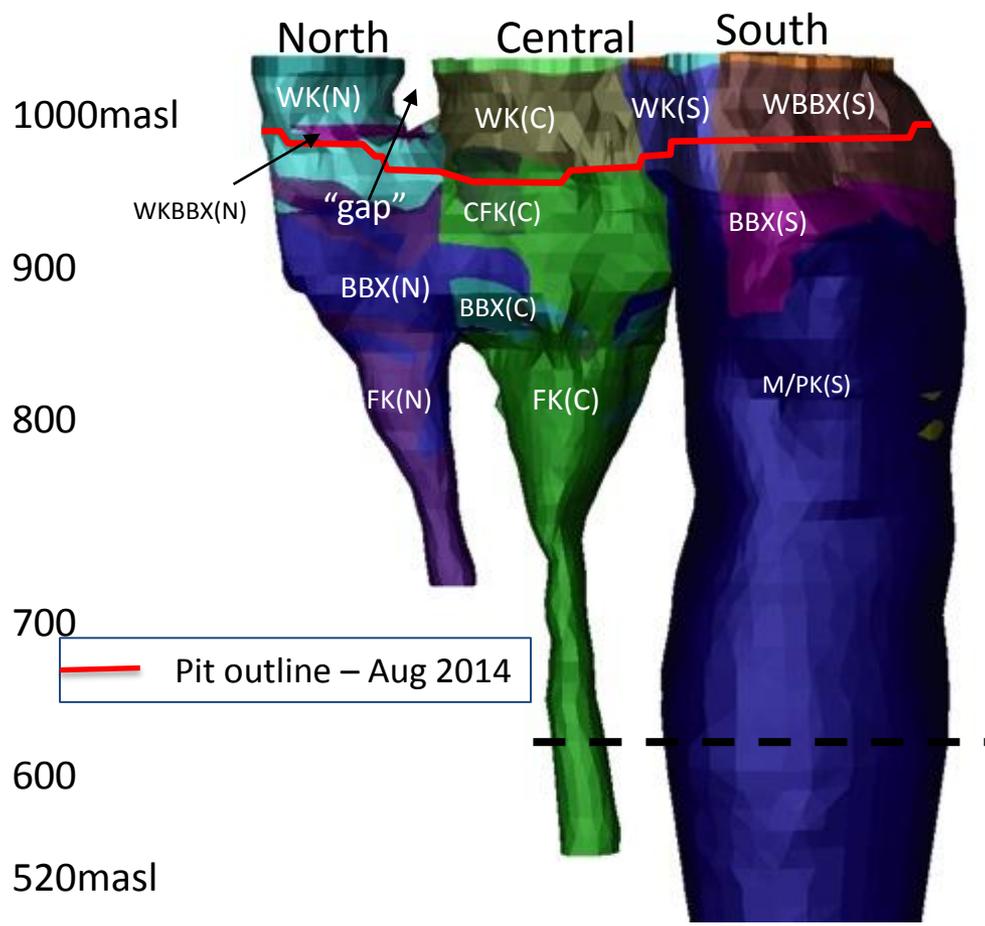
- Updated resource statement for the Karowe deposit issued in Dec 2013
- Primary change is in the value of the diamonds
  - Centre lobe **\$351/ct**, up from \$276/ct
  - South lobe **\$413/ct**, up from \$231/ct
- **2014 sales average diamond price - \$764/ct in H1**
- Resource continues to deliver significant quantities of stones greater than 10.8cts with greater than 440 being recovered YTD at an average stone size of 26.7ct/stn





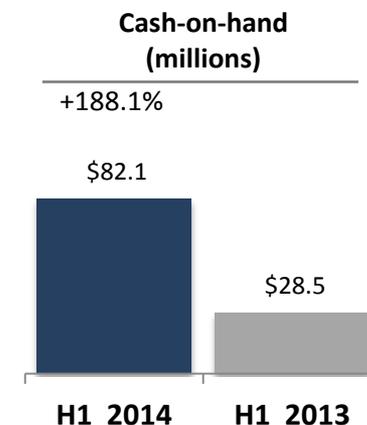
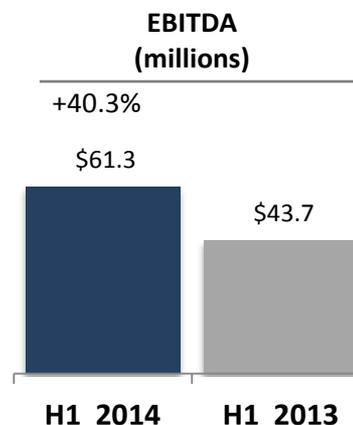
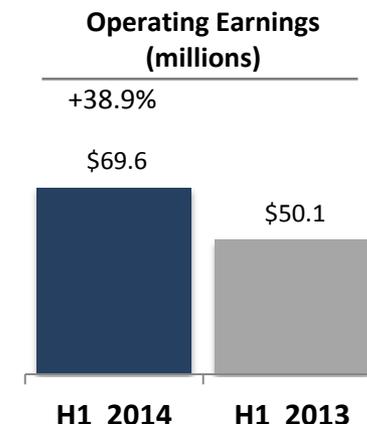
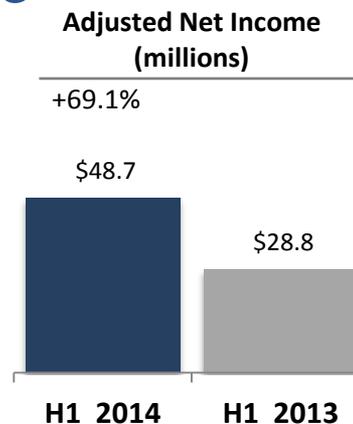
# Geological Model

