



Lucara Diamond Corp.

# LUCARA DIAMOND CORP.

BMO Conference  
February 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 2012 annual MD&A filed on March 21, 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

9.46 carat blue diamond sold for \$477,272 per carat



### Karowe

- Forecast revenue of \$150 - \$160 million
- Carat production of between 400,000 - 420,000 carats
- Operating costs of \$31 - \$33 per tonne
- Capital expenditure of \$45 - \$53 million (including sustaining capital)
- Updated NI 43-101 Technical Report (Feb 3, 2014)

### Mothae

- Initial development option finalization

### Exploration

- Three exploration licenses applied for in Botswana with known kimberlite occurrences



1.79 carat pink diamond sold for \$60,256 per carat

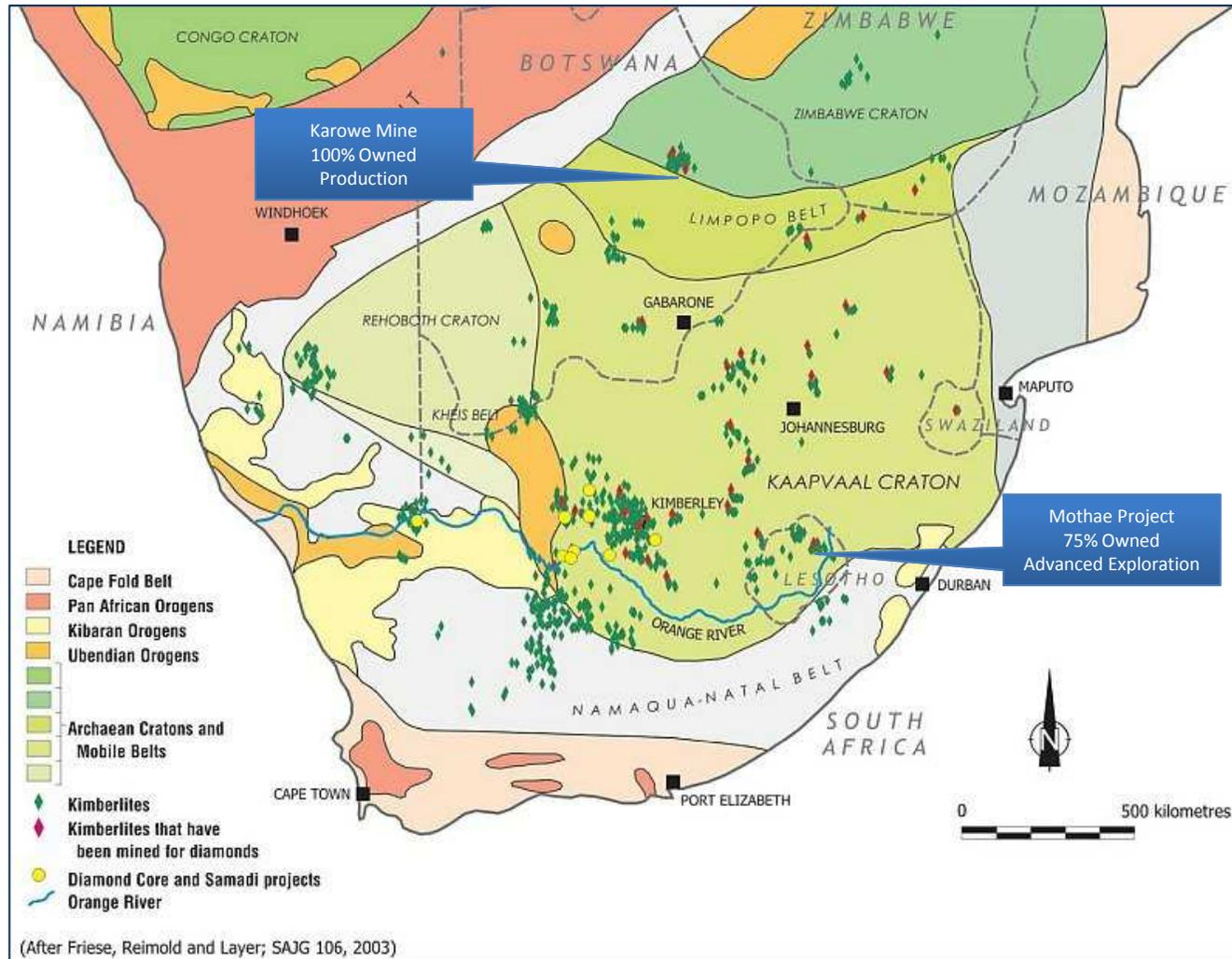
