



Lucara Diamond

Year End 2016

Cautionary Statement

Forward-looking information

- This investor presentation contains forward-looking statements and information as defined in applicable securities laws including: the estimates of the Company's mineral reserve and resources; estimates of the Company's production and sales volumes, revenue for the Karowe Mine; exploration and development plans and objectives, production costs, exploration and development expenditures. 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 achieved. Forward-looking statements are based on the assumptions, 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 and uncertainties 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. In particular, such risks include 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), 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 and other risks and uncertainties describe under Risks and Uncertainties disclosed under the heading "Risk Factors" in the Company's most recent Annual Information Form available at <http://www.sedar.com>.
- Forward-looking statements and information 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. Readers are cautioned not to place undue reliance on forward-looking statements and information. This presentation does not constitute an offer or invitation to purchase or subscribe for any securities and no part of it shall form the basis of or be relied upon in connection with any investment decision in relation thereto.

Technical information

- The technical information in this document for the AK6 diamond project (Karowe Mine) in Botswana is based on the following technical reports, respectively: 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.
- All currencies mentioned in this presentation are in United States Dollars ("US\$") unless otherwise mentioned.

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Introduction

Lucara is an established diamond producer. Its principal asset is the Karowe mine in Botswana. The 100 percent owned Karowe Mine is a state-of-the-art mine which has consistently delivered large, Type IIA stones. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company operates transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment and community relations.

The Investment Case

- 100% owned Karowe Diamond Mine in Botswana
 - One of the foremost producers of large Type IIa diamonds
 - 1st to utilize XRT technology to recover stones while minimizing breakage
- Consistent delivery of large and exceptional stones supporting strong free cashflow
 - 124 diamonds >100ct
 - 31 diamonds >200ct
 - 7 diamonds >300ct
- Total dividend of US\$188 million paid since commencement of the Company's dividend policy in 2014
 - 67% increase in dividend in 2017 and a 50% increase in 2016
 - Progressive (annual) dividend of CDN \$0.10 per share (Feb 2017)
 - Second special dividend of CDN \$0.45 per share (September 2016)
- Attractive growth potential in the prospecting licenses which are located within 30km of the Karowe mine
- Strong and growing balance sheet for potential M&A activity

Capital Structure

Lucara is a publicly listed company trading under the symbol “LUC”

TSX

NASDAQ OMX (Sweden)

BSE (Botswana)

Issued shares	382,246,081
Fully diluted shares	386,660,164
Insider Holdings	21.5% on a fully diluted basis
Debt	<u>Nil</u>
Cash on hand	US\$ 53.3 million (Q4, 2016)



Highlights and Key Performance Data

2016 Highlights

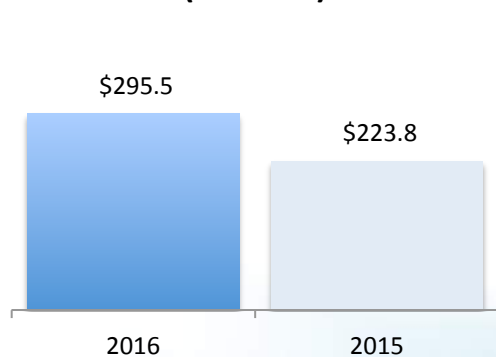
- Strong demand for Karowe diamonds
 - Revenue for the year was \$295.5 million or \$824 per carat (2015: \$223.8 million or \$593 per carat)
- Robust cash generation
 - Cash generated from operations (post tax) of \$103 million. Increase of 21% compared to 2015.
 - Operating cost per tonne processed at \$26.5 (2015: \$28.9)
- Dividends paid to shareholders in 2016 \$149.7M.
 - Total dividends paid exceeds \$188 million which is in excess of the total amount of share capital ever raised by the Company.
- 2016 earnings per share was \$0.19 (2015: \$0.21)
- Capital Projects for enhanced diamond recovery on target to be completed in 2017
- Exploration program and resource upgrade drilling program well advanced