# Plan view of geological model



# Karowe Operating Performance

|                           | H1 2014   | H1 2013   | Variance % | 2013 Full Year |
|---------------------------|-----------|-----------|------------|----------------|
| <b>Mining and Process</b> |           |           |            |                |
| Ore processed (t)         | 1,345,542 | 1,094,170 | 23%        | 2,355,000      |
| Carats recovered (cts)    | 210,179   | 210,808   | 0%         | 440,750        |
| Plant feed grade (cpht)   | 16.3      | 19.3      | -16%       | 18.7           |
| Waste mined (t)           | 5,168,966 | 2,369,206 | 118%       | 5,493,000      |
| <b>Costs</b>              |           |           |            |                |
| \$/t processed            | \$21      | \$20      | -5%        | \$ 18.6/t      |
| \$/ct processed           | \$124     | \$93      | 33%        | \$ 100/ct      |
| <b>Revenues</b>           |           |           |            |                |
| Period Revenue            | \$103.8M  | \$79.7M   | -30%       | \$ 180.5M      |
| Period Sales Revenue      | \$128.6M  | \$81.8M   | 57%        | \$ 180.5M      |
| \$/ct sold                | \$586     | \$331     | 77%        | \$ 411/ct      |
| Operating margin          | \$462     | \$239     | 93%        | \$ 311/ct      |