## Capital Structure

- Listed Exchanges under Symbol “LUC”
  - TSX
  - OMX (Sweden)
  - BSE (Botswana)
- Issued share 377M
- Fully diluted shares 381M
  - Options 4.2M (C\$ 0.76 WA exercise price)
  - Warrants Nil
  - Convertibles Nil
- Market Cap C\$ 600 million (January, 2014)
- Debt Nil
- Cash on hand – Q4, 2013 US\$ 46 million



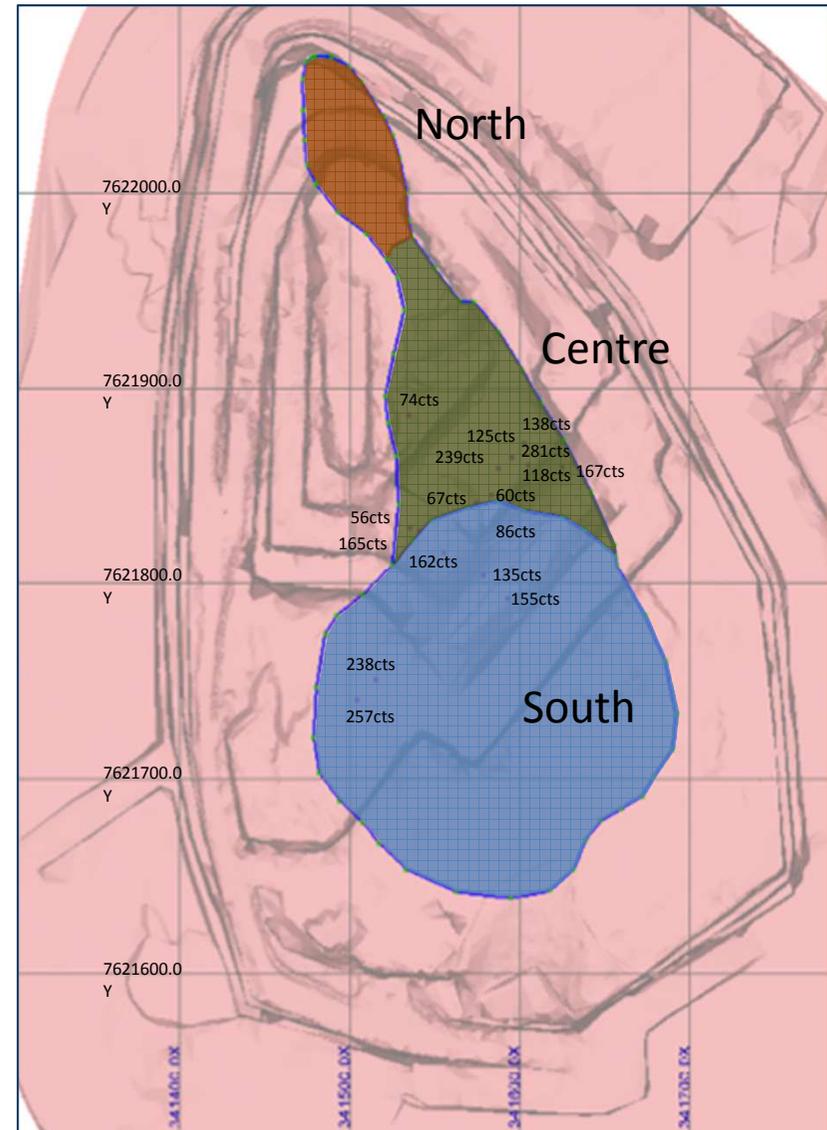


# Focused on Southern Africa



## Resource Update

- Updated resource statement for the Karowe deposit issued in Dec 2013 incorporates previously unknown population of large high value diamonds
- 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
  - Minimal changes in resource volume
  - Small adjustments in grade based on bottom cut-off size
  - Significant increase in in-situ value of indicated resource
    - **\$3.20B**, up from \$2.23B