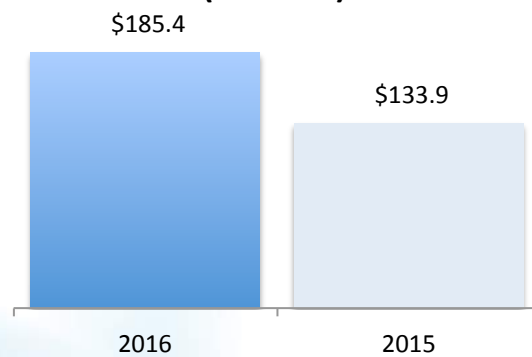
813 carat Constellation diamond

Key Performance Indicators

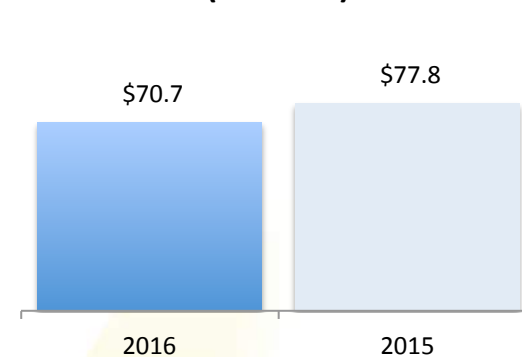
**Revenue
(millions)**



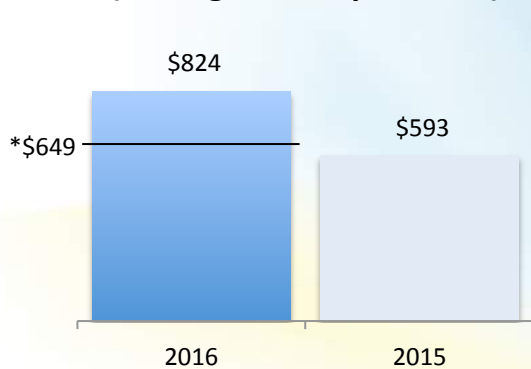
**EBITDA
(millions)**



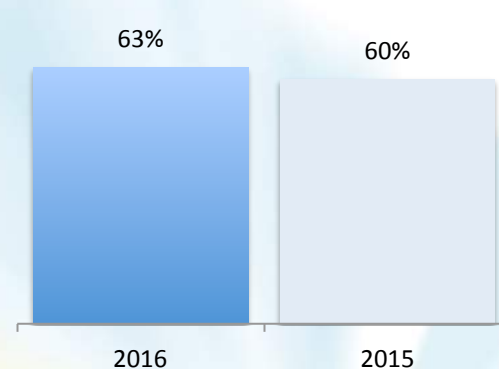
**Net Income
(millions)**



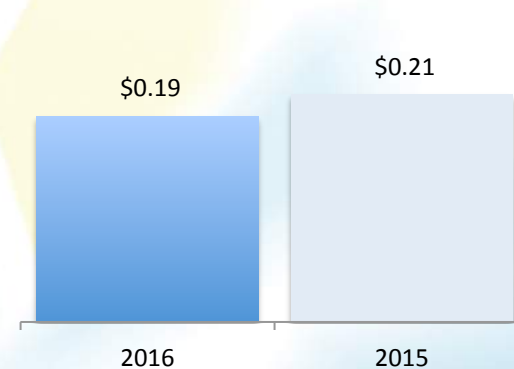
**Total Sales
(average dollar per carat)**



EBITDA Margin

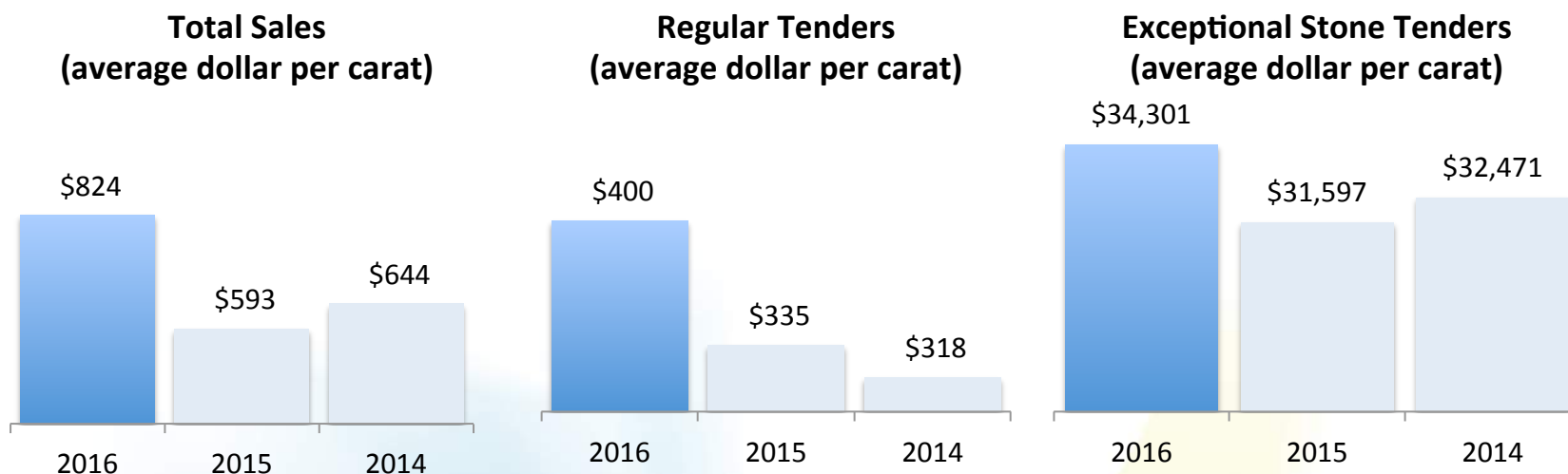


Earnings per share



* Excluding sale of 813 ct Constellation Diamond

Sales Performance

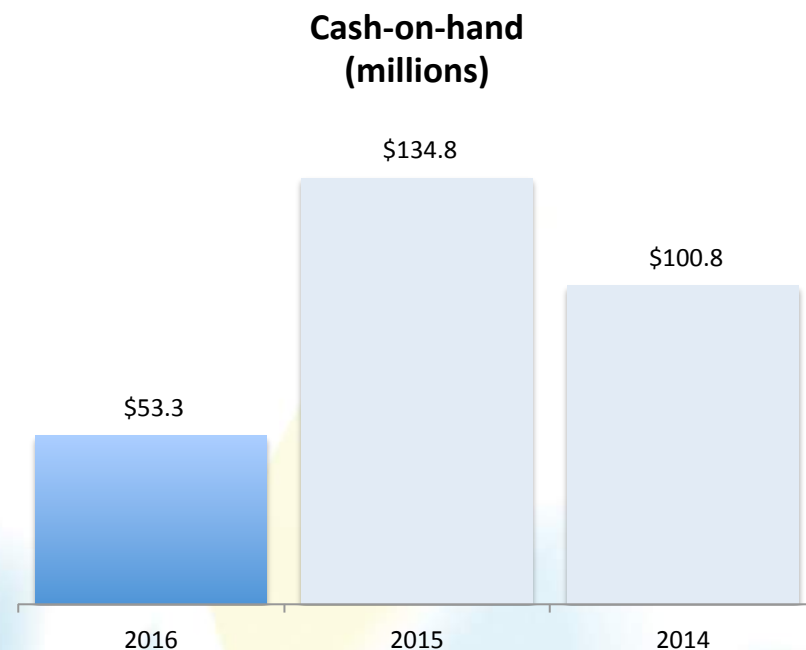


Strong demand for Lucara's diamonds drives price increase:

- Strong 2016 average sales price of \$824 per carat. Excluding the sale of the 813 carat Constellation, average revenue per carat was \$649, an increase of 10% compared to full year 2015.
- Regular tender price increase by 19% and Exceptional Stone Tender by 9% compared to 2015.

