

BLOCKCHAIN AND BLING – BRINGING TRANSPARENCY TO THE DIAMOND INDUSTRY

This week, Lucara Diamond Corp announced the acquisition of Clara Diamond Solutions - a secure digital platform that uses blockchain technology to match rough diamond production to specific polished diamond whilst tracking diamonds across the entire supply chain. The aim is to improve transparency and to provide a greater level of assurance to consumers about the origin of their diamonds.

Today, the diamond supply chain can be described as static, inefficient and inflexible. Participants in the chain use an entrenched system that hasn't changed in over 100 years. This makes it ripe for disruption and change is inevitable.

Last month, the world's biggest diamond producer, De Beers, announced they had launched a pilot scheme using blockchain technology with a small number of participants, with the initiative attempting to underpin confidence in diamonds and the diamond industry.



Claire Shaw

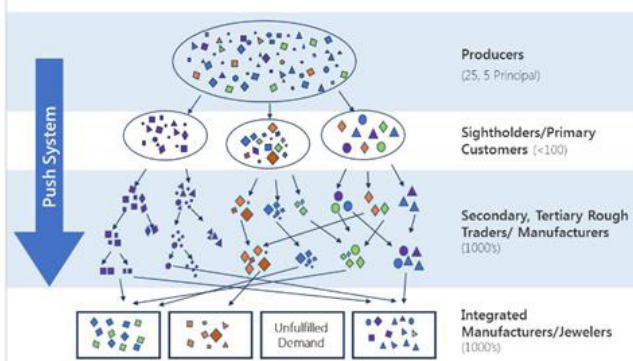
**Portfolio Manager
OYSTER European Mid
& Small Cap Fund**

"Lucara is looking to shake up the opaque system of buying and selling diamonds in an attempt to boost transparency in the industry. Clara will not only modernise the entire sales process but expects to unlock additional value for all participants in the diamond value chain. The acquisition supports Lucara's reputation as an industry leader in the adoption of new technology and they hope to gain a strong first mover advantage as result of the move."

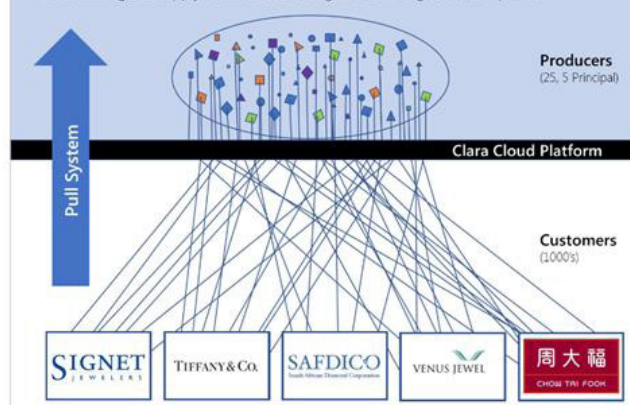
STREAMLINING THE SUPPLY CHAIN AND CREATING VALUE THROUGH THE PIPELINE

Prevailing Supply Chain System

Unchanged for over 100 yrs, Highly Inefficient, Unoptimized;
Value Loss Throughout Supply Chain



Clara Platform Matches Rough Output to Polished Demand Streamlining the Supply Chain and Creating Value Throughout the Pipeline



Source: www.lucaradiamond.com
Data as at: 2 March 2018

By creating a virtual ledger of diamond sales, the technology seeks to ensure that all registered diamonds are neither conflict free (so called 'blood diamonds' used to finance war and terror) nor are they synthetics that are passed off as real ones. With the acquisition of Clara, Lucara appears to be one step ahead of its competitors in this undertaking.

Clara is a commercially scalable, digital platform that applies computing algorithms to match rough diamond production to specific polished manufacturing demand on a stone by stone basis. The blockchain technology improves the dollars per carat (\$/ct) for producers whilst making inventory and financing more efficient for manufacturing. Manufacturers are currently all set up differently and specialise in a shape, cut or quality. Producers have to create 'parcels' of diverse diamonds in order to sell them all, thus during tenders, manufacturers have to bid for parcels that may not suit or meet their

requirements and crucially may not generate a profit for them. Clara allows for matching stone production with polished orders requirements in real time, thus unlocking the best value for every stone.

For Lucara, the benefits are 3-fold - Clara provides an affordable, yet highly valuable near-term growth platform for the company, it expands Lucara's customer base by engaging new participants in the supply chain and it also provides stable, continuous cash flow that is not tied to the fixed sales tender cycles.

Lucara has an opportunity to lead a change in the diamond industry gaining a strong first mover advantage with the establishment of the first true blockchain in the space. Providing authenticity and traceability to consumers throughout the supply chain stands to benefit all participants and should allow diamonds to shake off its opaque reputation towards a brighter, more sparkling future.