



# **Lucapa Diamond Company Limited**

## ***Growing production of high-value diamonds***

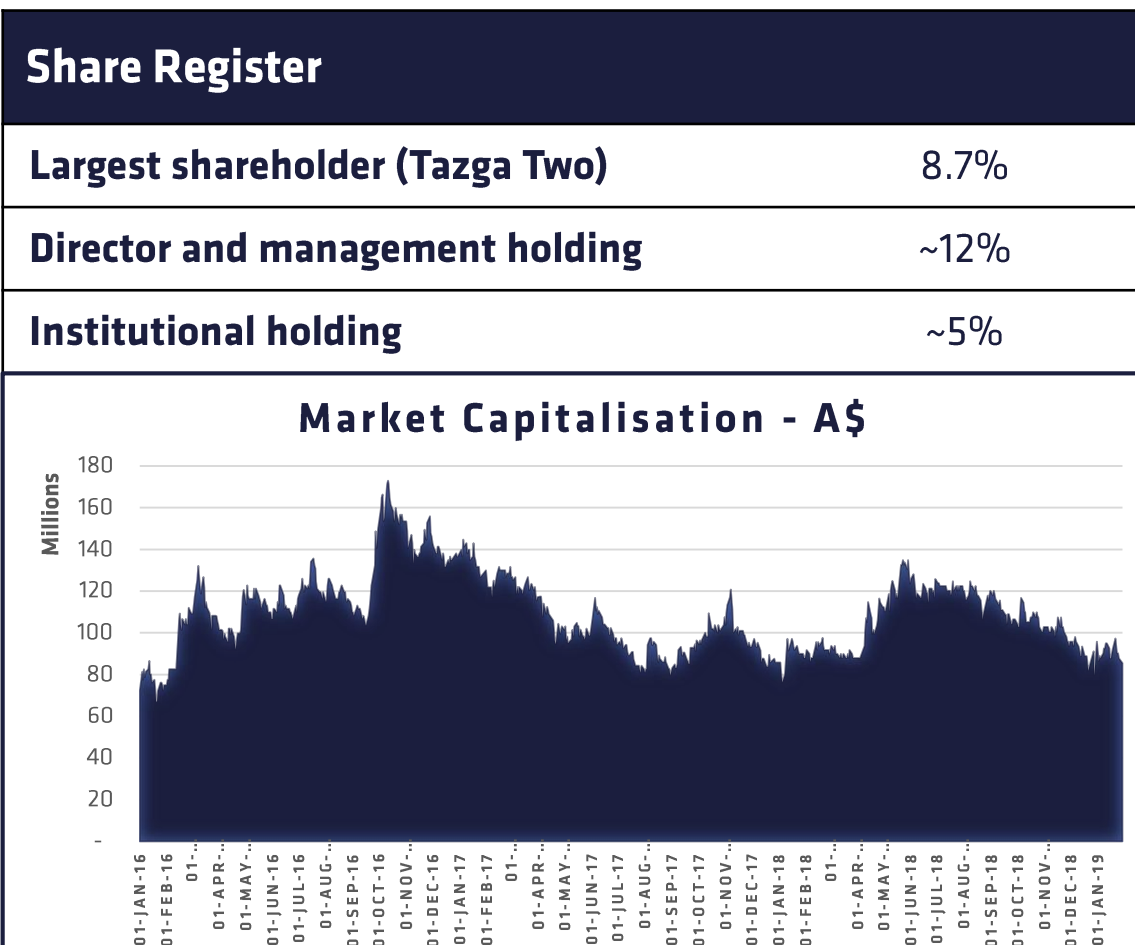
**Euroz Rottneest Conference – March 2019**