Strong Cash Position

- Net Cash balance of \$53.3 million
- Dividends of \$149.7 paid in 2016 resulted in decrease of cash position year over year
- Credit facility of US\$50 million remains undrawn.





Lucara Diamond



Karowe Mine

Karowe Operating Performance

Production Information		2016	2015
Ore processed (tonnes)		2,613,217	2,238,974
Ore mined (tonnes)		2,722,375	3,187,222
Carats recovered (carats)		353,974	365,690
Plant feed grade (carats per hundred tonnes)		13.5	16.3
Waste mined (tonnes)		11,058,041	13,890,115
Revenues and Operating Margins	2016	2016*	2015
Revenue (\$ millions)	295.5	232.4	223.8
Carats sold	358,806	357,993	377,136
Revenue (\$ per carat)	824	649	593
Operating margin (\$ per carat)	668	493	460

*Excludes the sale of the 813 ct Constellation diamond

Safety Highlights & CSR

- Excellent safety performance with Safety and Health Lost Time Injury Frequency Rates ('LTIFR') for 2016 of zero (measured per 1,000,000 hours) (2015: 0.4)
- Achieved 5 million man hours without a lost time injury
- Letlhakane abattoir handed over to the district counsel with official opening taking place in August 2016
- Donation of \$250,000 to the Lady Khama Trust. Funds raised through the sale of 3 Karowe diamonds at the Lesedi La Rona auction
- Micro-loan program has funded local sustainable businesses
- Sponsorship of the Bots50 Half Marathon with proceeds being shared with local charity which provides shoes to school children



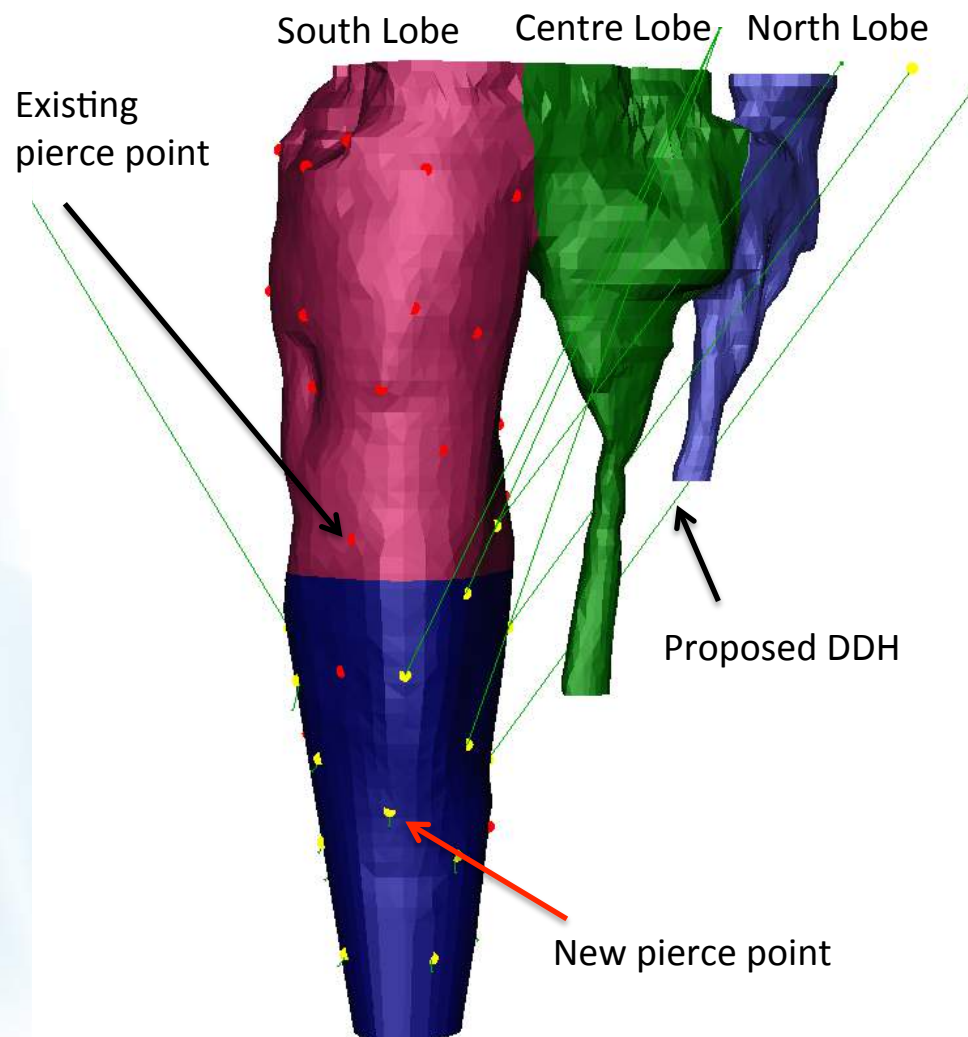
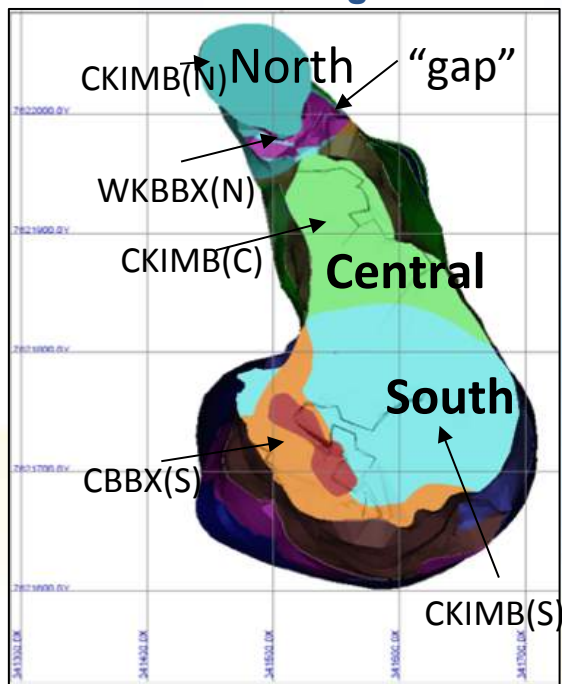


