



LUCARA
DIAMOND

Lucara Diamonds Corp

MAKING DIAMOND HISTORY





LDC

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Making Diamond History

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In November 2015, Lesedi La Rona, the world's second-largest gem-quality diamond ever found, was mined at the Karowe Mine in Botswana. The mining team behind the discovery was Lucara Diamonds (formerly called Boteti Mining), a diamond exploration and mining company founded in 2009. In less than six years, the Canadian-registered firm had made a discovery that placed it firmly in the spotlight of industry analysts. Since then, the company has proven that it wasn't a one-off event. Karowe Mine is the only mine to have ever recorded three +1,000 carat diamonds and consistently recovers high-value +10.8 ct diamonds. Even for a mine based in Botswana, a country ranked 2nd in the world for diamond production, Lucara's performance stands out from the crowd. Business Excellence decided to visit and explore what makes it shine.

The Karowe Mine

Lucara Diamond Corp. is a mid-tier diamond producer which owns a 100% stake in the Karowe mine. Its name, Karowe, means "Precious Stone", and it is one of Botswana's six diamond mines. Under the leadership of President and CEO Eira Thomas, it currently generates revenues in excess of US\$230 million (2021 revenue).

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- Mining consultancy services, including benchmarking audits and advice on Mine-to-Mill.
- Mining value chain assessment and elimination of bottlenecks. Mining project management

Marung Development Services have done Auditing and Benchmarking work for Debswana Diamond Mines, and are currently providing drilling and blasting services to Lucara's Karowe Diamond Mine.

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Under the leadership of President and CEO Eira Thomas, it currently generates revenues in excess of US\$230 million

Visitors to Lucara's Karowe mine are greeted with an expression that seems to encapsulate the company mission well: "Make diamond history." Given the context of its performance over the past decade, the statement stands to reason: the Karowe mine has become renowned in the diamond industry for its production of very large and high-value white gem diamonds - the most well-known of which is Lesedi La Rona (formerly known as Karowe AK6) which was acquired by British jeweler Graff.

The Karowe mine is well-known for producing a multitude of acclaimed diamonds. Another of which is the Sewelô; a rough diamond weighing 1,758 carats. A collaboration between Lucara, diamond manufacturer HB Company, and Louis Vuitton will see the diamond cut and turned into jewelry.

The combination of a mine rich in rare diamonds, state-of-the-art technology, and leadership that is recognized as among the best in its industry have


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enabled Lucara Diamonds to benefit in the form of margins far above the standard. In 2022, the projected free cash flow yield is projected to be higher than 25% - high even given the industry's upswing. Best of all, this is all done with an eye to sustainability (see below), ensuring that results in the short term always yield positive long-term socio-economic effects for Botswana.

Did you know?

4 of the 6 board members are female, 2 of 3 executive officers are female, and 31% of the workforce

Expansion of Mine Operations
The Karowe mine underground expansion represents the continuation of Lucara's impact. The company announced at the beginning of 2022 that it would invest \$534 million to increase the mine size, extending its

The expansion of the Karowe Mine provides further evidence of its management's commitment to excellence. 2021 was the first year that it deferred making a dividend payment to shareholders, instead using the cash to ramp up its capital investment. Shareholders will be the winners of this move, as diamond prices climb higher.

life to 2040. Thanks to this, and the company's ability to extract more efficiently than most of its competitors, it is expected that the expansion projects will contribute approximately \$4 billion in additional revenues, using conservative diamond prices.

The transition to main shaft sinking began in Q2 of 2022, and the expansion is currently running on time and within budget.

Women to the Front
Somewhat against the grain in the mining industry, Lucara is unapologetic about putting women at the front of its operations. One of its co-founders and current CEO, is Ms. Eira Thomas, a Canadian executive with more than a quarter of a decade of experience in mining. She is just one of many women making waves at the firm. Another significant figure steering the wheel at Lucara is its Managing Director, Ms. Naseem Lahri. Ms. Lahri is born and raised in Botswana, a trained chartered accountant, and a seasoned executive in the mining industry working with Morupule Colliery and Debswana. Her leadership at

Lucara and in the community earned her the title of "2022 Business Woman of the Year" at the All Africa Business Leaders Awards
They and others at Lucara Diamonds are cutting a path for other women who might otherwise have believed mining was a male-oriented profession. Here, the company's numbers speak for themselves: 4 of the 6 board members are female, 2 of 3 executive officers are female, and 31% of the workforce (unfortunately, an industry-leading figure) is female. The company is actively changing perceptions about gender in the mining industry.

Socioeconomic Impact
Lucara Diamonds has published a sustainability report for the past nine years. Every year, it invests significant sums into



Lucara recently launched an online marketplace for the trading of diamonds - Clara Diamond Solutions


ongoing and one-off projects located in and around the mine site. Although many of these have focused primarily on mitigating the impact of Covid-19 for the past two years, the company's efforts in the Karowe Village Initiative (KVI) continued apace. Examples during the pandemic included the development of an integrated farm, a stock farm, and the commencement of a sports complex.