# Corporate snapshot



Australia (ASX: LOM) Germany (FSE: NHY)	
Share price (A\$ cents)	17.0c
Shares on issue (million)	472
Market capitalisation	A\$81m
52-week share price range (A\$ cents)	16.5c – 31.5c
Group cash (31 Dec 2018) <sup>1</sup>	US\$8.2m
Diamond inventory (carats) (31 Dec 2018) <sup>2</sup>	5,024
Debt <sup>3</sup>	US\$20m
<p><sup>1</sup> Excludes US\$4m SML loan repayment to Lucapa to be received in Q2 2019; and US\$1.6m (40%) of US\$4m pro-rata distribution to Lulo partners</p> <p><sup>2</sup> Comprises 3,089 carats held by Mothae and 1,935 carats held at Lulo; Seven Specials comprising 498 Lulo carats sold for US\$16.7m on tender at end Jan 2019</p> <p><sup>3</sup> Comprises US\$13m Equigold facility; and US\$7m Mothae development facility with IDC (South Africa). Lower-cost debt refinancing options being considered</p>	



# Quality diamond assets



## □ Production assets

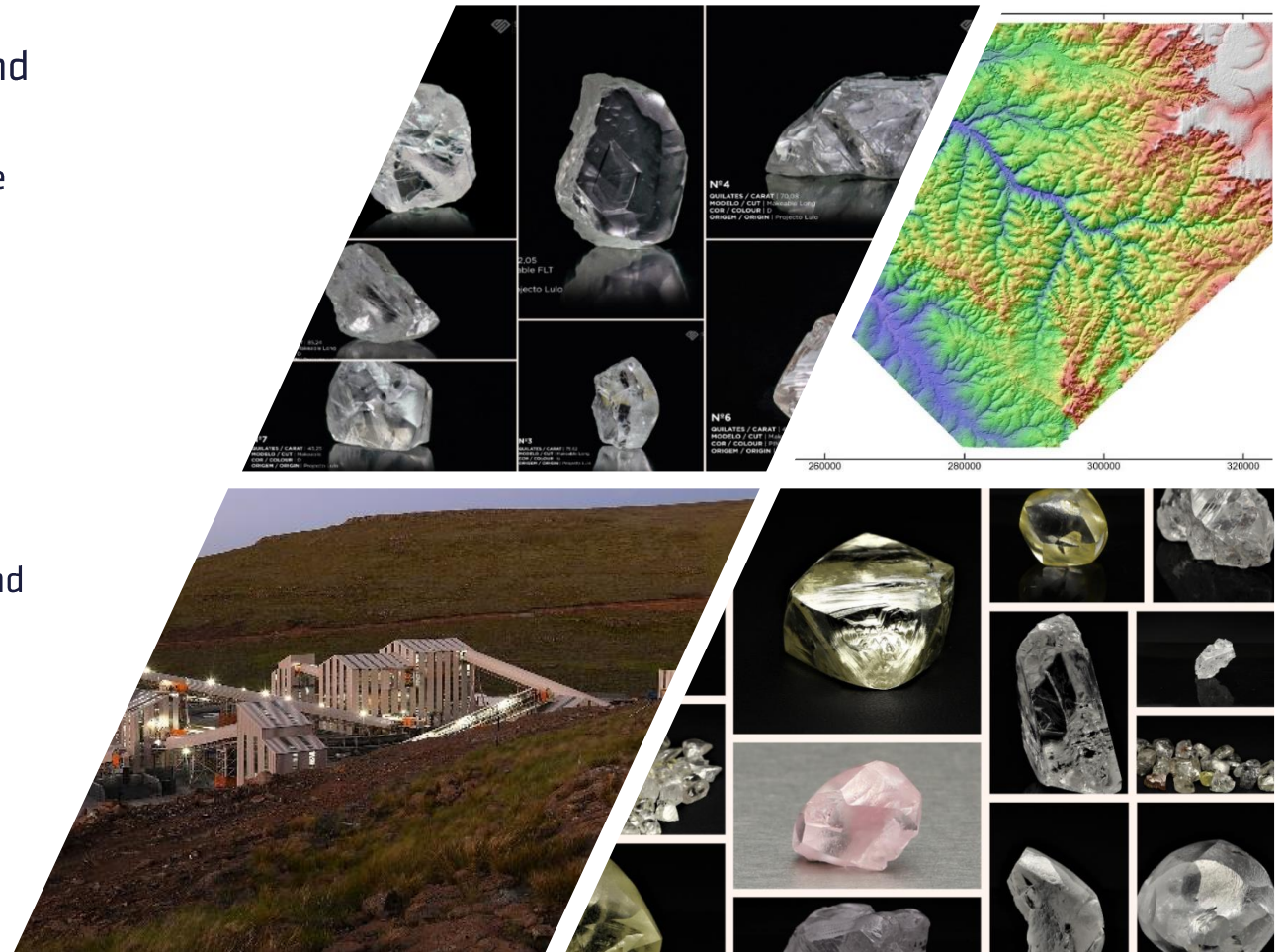
- Strong revenue generation from two high-value diamond mines (only a few in the world)
  - 🇦🇴 Lulo, Angola - world's highest US\$ per carat alluvial mine now in 5th year of production
  - 🇱🇸 Mothae, Lesotho - new high-value kimberlite mine in world's best quality diamond address