Exploration

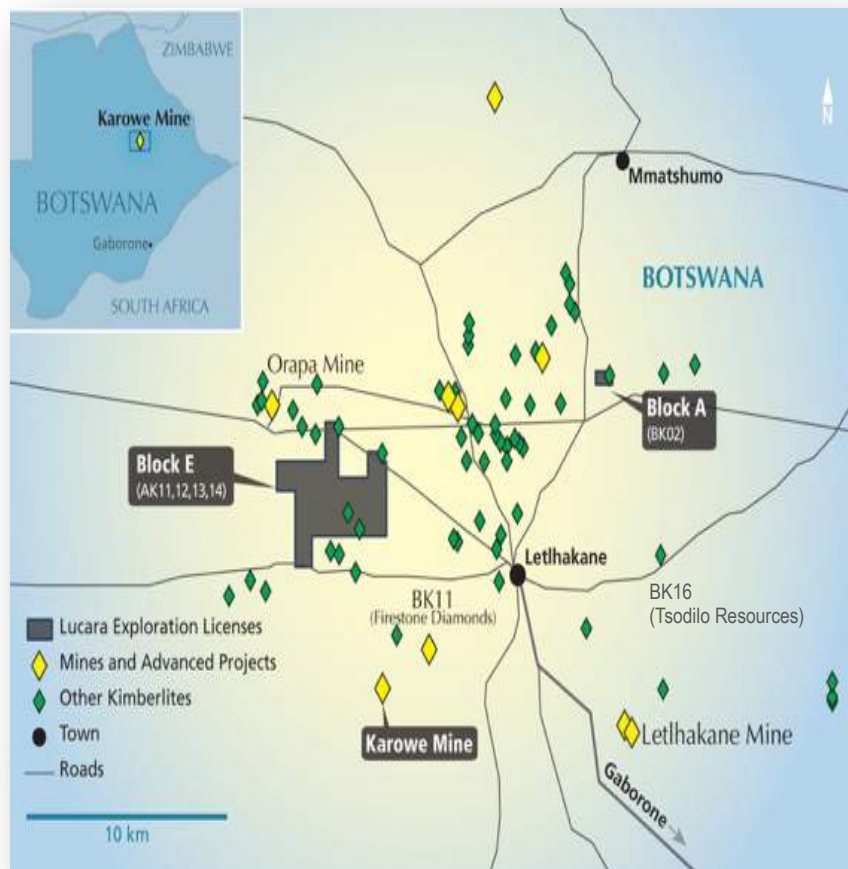
AK06 Resource Expansion

- 10,000 metre drill program with target to bring inferred mineral resources into the indicated category
- Drilling program completed in February 2017

Plan View of Geological Model



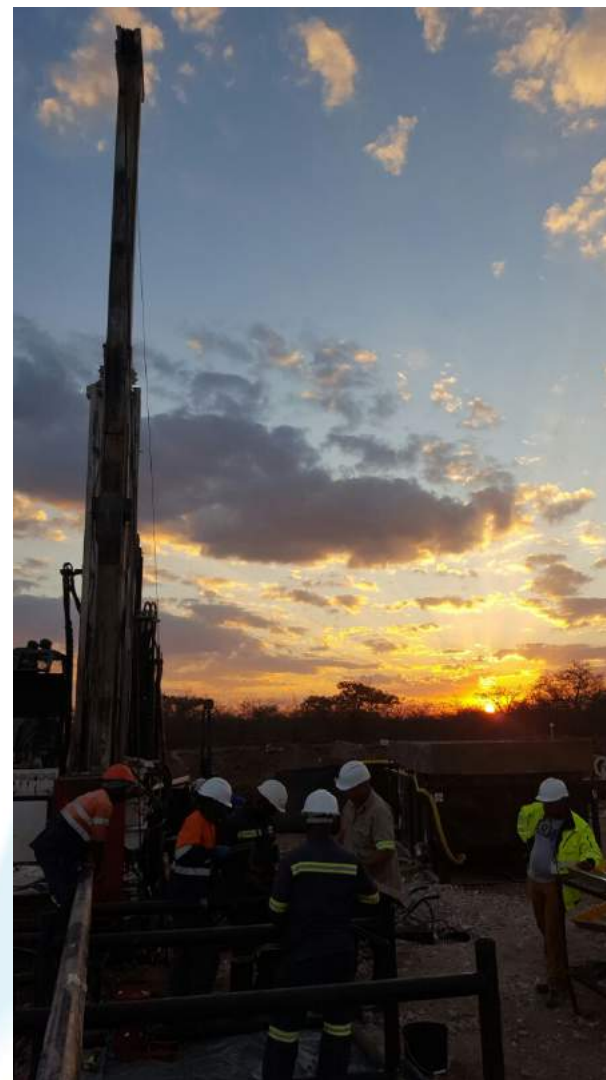
Botswana Exploration Targets



- Boteti awarded 2 prospecting licences in mid Sept 2014
- Both prospecting licences host known diamondiferous kimberlites
- Block A (BK02)
- Block E (AK11, 12, 13, 14)
- Sampled in excess of 10,000 tonnes of kimberlite from BK02 during 2016
- Drilling confirmed the size of AK11 at approximately 2.5 hectares
- Drilling will commence at AK13 and AK14 during Q1 2017
- Acquired shares in Tsodilo Resources Limited. Tsodilo has title to BK16 licence

Prospecting Licence: BK02

- Processing of second 5000 tonne sample completed with audit samples and diamond sorting forecast for Q1 2017
- Total of 17 drill holes completed by Q1 2017. Drill core logging is underway with microdiamond analysis forecast to be completed by Q3 2017
- Initial sample results released in Q2, 2016 included: 4.6cpht sample grade, 274.33 carats from 5,916 tonnes of material with 24 diamonds >1carat and 3 diamonds > 2 carats. Largest diamond was a 5.48 carat octahedron