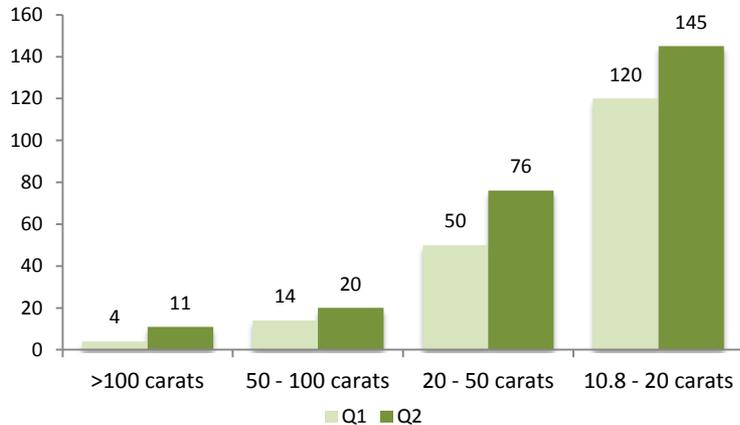


# Sales Update

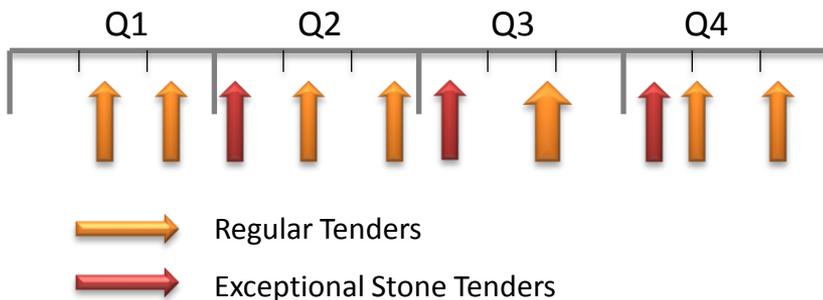


Collection of large exceptional diamonds sold in 2013

## Karowe H1 2014 Specials Distribution



## Diamond Sale may affect quarterly cashflow



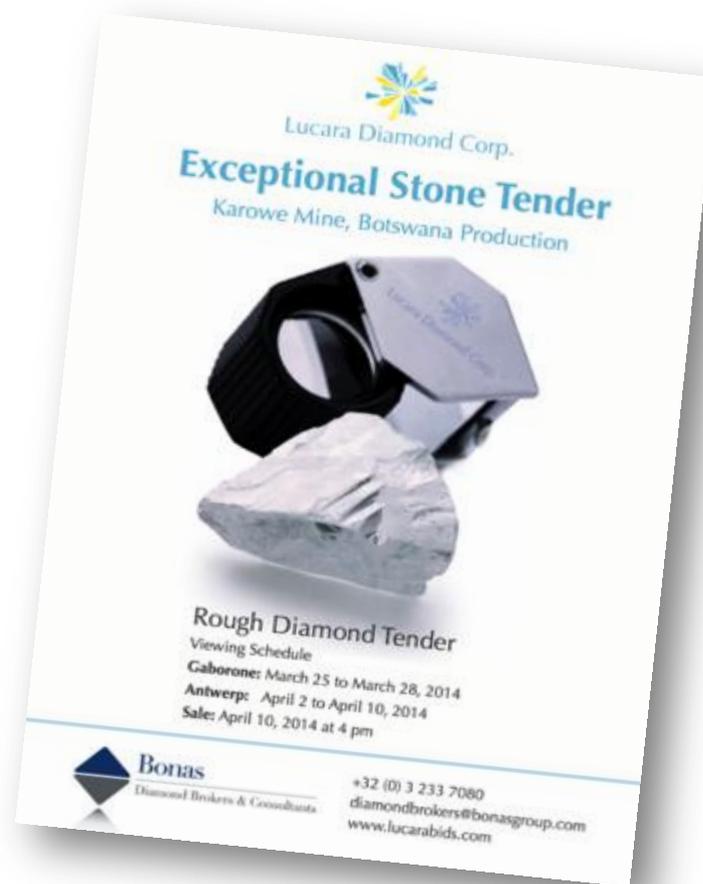
- During H1, 2014, more than 210,000 carats were sold for gross revenues of \$128.6 million
- A total of 440 diamonds larger than 10.8 carats were recovered in the first half of the year
- These included 76 diamonds larger than 50 carats, 11\* of which were larger than 100 carats
- Current volume of diamonds greater than 10.8 carats is 5.6%, far exceeding the updated resource estimate of 3.8%

\* Does not include diamonds recovered from reprocessing of recovery tailings



## Sales Update

- Two Exceptional Stone Tenders (“EST”) have been held in April and July, generating over \$89M in revenue
- Lucara expects to sell between 400,000 and 420,000 carats of diamond in 2014
- Sales will occur through 7 diamond tenders and 3 EST’s
- Sales migration plan for all regular sales in Gaborone starting in 2015 is being implemented
- Dedicated diamond cleaning facility in Gaborone commissioned and operating





## Sales Update



Diamonds sold in the second Exceptional Stone Tender



## 2014 Capital – Plant Upgrade

### Plant Modifications

- Planned as part of the original feasibility study to address the treatment of harder and higher yield south lobe material
- Upgrade designed to ensure sustainable 2.5 million tonnes per annum throughput
- Inclusion of a “Large Diamond Recovery” circuit treating material up to 60-70mm in size



### Capital Costs and Schedule

- Estimated capital expenditure of \$50 to \$55 million
- Complete installation and commissioning scheduled for Q2 2015
  - Engineering well advanced
  - Orders placed for long-lead items with \$26M committed (crushers, sorting machines, screens)
  - Allowance of 30 days of downtime for integration and ramp-up of new equipment – first shutdown scheduled for July 2014