## □ Exploration assets

- Potential for significant source discovery
  - 🇦🇴 Lulo kimberlite exploration program
    - Prospective exploration targets in Australia (Brooking) and Botswana (Orapa)

## □ Board & management

- Portfolio developed by Board and management teams with decades of industry experience



# The platform laid in 2018



## □ Production assets

### Lulo mining

- New production record (4<sup>th</sup> consecutive year)
- Continued production and sale of large and top-quality diamonds - world's highest US\$ per carat alluvial mine
- Following ongoing extensive auger drilling - upgrading alluvial resource and new diamond areas discovered
- Historic marketing policy change – led to first diamond sale by international tender – major positive impact on prices going forward

### Mothae mining

- Financed, designed, constructed and commissioned new 1.1Mtpa Mothae high-value resource mine
- Achieved first commercial recoveries and sales of diamonds

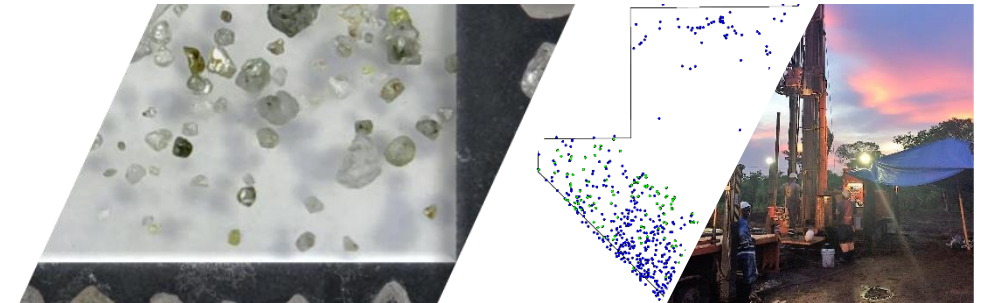
## □ Exploration assets

### Lulo kimberlite exploration

- New 5-year Mineral Investment Contract for Lulo kimberlite licence
- Completed an extensive drilling program across +90 targets