Prospecting Licences: AK11, AK13, & AK14

AK11

- Drill program of 10 holes completed during 2016
- Preliminary core loggings show two distinct pipe infills, a well preserved crater sequence and more magmatic/pyroclastic kimberlite at depth
- Drilling confirmed the size of AK11 at approximately 2.5 hectares
- Logging and sampling of the drill core is underway , microdiamond samples are currently being processed and results are forecast to be completed by Q2 2017



AK13 & AK14

- Drill programs to progress during Q1 2017



2017 Guidance

2017 Outlook

Revenue (US\$ million) – excluding sale of the Lesedi La Rona	200 – 220
Sales (thousand carats)	290 – 310
Tonnes of ore processed (million tonnes)	2.2 – 2.5
Ore mined (million tonnes)	2.4 – 2.7
Waste mined (million tonnes)	17.0 – 20.0
Operating cash costs per tonne ore processed (dollars)	\$36.0-\$40.0
Mega Diamond Recovery Project (“MDR”) (US\$ million)	15 – 18
Sub-middles XRT Project (US\$ million)	30
Sustaining capital expenditure (US\$ million)	7 – 9
Exploration costs including AK6 Deep Drilling Program (US\$ million)	Up to 10

Investment Highlights

- Operates in Botswana which is a geopolitically stable jurisdiction
 - Karowe and prospecting licences are located in the established Orapa-Letlhakane mining district
- Karowe has produced an extraordinary number of large gem quality Type IIa diamonds:
 - 130 diamonds have sold for > US\$1 million
 - 21 diamonds for > US\$5million
 - 7 diamonds for > US\$10 million
 - 90,000 carats of +10.8ct diamonds recovered to date
- Karowe has produced 2 of the world's largest gem quality stones (positions number 2 and 6) along with approximately 20% of the recorded +300 carat stones
- Average diamond value achieved in 2016 was US\$824 per carat with four years into Karowe's approximately 15-year mine life
- Revenue guidance for 2017 is \$200 – \$220 million (exclusive of Lesedi La Rona)
- Progressive Annual Dividend of CDN\$0.10 (a 67% increase over 2015) due to strong balance sheet
- Growth potential organically through expansion of resource, exploration of surrounding prospecting licenses and through M&A