Kimberlite extent showing location of large diamond recoveries

## 2013 Performance – First Full Production Year

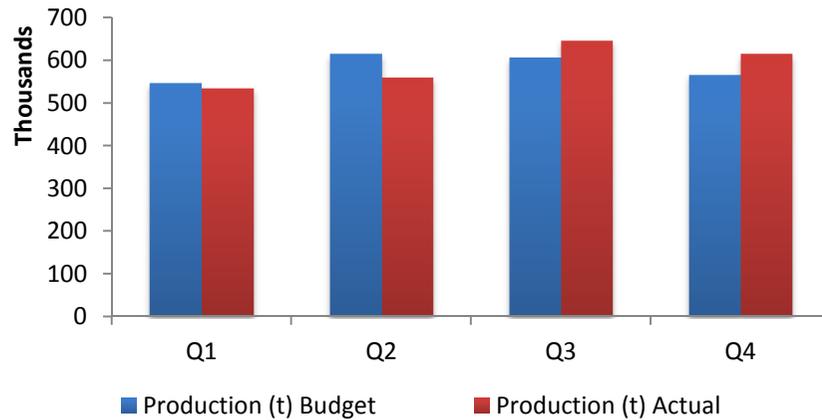
	2013 Forecast	2013 Actual	Variance
<b>Mining and Process</b>			
Ore processed	2,500,000 t	2,355,000 t	(6%)
Carats recovered	420,000 cts	440,750 cts	5%
Plant feed grade	16.8 cpht	18.7 cpht	11%
Waste mined	5,928,000 t	5,493,000 t	(7%)
<b>Costs</b>			
\$/t processed	\$ 23.0/t	\$ 18.6/t	(19%)
\$/ct processed	\$ 132/ct	\$ 100/ct	(24%)
<b>Revenues</b>			
Annual Revenue	\$ 90 million updated in May to \$ 118 million	\$ 180.5 million	101%
\$/ct sold	\$ 240/ct	\$ 411/ct	71%
Cash operating margin	\$ 112/ct	\$ 311/ct	178%

60.11ct diamond

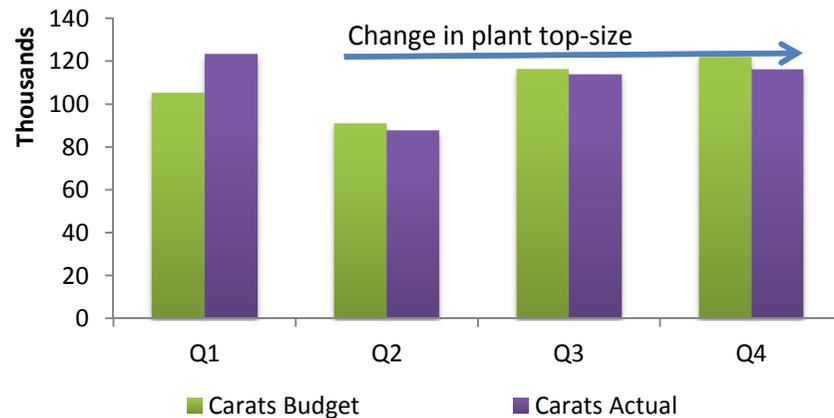


# Operations Update

## 2013 Quarterly Plant Production



## 2013 Quarterly Carat Recovery



- Strong operational performance through first full year of operations
- Resource performing according to expectations – except for the recovery of large, high value diamonds!!
- Plant audit facilities being utilized to ensure optimal plant performance
- Excellent safety record and housekeeping practices which reflect in excellent plant performance