### Brooking lamproite exploration

- Discovery of source lamproite at Brooking with high concentrations of diamonds





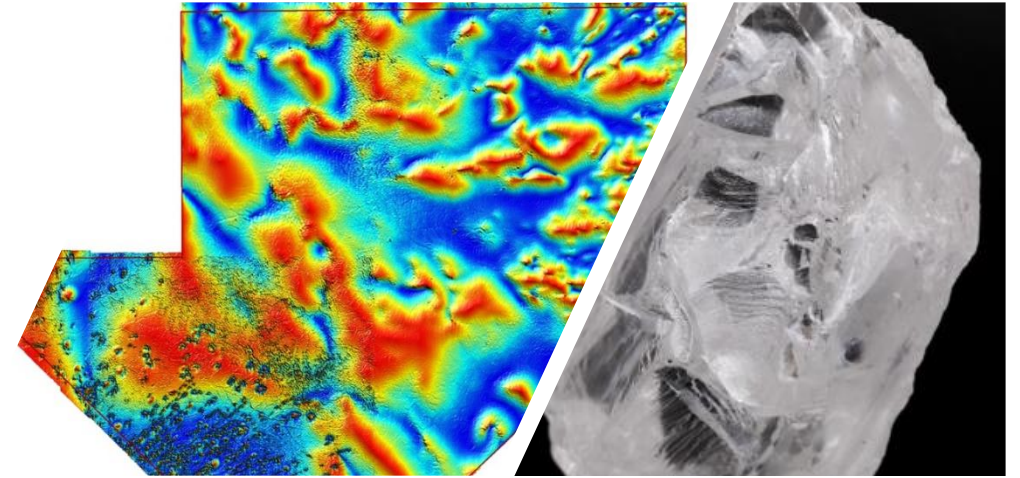


# Lulo, Angola

# An exceptional diamond province



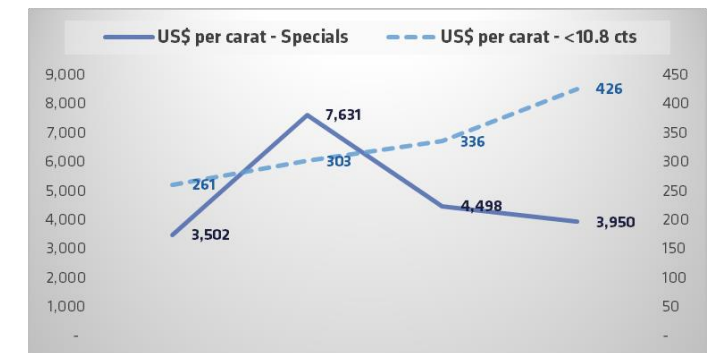
- ❑ One of the world's most prolific high-quality diamond fields in Angola's Lunda Norte diamond heartland
- ❑ Decade-long exploration and mining partnership with Endiama (Angolan state diamond mining company) and Rosas & Petalas (local Angolan partner)
- ❑ Primary (source exploration) and secondary (alluvial mining/ exploration) licences
- ❑ Home to the world's highest-value alluvial diamonds and Angola's two largest recorded diamonds (404 carats and 227 carats)
- ❑ Large population of Specials (>10.8 carats) and rare Type IIa diamonds, as well as pinks and yellows
- ❑ Expansive kimberlite province underlying alluvial mining blocks



# Sustained alluvial revenues and returns



- ❑ Large stone, high-value resource
- ❑ US\$141m sales to date @ ~US\$2,100/carat by Lulo alluvial mining company SML (LOM 40%)
- ❑ SML 2018 EBITDA of ~US\$8m (adj for diamonds recovered in 2018 and held over for Jan 2019 international tender)
- ❑ US\$4m loan repayment of Lucapa's development loans and US\$1.6m (40%) of pro-rata US\$4m distribution declared from 2017 earnings<sup>1</sup>
- ❑ US\$11.5m previously paid to Lucapa in loan repayments and distributions in 2016 and 2017<sup>2</sup>
- ❑ 2019 production expansion to deliver increased revenues, returns and loan repayments for US\$32m in development loan remaining<sup>3</sup>