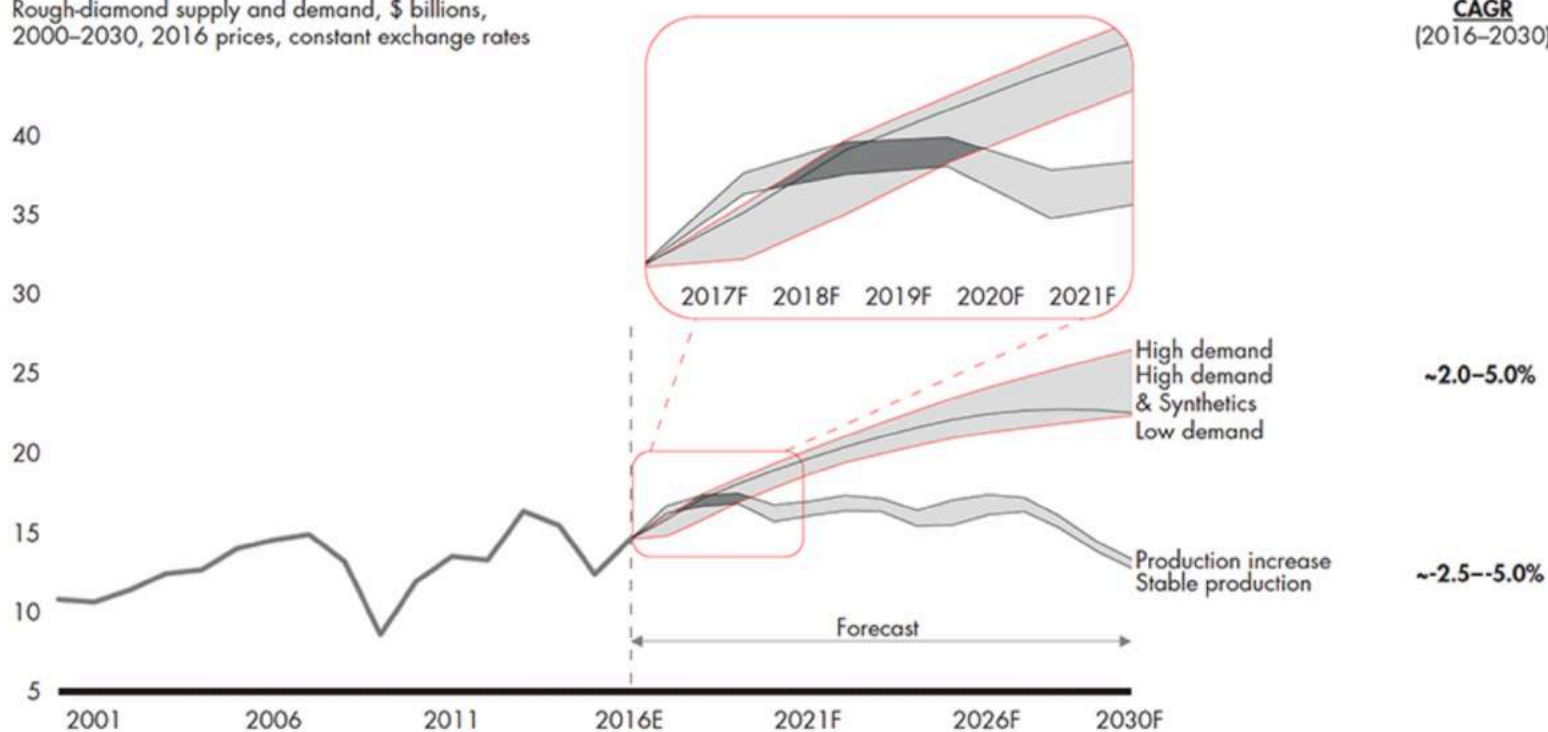
The Diamond Market

Diamond Sector: Supply vs. Demand

The gap between supply and demand is expected to remain tight in the medium term

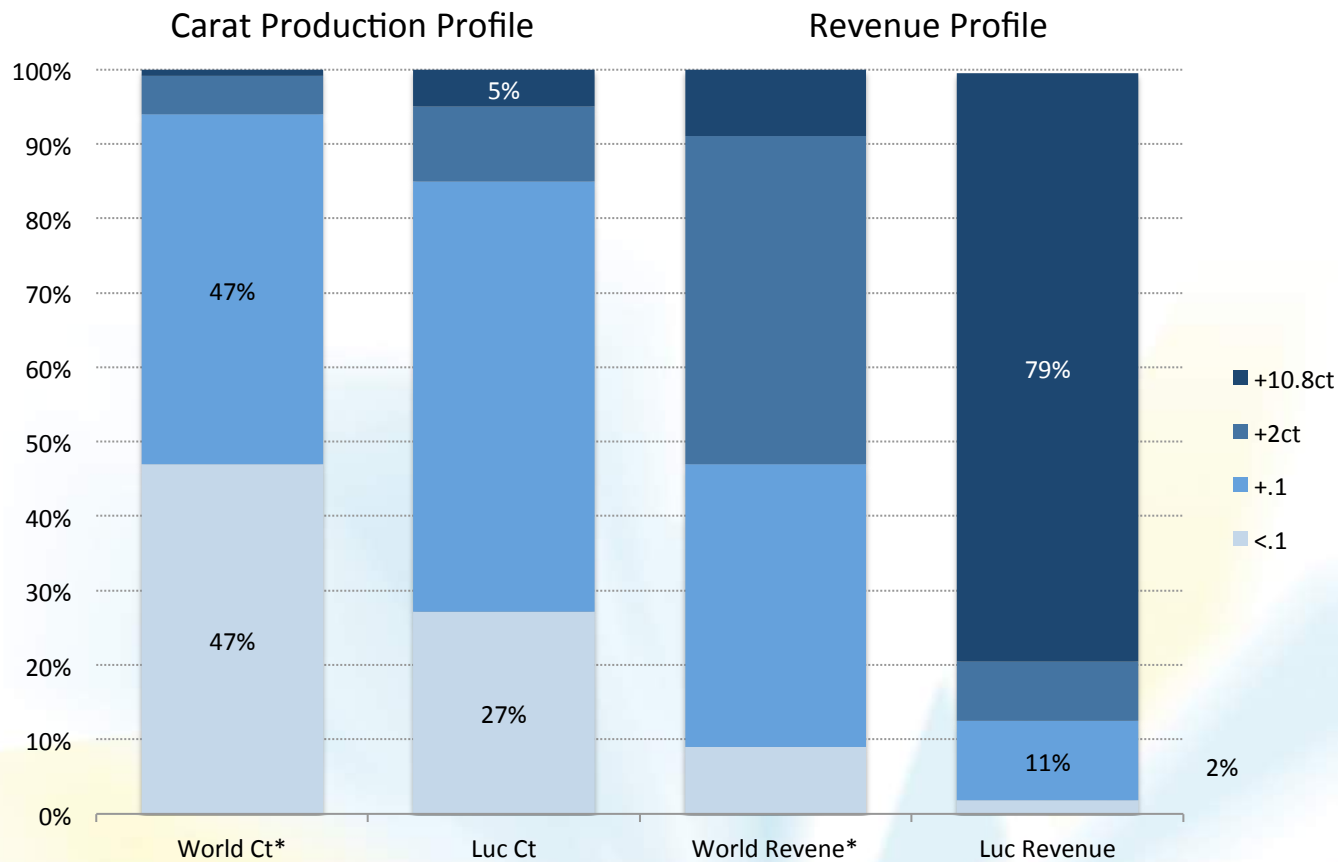
Rough-diamond supply and demand, \$ billions, 2000–2030, 2016 prices, constant exchange rates

CAGR
(2016–2030)



Note: Stable production assumes delayed start of production for new mines and earlier end of production for several existing mines; rough-diamond demand has been converted from polished-diamond demand using historical ratio of rough diamonds and polished diamonds values
Sources: Kimberley Process; Euromonitor; EIU; expert interviews; Bain analysis

