

# Lucara Diamond Corp

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## Lucara Diamond auction may not have sparked, but it created options, says CEO

It was the diamond auction that failed to sparkle. The 1,109-carat, uncut Lesedi la Rona may not have reached its reserve price at Sotheby's in London on Wednesday, even after bids for the tennis ball-sized stone topped US\$61mln, but in one respect at least, the event was a soaraway success.

As part of the warm-up to the main event, Lucara Diamonds Corp (TSE:LUC), owner of the monster rock, put up for sale three smaller examples from its mine in Botswana to raise money for a local charity.

Chief executive William Lamb, who was seated at the front of the packed room, hoped the trio of lesser gems would bring in perhaps US\$45,000-\$50,000 for the Lady Khama Charitable Trust, set up by Ruth Khama, the wife of Botswana's very first president.

Instead, the process raised a total of US\$250,000 as Lucara matched the auction proceeds and Sotheby's chipped in its commission.

However Botswana would have profited far more had Lesedi la Rona (translation from the Tswana language 'our light') surpassed its reserve.

For more than 55% of top-line revenue for the stone would have funnelled back into the country in taxes and royalty payments.

In fact, the industry is the driving force behind Africa's sixth most affluent economy.

Lucara's Lamb was reasonably chipper in the aftermath of the auction when he came in to see us here at Proactive.

The process, he said, was about finding a buyer outside the trade who might keep the second largest diamond ever discovered intact. (The biggest was the Cullinan diamond, which weighed in at over 3,000 carats).

The Sotheby's auction was also about stimulating new sources of demand for the output from one of the world's most prolific producer of high-quality larger stones - the Karowe mine.

Indeed there has been plenty of interest in the aftermath of the Sotheby's event. However, Lamb and his team haven't decided what will happen next.

The Lesedi la Rona may go on display in a museum for a while, the Lucara chief executive said. The company is in no hurry to sell.

**Price:** C\$1.44

**Market Cap:** C\$571.48M

### 1 Year Share Price Graph



May 2018 November 2018 May 2019

### Share Information

**Code:** LUC

**Listing:** TSX

**52 week High Low**  
C\$2.39 C\$1.38

**Sector:** Mining

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

### Company Synopsis:

Lucara Diamond Corp. is a new diamond producer. Its key asset is the Karowe Mine in Botswana. The 100% owned Karowe Mine is a newly constructed state-of-the-art mine which was fully commissioned in Q2 2012. The Karowe Mine is a large scale asset with tonnage and throughput upside and production has consistently included large, Type IIA stones.

### Author:

**Proactive Investors Ltd**

**+44 (0)207 989 0813**

**action@proactiveinvestors.com**

In fact it has already offloaded some absolute whoppers, including the 813 carat Constellation diamond, which sold for US\$63m to a Middle East buyer.

According to its latest financial presentation, Vancouver-based Lucara expects to generate revenues of US\$200-\$220m in this year with an operating margin of around 60%.

The presentation reveals Lucara is sitting on over US\$140m and that allows it to pay a decent, progressive dividend.

CEO Lamb said: "People think because the auction didn't end up the way the market had expected that suddenly we must sell it. I have no reason to sell it.

"If you look at the fundamentals of the company prior to the sale of the Constellation for US\$63.1m, we already had US\$135m cash.

"That's growing even though we are paying out a dividend. The balance sheet of the company allows us a lot of flexibility and means we don't have to sell it [the Lesedi diamond]."

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