<sup>1</sup>To be received by Lucapa in Q2 2019

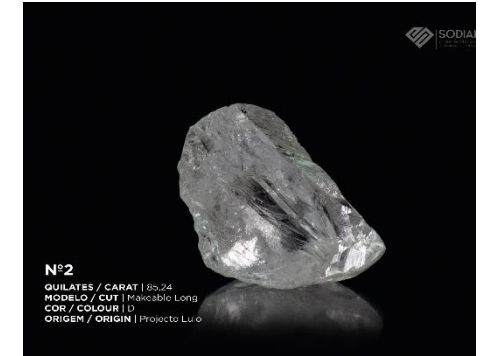
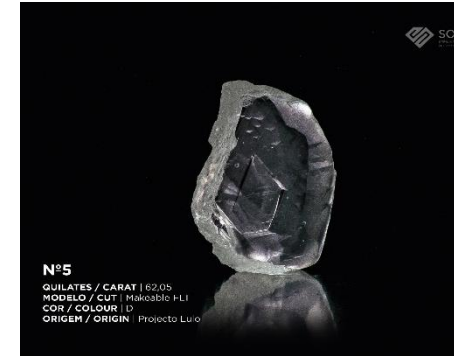
<sup>2</sup>Includes US\$9.9m repatriated to Lucapa in Australia and US\$1.6m distribution used to fund ongoing Lulo kimberlite exploration program in Angola

<sup>3</sup>Gross outstanding loan balance at 31 Dec 2018



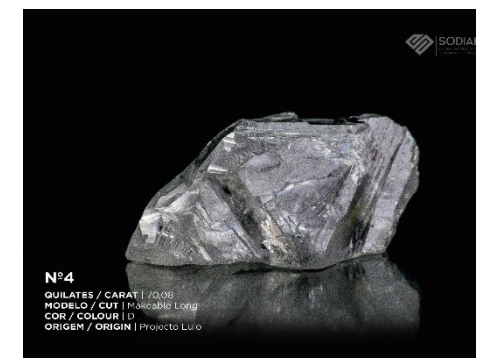
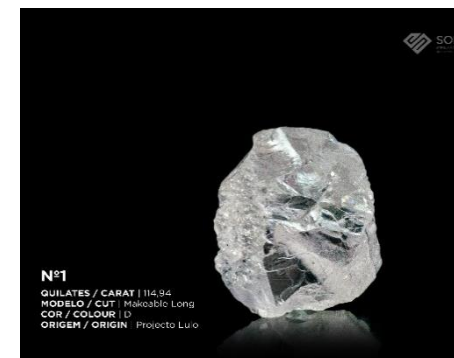
# Angolan reforms

- ❑ **New diamond marketing policy signals positive new era for Angola's diamond mining sector**
  - ❑ Leading to historic Angolan tender of seven exceptional Lulo diamonds recovered in 2018
  - ❑ >30 international diamantaires participated in inaugural tender in January 2019
  - ❑ Diamonds sold for US\$16.7m
  - ❑ Average price of US\$33,530/carat
  - ❑ Premiums in prices compared to previous policy



Comunicado de Imprensa

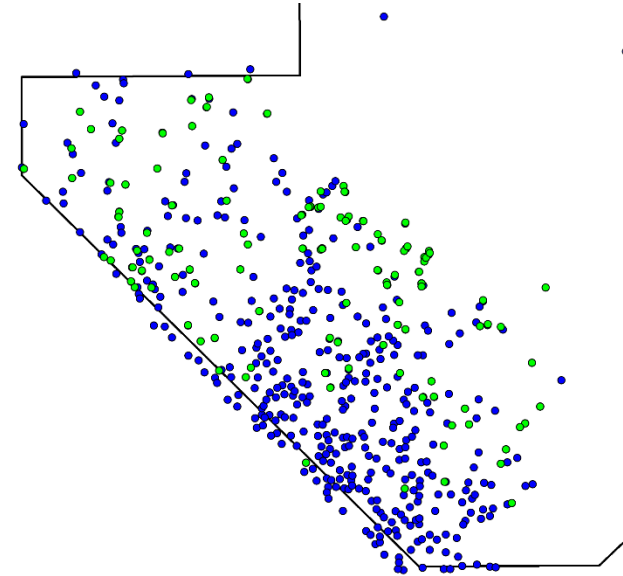
**1º LEILÃO DIAMANTES BRUTOS EM ANGOLA  
 PROMOTORES ARRECADAM 16,7 MILHÕES  
 DE DÓLARES**