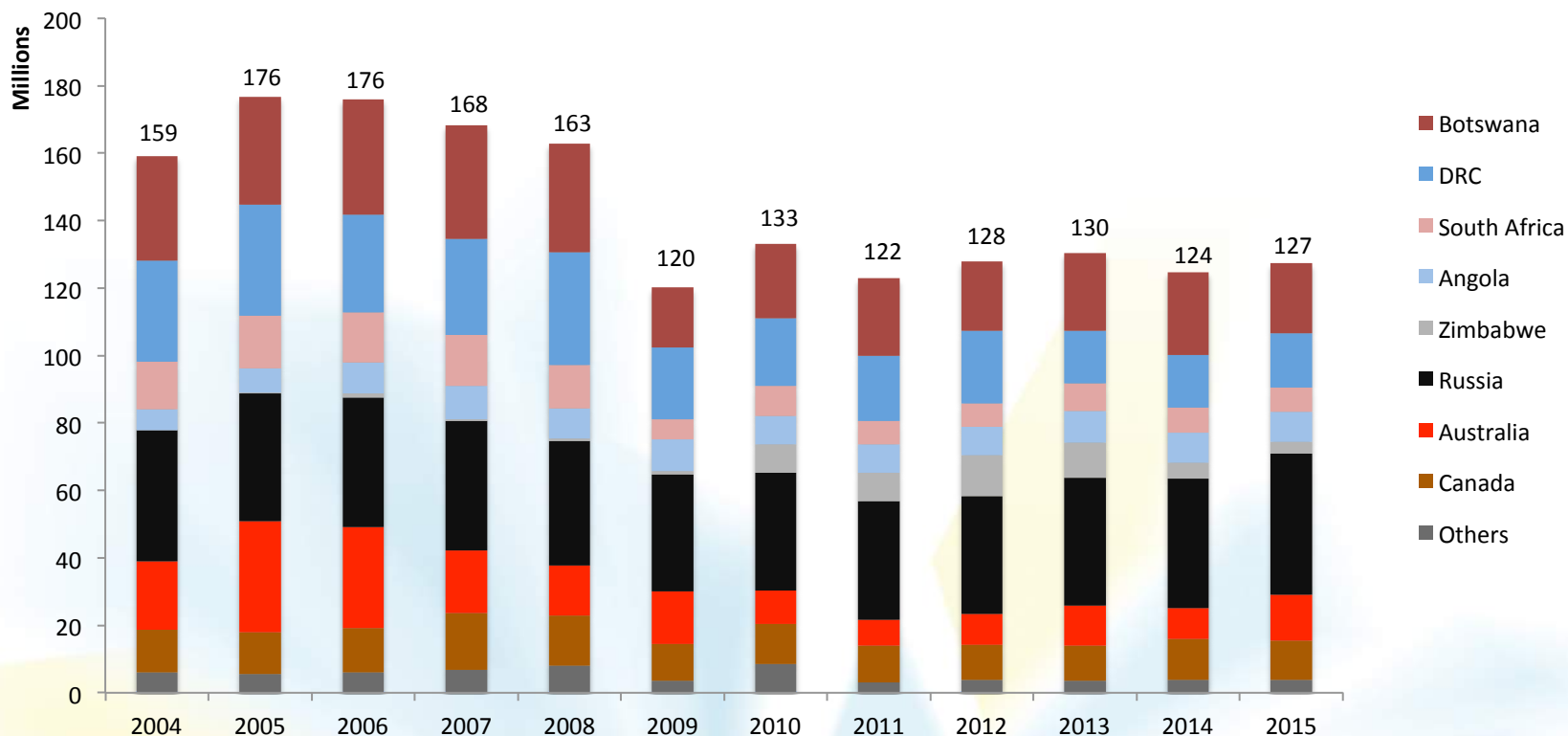
Lucara vs. World Production (est.)