# 2014 Capital – Plant Optimization Project

Pebble crusher bleed screen



XRT units being readied for Factory Acceptance Testing



XRT Building foundations



Early Large Diamond Recovery circuit conveyors





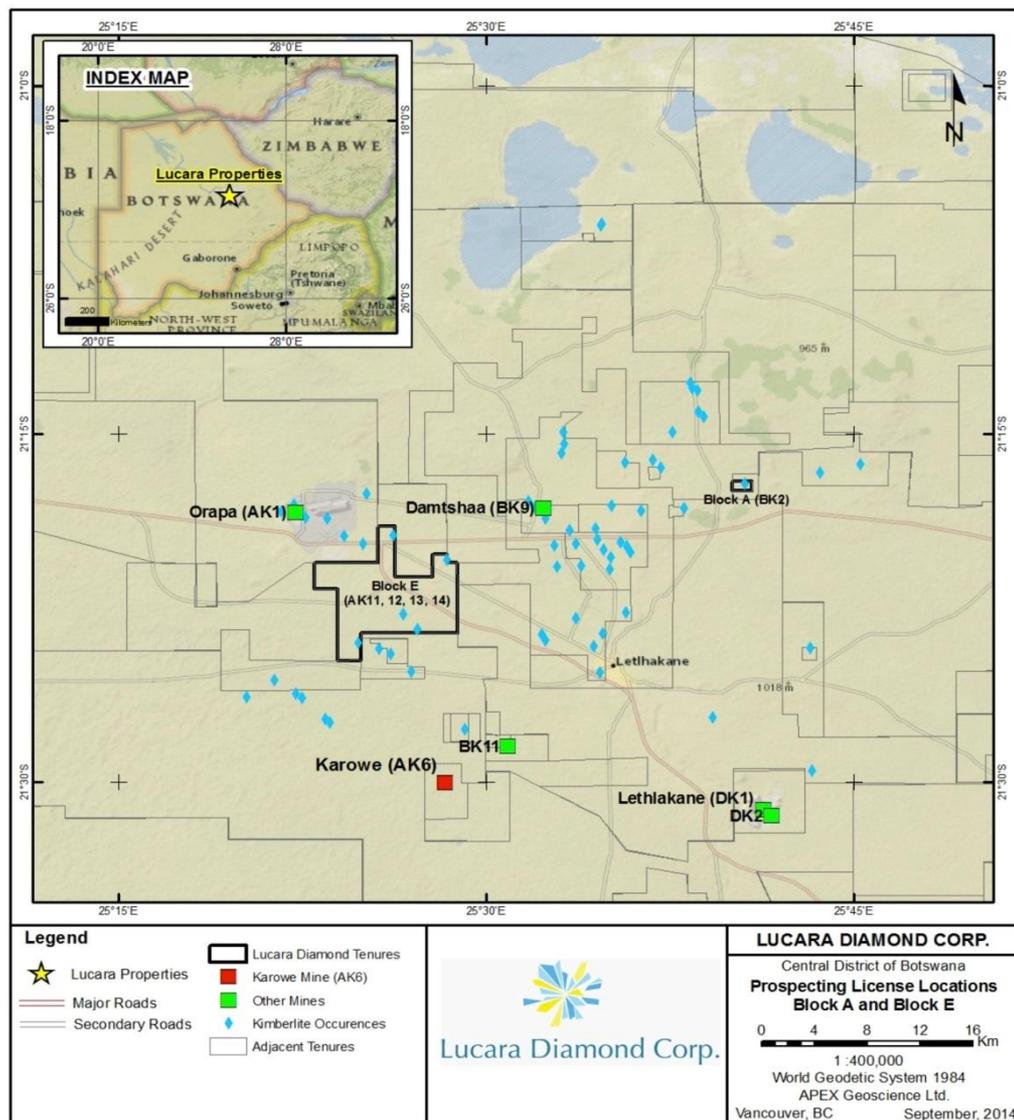
# Resource Replacement

## Karowe UG

- Preliminary desktop study
- Opportunity to move Inferred into Indicated below current Cut 2 Design

## Prospecting Licenses

- Boteti awarded 2 PL's in mid-Sept 2014
- Both PL's host known diamondiferous kimberlites
- Block A (BK02)
- Block E (AK11,12,13,14)





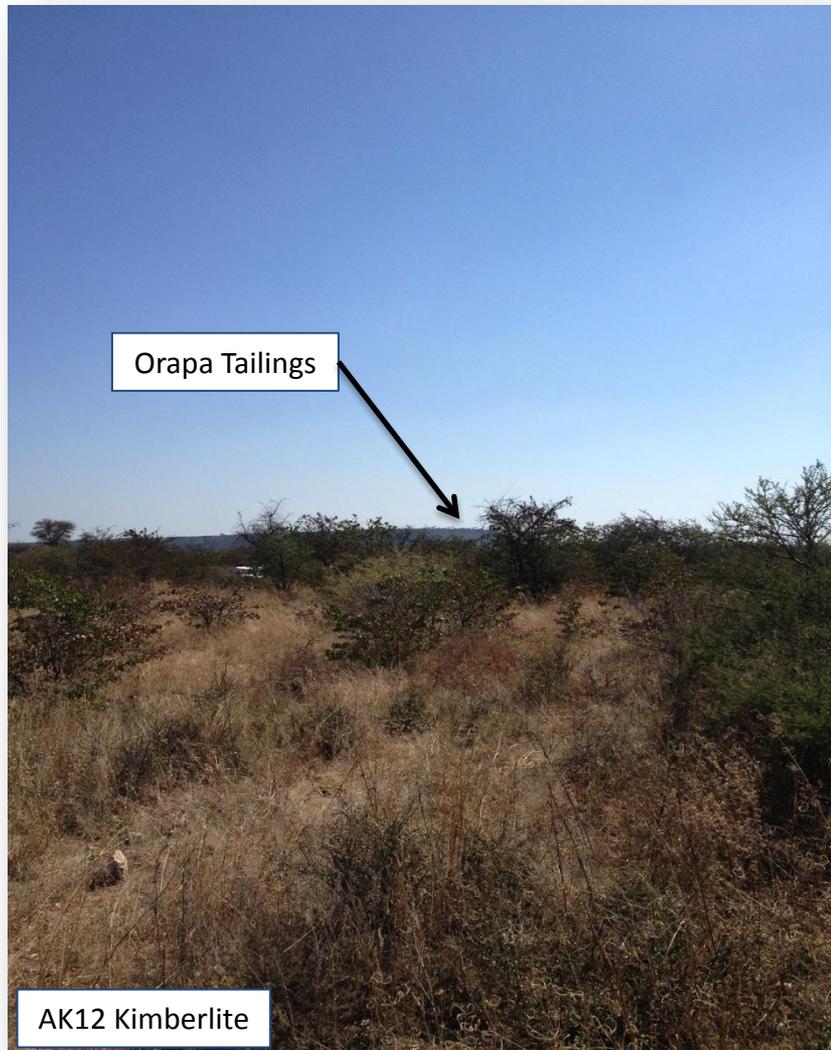
# Prospecting License : Block E – AK 11,12,13,14