# Exploring for the primary diamond source

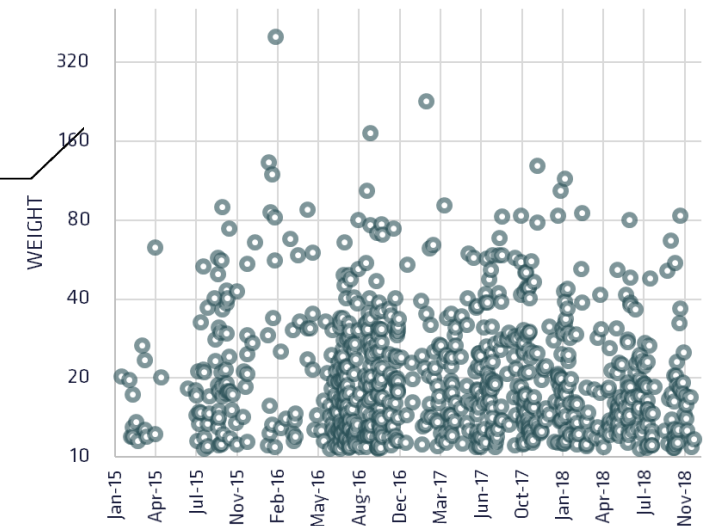


- ❑ Identified vast kimberlite province below alluvial mining blocks
- ❑ Frequent recovery of large, irregular shaped alluvial diamonds – with little signs of travel – considered proximal to source
- ❑ Recovered 133 carat compound diamond
- ❑ Ongoing year-round drilling and exploration program to discover the primary source(s) of the exceptional alluvial diamonds
  - ❑ Drilling campaign extracting drill core from 92 anomalies for mineral chemistry analysis
  - ❑ 68 kimberlites confirmed and so far 11 kimberlites identified for follow-up; six diamond-bearing kimberlites confirmed



133.4 carat

## Special Recoveries



Source: Company





**Mothae,  
Lesotho**

# A second high-quality mine in production



- ❑ **Acquired 70% of Mothae in 2017 for US\$9m from the Government of the Kingdom of Lesotho**
- ❑ **Neighbours Letšeng mine in Lesotho's diamond-rich Maluti mountains**
- ❑ **+1m carat high-value JORC Resource<sup>1</sup>**
- ❑ **Fully-financed US\$28m<sup>2</sup> 1.1Mtpa Phase 1 plant built - incorporating DMS and two XRT diamond recovery circuits**
- ❑ **Commercial production commenced 1 Jan 2019**
- ❑ **Plant scalable to 2.2Mtpa under a Phase 2 development**

<sup>1</sup>Refer ASX announcement 24 March 2017. All material assumptions continue to apply and have not changed materially