# Operations Update

Karowe Pit – Jan 2014



Karowe Plant – Jan 2014

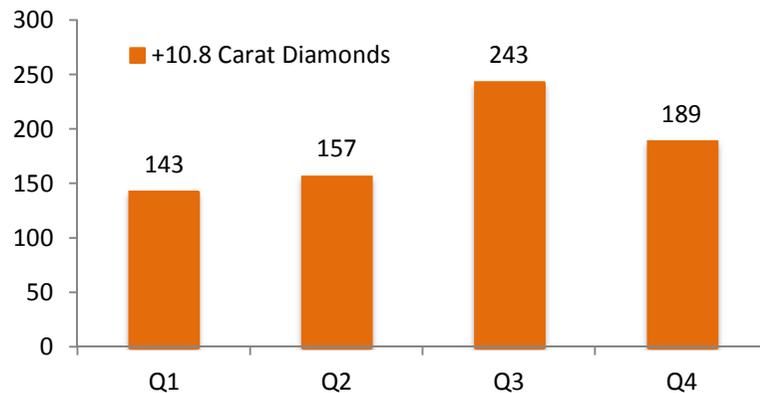


# Sales Update

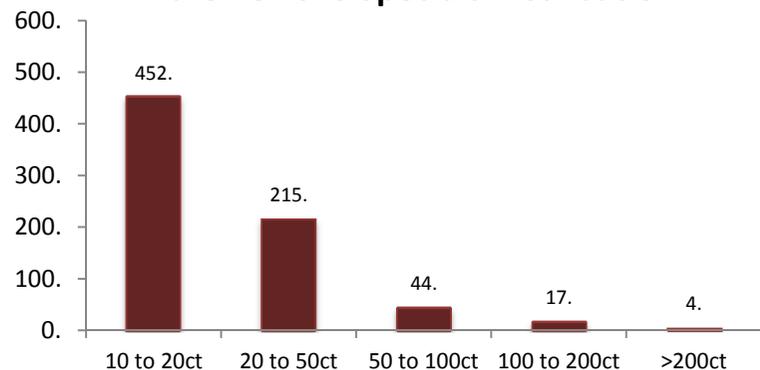


Collection of large exceptional diamonds sold in 2013

### Karowe 2013 Monthly Specials Recovery



### Karowe 2013 Specials Distribution



- During 2013, more than 438,000 carats were sold for gross revenues of \$181 million
- A total of 732 diamonds larger than 10.8 carats were recovered
- These included 44 diamonds larger than 50cts, 17 diamonds larger than 100cts and 4 diamonds larger than 200 cts
- The +10.8ct diamonds contributed 52% of total revenues for 2013 and accounted for 4.2% of production



## Sales Update

- In 2013, Lucara generated revenues of \$181 million from the sale of more than 438,000 carats for an average value of \$412/ct
- Lucara expects to sell between 400,000 and 420,000 carats of diamond in 2014
- Sales will occur through 8 Regular tenders and 2 Exceptional Stone Tenders (“EST”)
- First EST expected to be held early in Q2
- Development of sales migration plan during 2014 in order to conduct all regular sales in Gaborone starting in 2015
- Commissioning of a dedicated diamond cleaning facility in Gaborone

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### Exceptional Stone Tender

Karowe Mine, Botswana Production

**Rough Diamond Tender**

Viewing Schedule  
**Gaborone:** August 19 to August 20, 2013  
**Antwerp:** August 26 to September 2, 2013

 **Bonas**  
Diamond Brokers & Consultants

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Exceptional Stone Tenders contributed \$72 million to 2013 revenues with the sale of 45 diamonds with an average price of \$24,400 per carat



## 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 60mm in size



### Capital Costs and Schedule

- Estimated capital expenditure of \$45 to \$50 million
- Complete installation and commissioning scheduled for Q4, 2014
  - Engineering well advanced
  - Orders placed for long-lead items (crushers, sorting machines)
  - Allowance of 30 days of downtime for integration of new equipment



## 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 \$150 - \$160 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)