## **Background**

- License area is 55.4km<sup>2</sup>, host up to 4 known kimberlites, potential for additional discoveries, northern edge is contiguous with Debswana Orapa Mine Lease. Excellent road access, 15 kilometres north of Karowe Mine
- AK11 is poorly constrained, AK12 is diamond-bearing however little advanced work. AK13,14 at discovery-phase little to no exploration work
- AK11 and AK12 covered by very thin veneer of sand – amenable for surface trenching

## **Work Plan**

- Site assessment and mapping of all historic workings,
- Ground geophysics to re-establish control on anomalies
- Collection of a surface sample of up to 5000 tonnes for diamond content and size distribution analysis – both AK11 and AK12 are candidates
- Drill program pending bulk sample results





# Prospecting License : Block A – BK 02

## Background

- License area is 1.07km<sup>2</sup>, BK02 was discovered in 1967 during regional exploration by DeBeers, one of first discoveries in Orapa District, access by cut-line dirt track, 30km to east of Karowe Mine
- Surface area of 2.4ha, outcrops, with local thin sand and calcrete cover
- Previous work includes percussion drilling and surface trenching. Fresh magmatic kimberlite, shown to contain diamonds through historic trenching results and microdiamond sampling. No grade estimation
- Evidence of potential coarse distribution (stone broken during drilling, recovery of 1.6 ct diamond from trench)
- Work Plan
- Site assessment and mapping of all historic workings,
- Ground geophysics and DEM analysis
- Collection of a surface sample of up to 5000 tonnes for diamond content and size distribution analysis
- Drill program pending bulk sample results





# Management's Focus

## Lucara

- Continue to strengthen balance sheet
- Develop resource extension programs for potential new and current assets



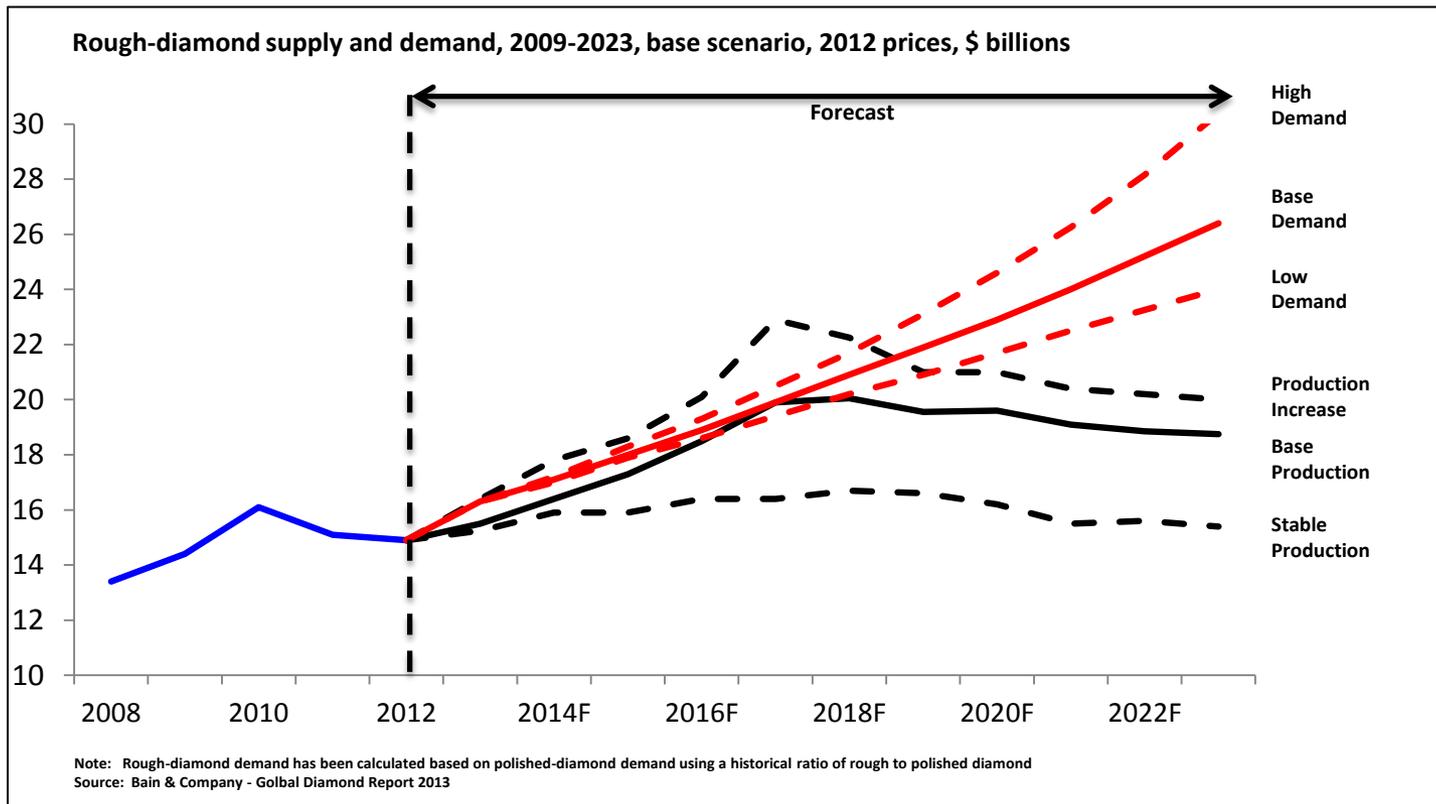
## Karowe

- Estimated annual diamond revenue of \$240 - \$250 million
- Carat production of 400,000 - 420,000 carats
- Operating costs of US\$31 - US\$33 per tonne processed
- Delivery of capital project with minimal interruption to normal operations