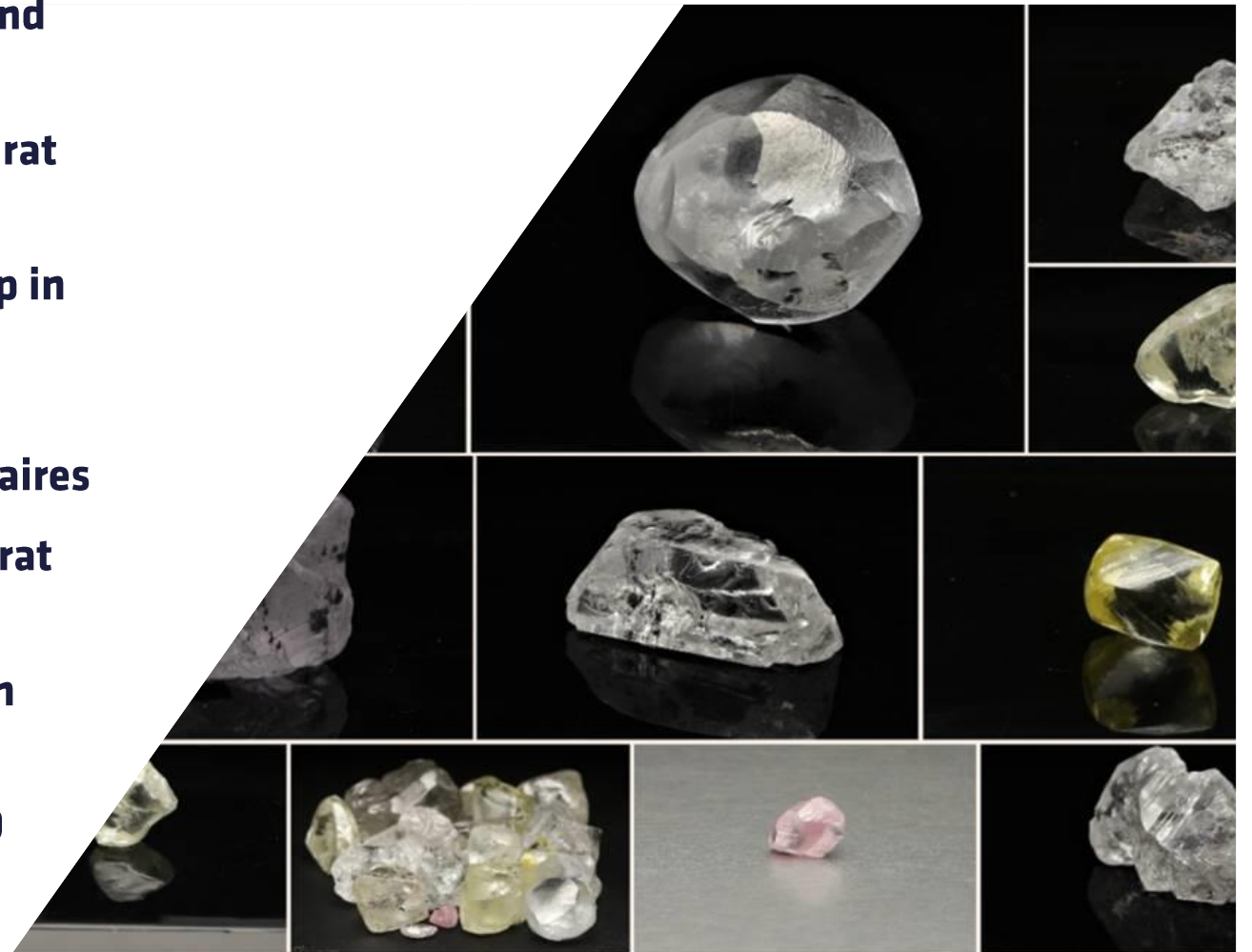
<sup>2</sup>Includes investments in bulk sampling plant refurbishment, bulk sampling program, capitalised interest and forex movements



# Already producing the goods



- ❑ **New plant efficiencies leading to improved diamond recoveries**
- ❑ **Regular Specials recovered, including three +50 carat diamonds already**
- ❑ **US\$3.8m from first run-of-mine tender in Antwerp in Feb 2019, including prices up to US\$36,664/carat**
- ❑ **Large and high-value diamond demand good - reflecting continued interest from global diamantaires**
- ❑ **US\$707 per carat for entire parcel; ~US\$900 per carat for diamonds in the +11 sieve fraction**
- ❑ **Potential to expand Phase 1 plant throughput with minor modifications well ahead of Phase 2 plan**
- ❑ **Revised operational guidance planned for Q2 2019 (volume, grade and price)**



# Generating new profit streams



- ❑ Opportunities to generate new profit streams beyond mine gate
- ❑ Partnerships with leading diamantaires for cutting & polishing
- ❑ Sharing polished margins above rough cost

## Existing income stream

Rough  
Production



Rough Sale



## Additional downstream income

Polishing



Jewellery  
Manufacturing



Branded Sale/  
Auction



# Why invest in Lucapa in 2019

- ❑ Significant production platform laid
- ❑ Focusing on profitability and cashflow growth in 2019
- ❑ Lucapa provides a point of difference
  - ❑ Now a multi-mine producer
  - ❑ High-quality production – prices robust in current market
  - ❑ Partnership opportunities and access to new profit margins
  - ❑ Exploration upside at Lulo – searching for the source of large high-value alluvial diamonds
  - ❑ Board and management team