## Contact Information

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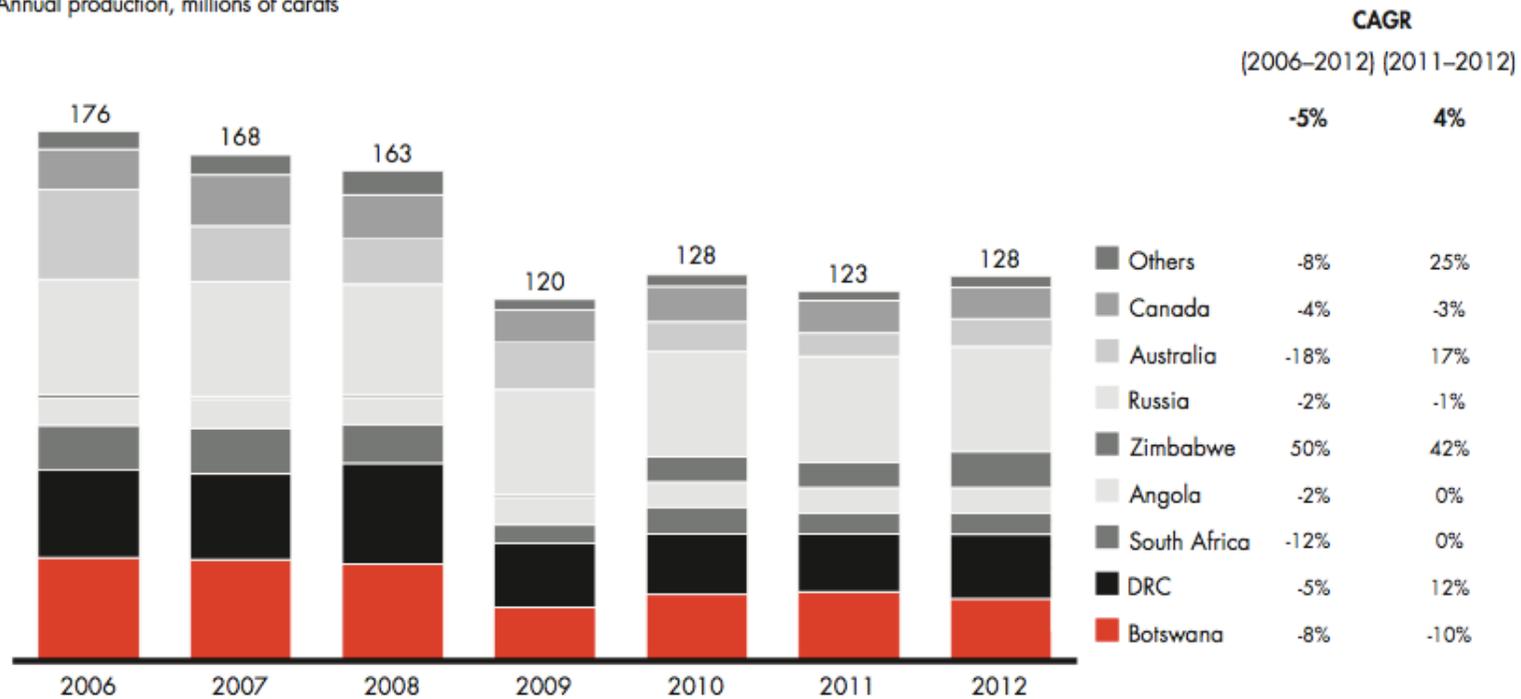
[www.lucaradiamond.com](http://www.lucaradiamond.com)



# 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

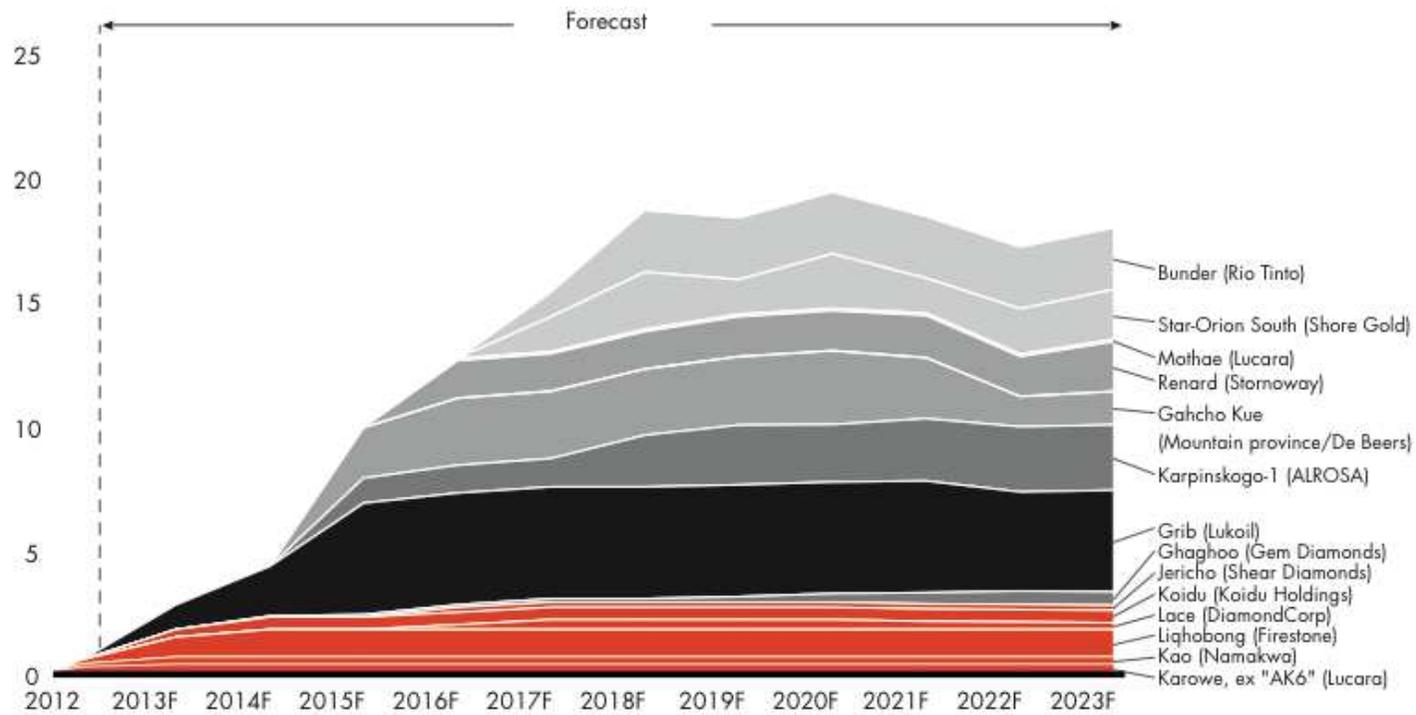
Bain & Company – The Global Diamond Report 2013