## Mothae

- Finalize development plan for Mothae (short and medium term)

## The Diamond Sector – Supply/Demand

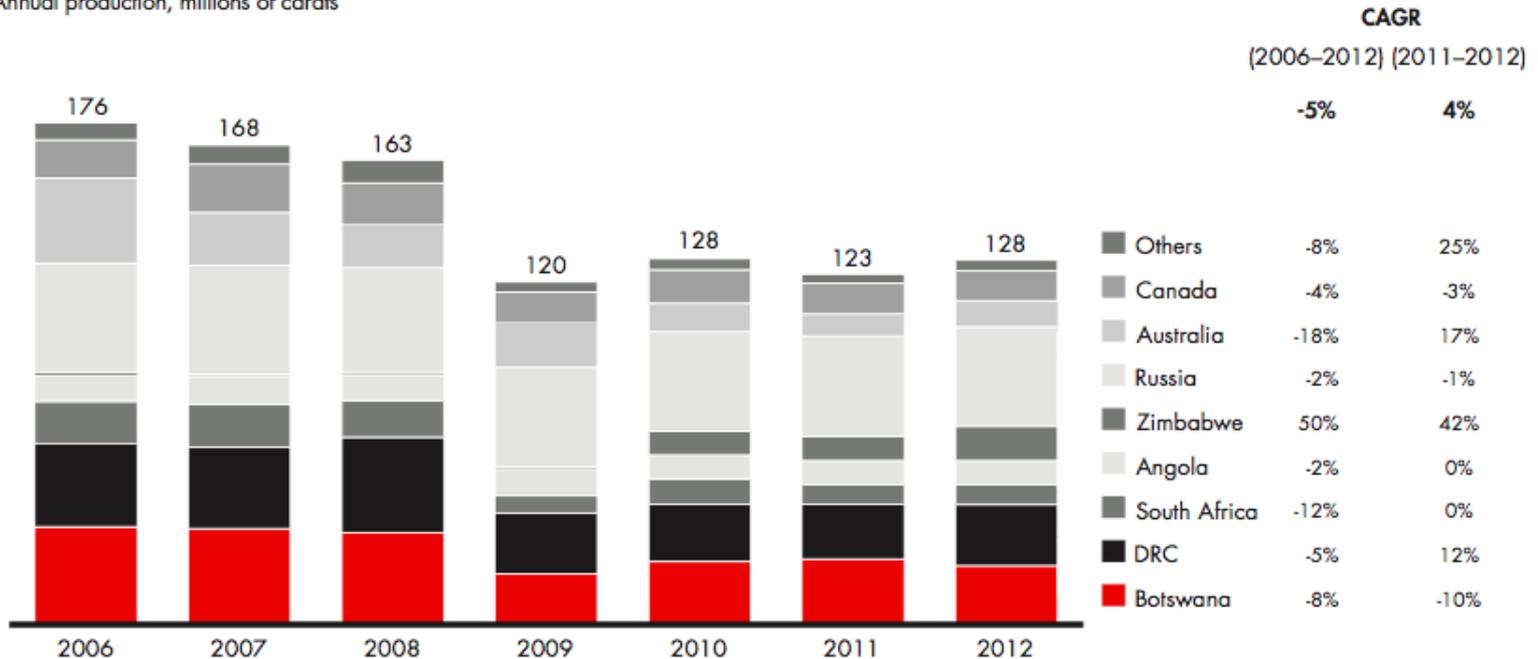


Bain & Company – The Global Diamond Report 2013

## Global Rough Diamond Production

Production declined significantly during the crisis and volumes have yet to recover