In terms of employment, Lucara directly employs 545 people at its mine. At the end of 2020, its total employment figure, which included contractors, was 1,108. Importantly, 99% of these were Botswana nationals, all of whom stand to benefit


from the company's trainee employment programs, hiring from within, and long-term commitment to the country.

Overcoming the Covid-19 Challenge

The Covid-19 pandemic had a tangible detrimental effect on the diamond industry, with margins falling by as much as 40% at its height. Thankfully for the diamond industry, its recovery was V-shaped. Lucara conducted a number of business continuity initiatives during the pandemic. The most notable of these was a 24-month committed supply agreement with Europe's large manufacturing company, HB Antwerp.



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Outside of the risk-mitigating agreement with HB Antwerp, the Botswana government decreed that mining was a strategic national industry. As a result, Lucara continued working without stoppages and introduced a number of safety measures for all of its employees. These measures contributed to the company showing a 0.7% positive result rate across 2,478 tests. In addition, it made contributions to the government's Covid relief fund and distributed food hampers, hygiene products, and first aid training to the needy.

A Mining Firm Grounded in Technology
Away from its core operations, Lucara recently launched an online marketplace for the trading of diamonds - Clara Diamond Solutions. This is the first of its kind in an industry where, until now, trading has been driven by intermediaries. Clara



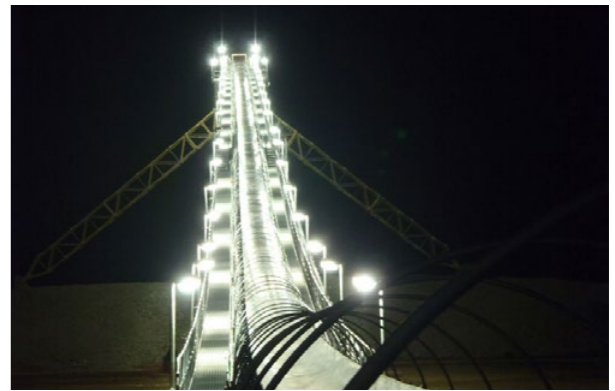
recorded a sales volume of \$28.7 million in 2021 (168% increase on the previous year) and it believes that within five years, the platform has the potential to generate as much cash flow for the company as its core mining operations - and even surpassing it in the years thereafter.

In a sense, this mirrors the path taken by some well-known trading firms that began acquiring mines a little over a decade ago. But the company's commitment to infusing its work with technology can also be seen on the operations side. For example, its Karowe Mine was the first mine in the world to use XRT Technology - a method that checks for diamonds by investigating the atomic particle density - and is now considered to be the future of mining.

Strategic Supply Partners

Lucara has a range of supply chain partners that make a stellar contribution to its record as one of the world's most productive mines. This begins with companies working on the mine's own operations, which include the United Mining Services Group (UMS), Marung Development Services, Moolman Mining Botswana, Uzuva Holdings, and Minopex Botswana, which provides bespoke operations and maintenance services.

In terms of auxiliary services, the equipment - which the company needs to be able to fully depend on is leased or purchased from local suppliers such as Trollope Botswana, Madupi Plant Hire, Torma Sorting Mining, and Serious Systems. Malca Amit Botswana plays a pivotal role in the company's storage and shipping of



excited to be unlocking the value of the underground and we have basically demonstrated that we have more value ahead of us than behind us”.

With this expansion project, Lucara expects to mine till at least 2040 and in doing that it remains focused on maintaining a strong, healthy balance sheet and maintaining the operational excellence it is known for as it continues to run its mine safely and efficiently with its partners. Lucara is also evolving its thinking with its different approach to sales by exploring opportunities downstream and with its strategic partnerships that allow it to build demand for its diamonds and the best prices as well.

In less than a decade since the mine went live, so much has already been achieved by Lucara and its partnership with the community ensures its sustainability and growth. These are exciting times in Botswana, a progressive country with big ambitions that has a mining company to match.

diamonds. Finally, WEC Projects (Pty) Ltd is responsible for overseeing the mine’s water and wastewater operations.

A Bright Future Ahead

The medium- to long-term outlook for Lucara is highly positive with futures trading on diamonds showing upward momentum irrespective of the global economic challenges. As CEO Eira Thomas states “The focus on remains the underground expansion, we want to get the message out that this project is fully financed, fully sanctioned by our board and we have spent just over \$150m to date of our planned \$534m investment. It’s going well and what is exciting about the opportunity as it allows us to access the most valuable part of the ore body because at Kawore it actually gets richer the deeper we mine and all of our highest-value diamonds have come from these deeper geological units so we are really



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