## The platform laid in 2018

### Production assets

#### Lulo mining

- ❑ New production record (4<sup>th</sup> consecutive year)
- ❑ Continued production and sale of large and top-quality diamonds – world's highest US\$ per carat alluvial mine
- ❑ Following ongoing extensive auger drilling – upgrading alluvial resource and new diamond areas discovered
- ❑ Historic marketing policy change – led to first diamond sale by international tender – major positive impact on prices going forward

#### Mothae mining

- ❑ Financed, designed, constructed and commissioned new 1.1Mtpa Mothae high-value resource mine
- ❑ Achieved first commercial recoveries and sales of diamonds

### Exploration assets

#### Lulo kimberlite exploration

- ❑ New 5-year Mineral Investment Contract for Lulo kimberlite licence
- ❑ Completed an extensive drilling program across +90 targets

#### Brooking lamproite exploration

- ❑ Discovery of source lamproite at Brooking with high concentrations of diamonds



## 2019 value drivers

### Grow profitability of producing assets

- ❑ Expand throughput and carat production
- ❑ Optimise revenues through new competitive sales channels
- ❑ Reduce operating unit costs through additional capacity/economies of scale

### Access new profit streams beyond the mine gate

- ❑ Enter into branding partnerships with leading diamantaires to cut & polish select diamonds

### Reduce cash outflows

- ❑ Review Brooking and Orapa exploration programs
- ❑ Replace higher cost "project development" finance following de-risking through commissioning of Mothae



# What the analysts have to say

---



## □ Two analysts' views following recent visit to Mothae

*“We believe the propensity for large high-value diamonds to be recovered from Mothae, as well as the potential for a significant expansion of resources, can complement the existing Lulo production perfectly, creating a globally significant producer of large high-value diamonds.”*

*Kieron Hodgson – Panmure Gordon, London, February 2019*

**Panmure  
Gordon**

**EUROZ**  
LIMITED

*“Decades of joint diamond mining experience has culminated in the delivery of a quality expandable project that will underpin the Company’s growth aspirations for at least 14 years of mine life. Mothae truly is a demonstration of what good looks like in diamond mining and will likely be a model operation for peers to follow.”*

*Michael Emery – Euroz, February 2019*





# Forward-Looking & Competent Person's Statements



## Forward-Looking Statements

This Presentation has been prepared by Lucapa Diamond Company Limited (“the Company”). This document contains background information about Lucapa Diamond Company Limited current at the date of this Presentation. The Presentation is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this Presentation. This Presentation is for information purposes only. Neither this Presentation nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction. This Presentation may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction. This Presentation does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this representation are not intended to represent recommendations of particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

To the fullest extent permitted by law, Lucapa Diamond Company Limited, its officers, employees, agents and advisers do not make any representation or warranty, express or implied, as to the currency, accuracy, reliability or completeness of any information, statements, opinion, estimates, forecasts or other representations contained in this Presentation. No responsibility for any errors or omissions from this Presentation arising out of negligence or otherwise is accepted. This Presentation may include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Lucapa Diamond Company Limited. Actual values, results or events may be materially different to those express or implied in this Presentation. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements. Any forward-looking statements in this Presentation speak only at the date of issue of this Presentation. Subject to any continuing obligations under applicable law and ASX Listing Rules, Lucapa Diamond Company Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this Presentation or any changes in events, conditions or circumstances on which any such forward-looking statement is based.

## No New Information

To the extent that this presentation contains references to prior exploration results which have been included in previous ASX market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the prior relevant market announcements.

## Competent Person's Statement

Information included in this presentation that relates to exploration results and resource estimates is based on and fairly represents information and supporting documentation prepared and compiled by Richard Price MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Price is an employee of Lucapa Diamond Company Limited. Mr Price has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Price consents to the inclusion in the presentation of the matters based on this information in the form and context in which it appears.