Annual production, millions of carats

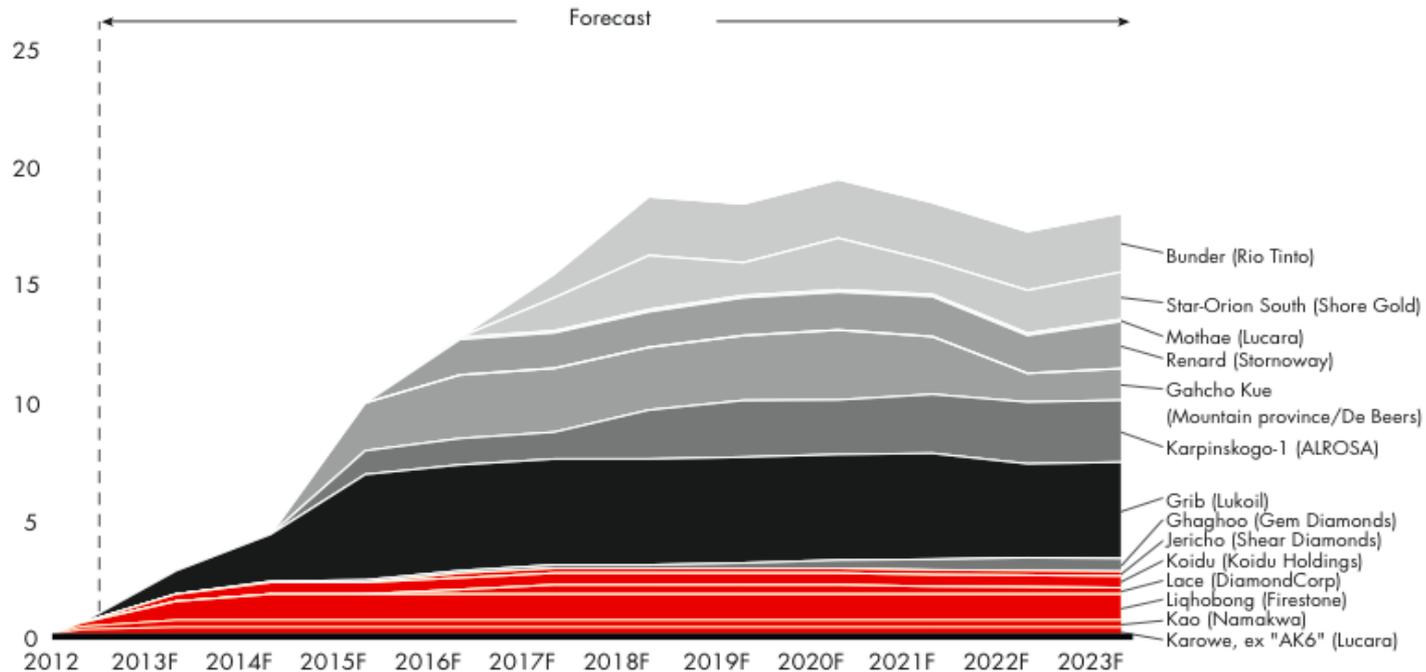


Note: Russia includes ALROSA, Nizhne-Lenskoye (acquired by ALROSA in 2013) and Uralalmaz  
 Source: Kimberley Process  
 Bain & Company – The Global Diamond Report 2013