# Expected New Mine Production

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

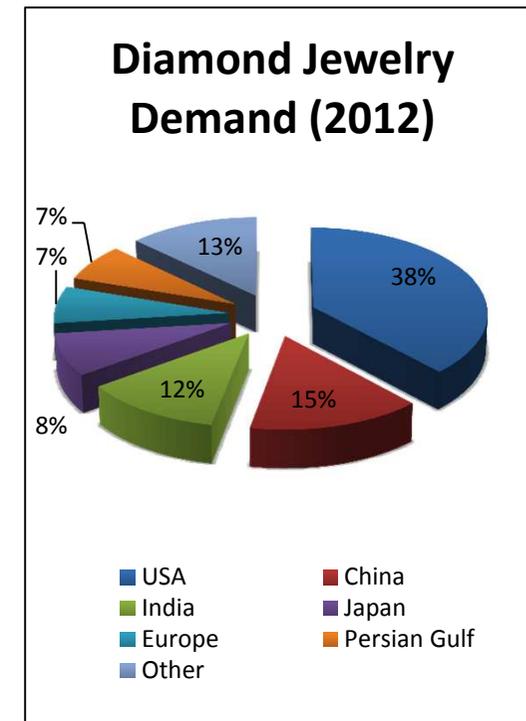
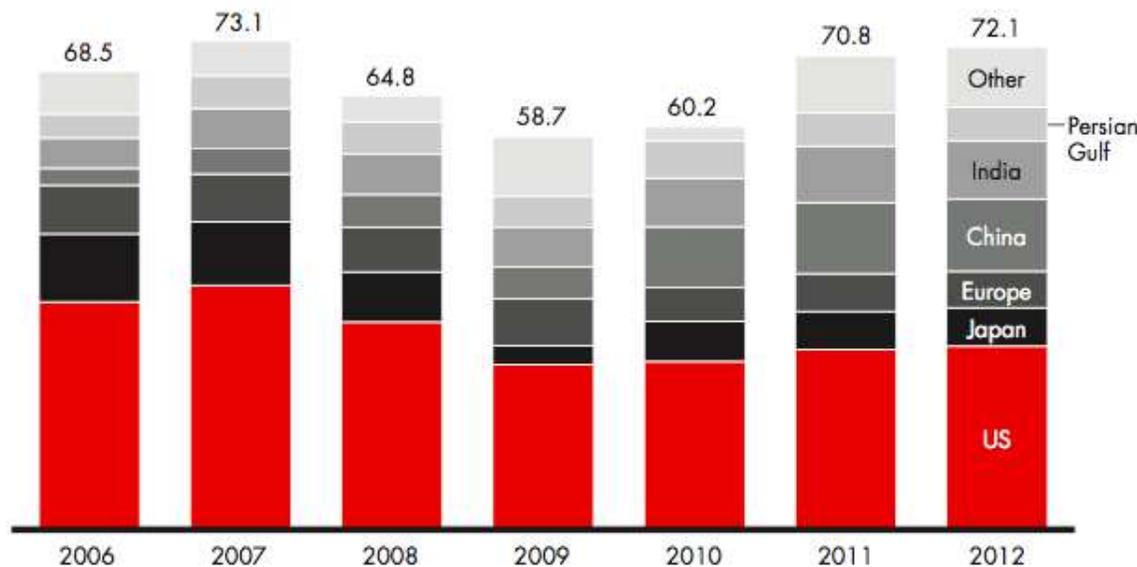
Forecasted rough-diamond production of new mines, millions of carats