*world revenue and ct proportions estimated

Global Rough Diamond Production

Annual production - Carats

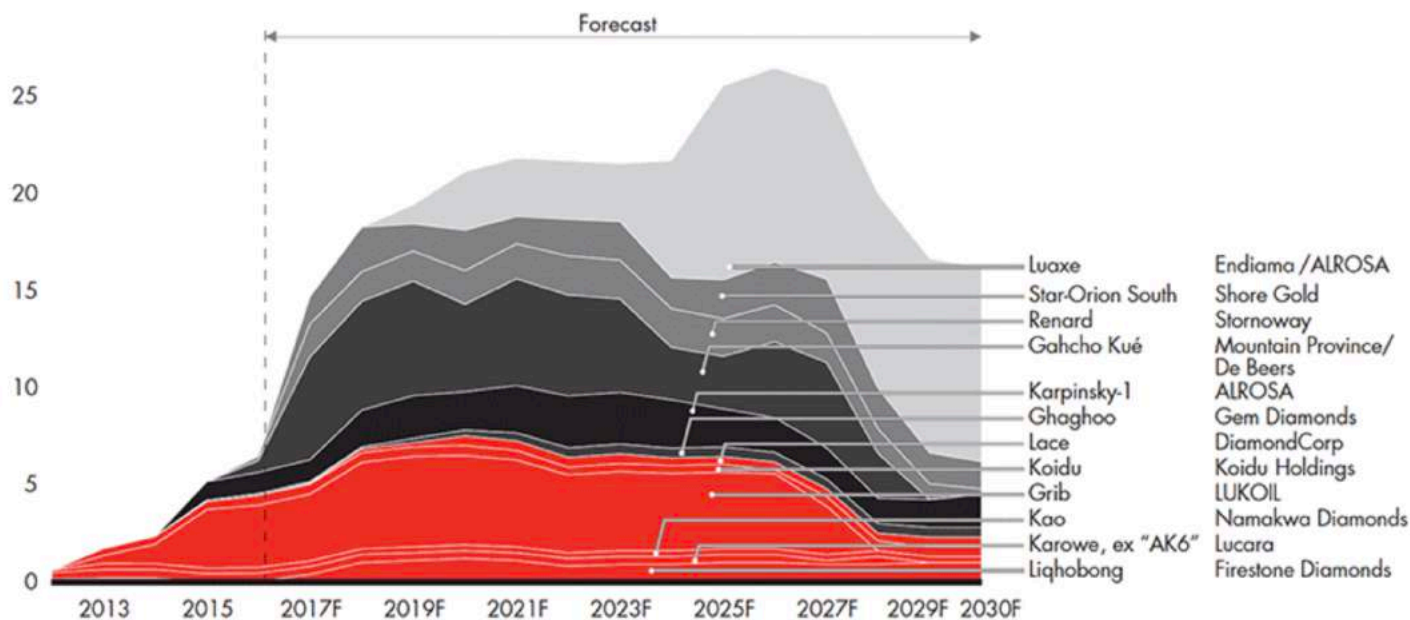


Source: Kimberley Process

Forecast for New Mines Production

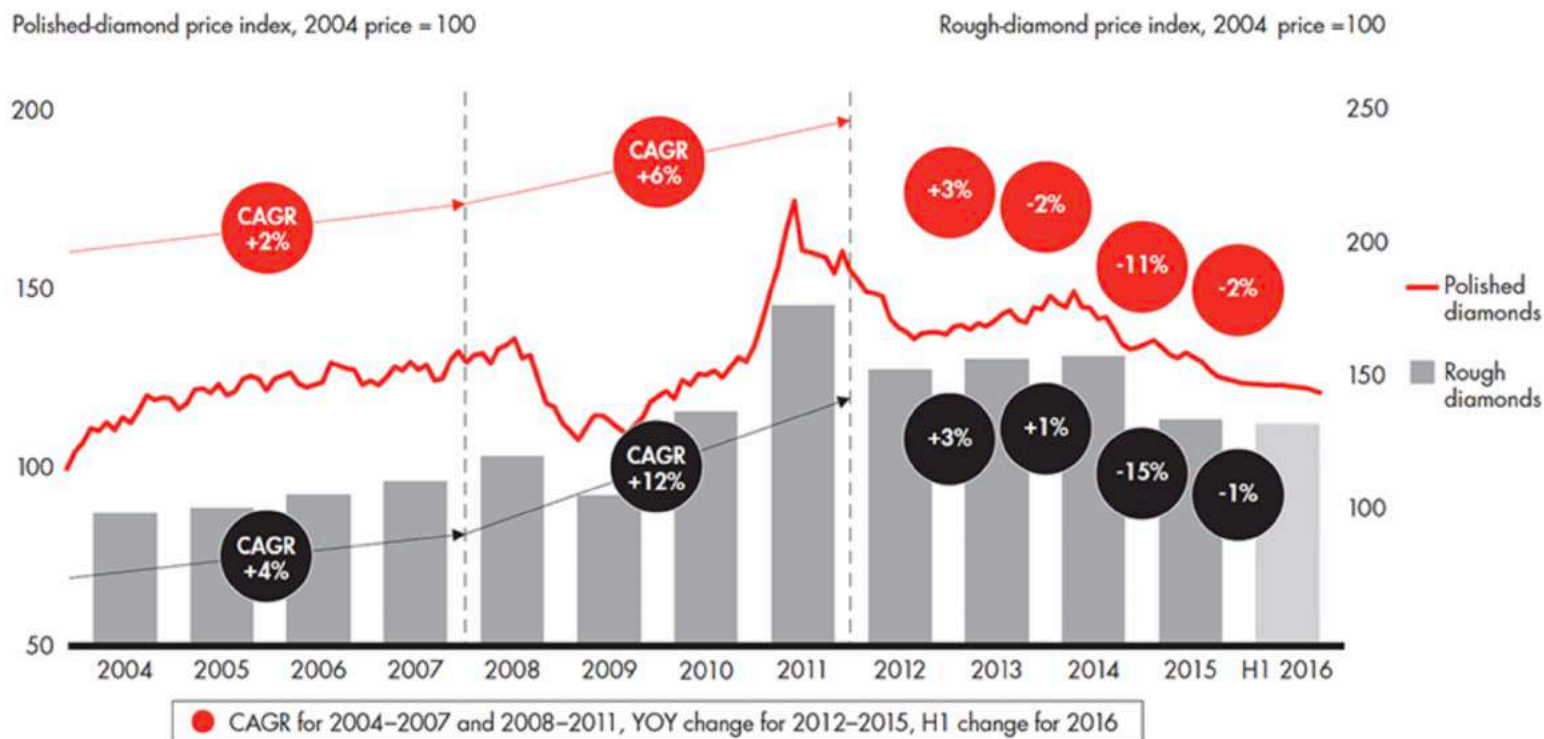
New mines are likely to add as much as 26 million carats a year until 2026, then decrease output to around 16 million carats by 2030

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

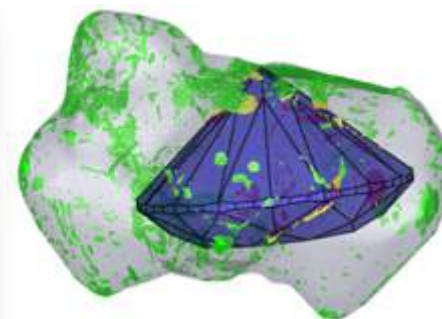
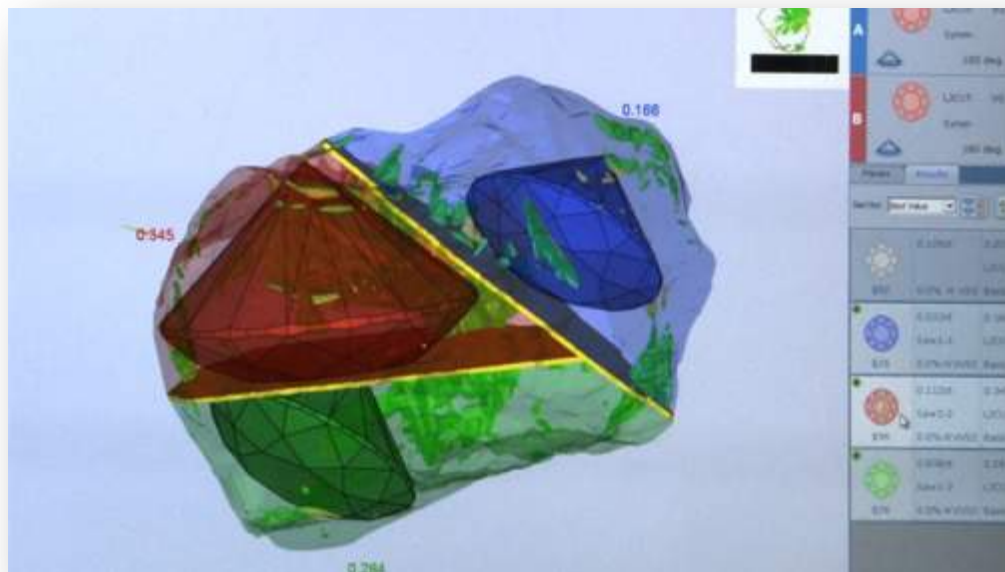


The Diamond Market

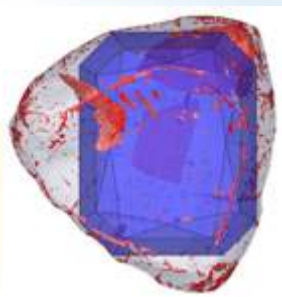
Inventory accumulation along with India's demonetization policy led to a fall in polished prices starting in 2014, with rough prices following



Polished Diamonds 101



Scan technology used extensively even on very small rough diamonds



Notes

Notes

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