## Expected New Mine Production

New mines are expected to add 18 million carats a year by 2023

Forecasted rough-diamond production of new mines, millions of carats

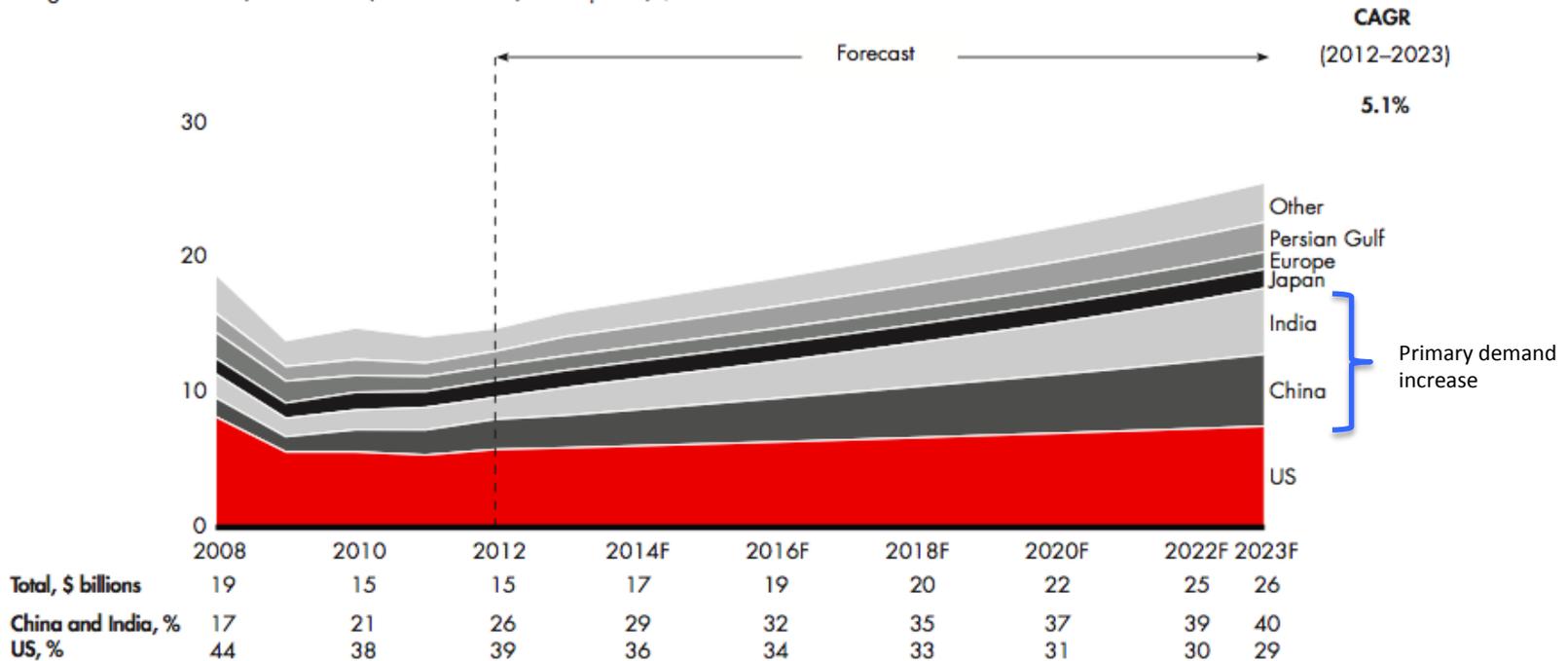


Source: Company plans; expert interviews; publication analysis; Bain analysis  
Bain & Company – The Global Diamond Report 2013

## Rough Diamond Demand

(2012 – 2023) Driven by India and China and is expected to reach \$26 billion

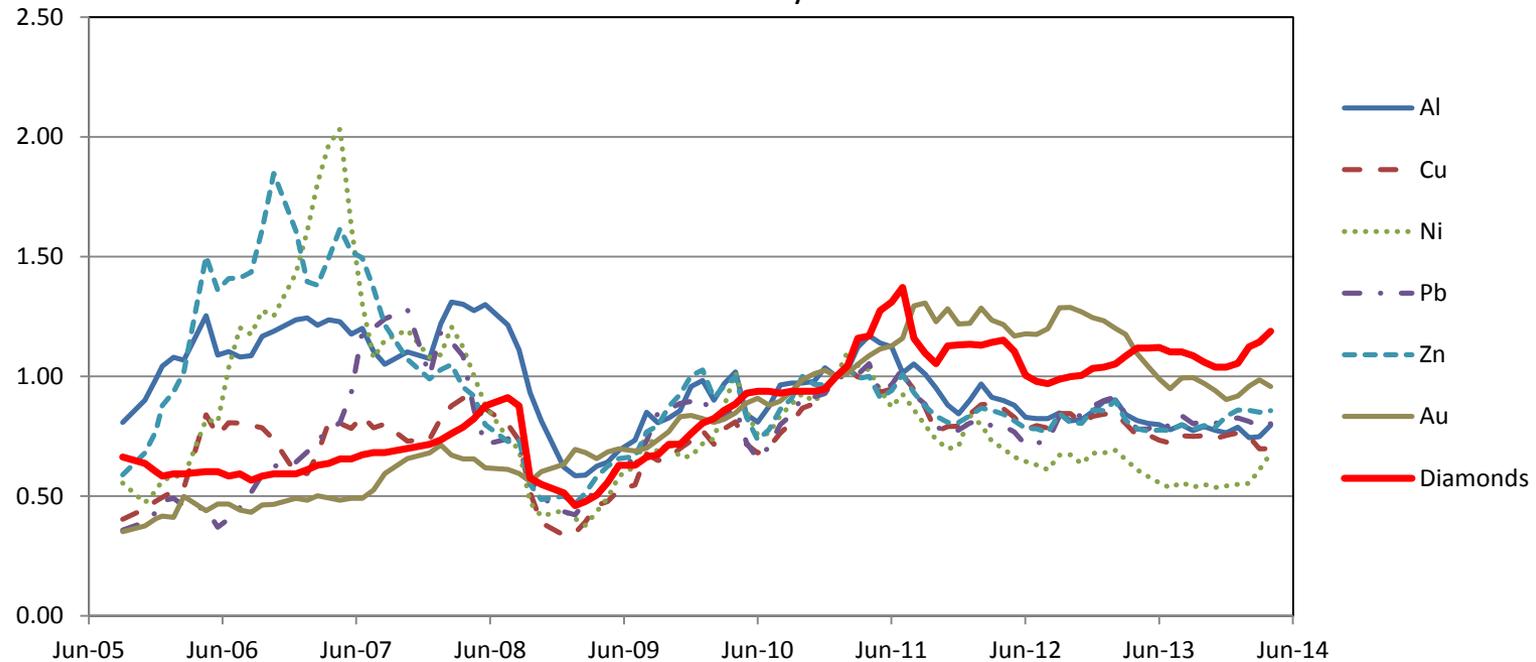
Rough-diamond demand, 2008-2023, base scenario, 2012 prices, \$ billions



Note: Diamond jewelry demand is based on polished-diamond demand and diamond content projections  
 Source: IDEX, Tacy Ltd. and Chaim Even-Zohar; publication analysis; Bain analysis  
 Bain & Company – The Global Diamond Report 2013

## Commodities versus Diamond Performance

Normalized to January 2011



- Rough diamond prices have increase, on average, 5 – 8% during the first quarter of 2013
- Stable to weaker prices expected in latter half of the year



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