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

# Global Diamond Jewelry Market

Global diamond-jewelry market, \$ billions



Note: China including Hong Kong; India, China, Europe and Persian Gulf countries' diamond-jewelry demand for 2006–2010 was calculated using the polished-diamond market share of the appropriate market in total

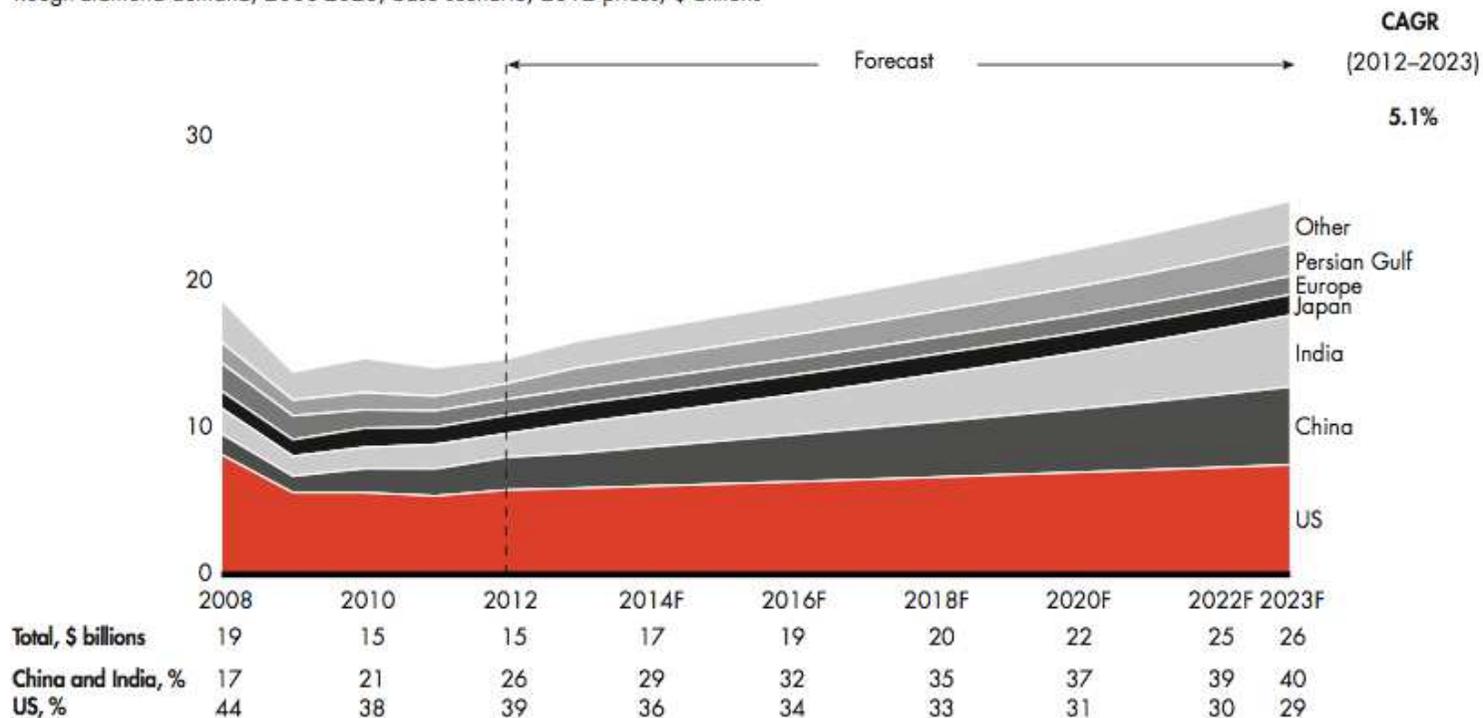
Source: Jewelry Retail Chains 2012 by RBC Research; IDEX, Tacy Ltd. and Chaim Even-Zohar; publication analysis

Bain & Company – The Global Diamond Report 2013

# Rough Diamond Demand

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

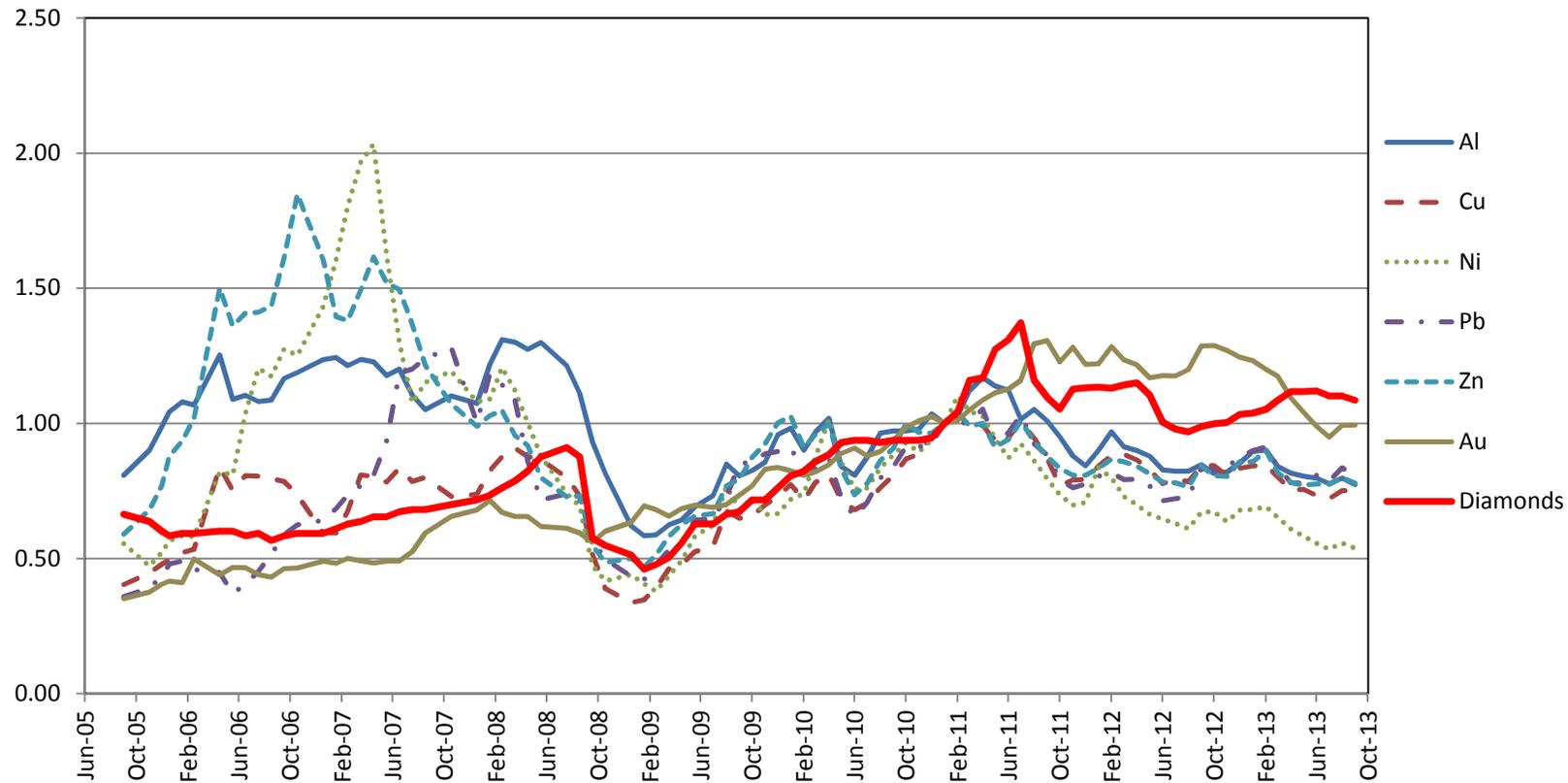
Rough-diamond demand, 2008-2023, base scenario, 2012 prices, \$ billions



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