

**LUCARA DIAMOND CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2015**

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. (the "Company") and its subsidiaries performance and such factors that may affect its future performance. In order to better understand the MD&A, it should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2015, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in U.S. dollars unless otherwise indicated. The effective date of this MD&A is February 23, 2016.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **FINANCIAL UPDATE**

**Revenues:** During the year the Company had sales totalling 377,136 carats for gross proceeds of \$223.8 million at an average price of \$593 per carat. The Company continued to achieve strong prices for its exceptional stone sales resulting in an average price of \$31,597 per carat in 2015 for 3,114 carats sold (2014: \$32,471 per carat for 4,176 carats). The regular tenders achieved an average price of \$335 per carat, an increase of 5.3% compared to 2014 which reflects the quality of the mine's production and an increasing proportion of south lobe ore which is known to have higher value material.

**Cash flows and operating margins:** The Company's earnings before interest, tax, depreciation and amortization ('EBITDA') (see table 4 and page 7 Non-IRFS measures) for the year were \$133.9 (2014: \$173.4 million). The decrease in operating margins was largely due to reduction in carats sold in 2015. The Company's focus on cost control, which resulted in a cost per tonne treated (see table 5 and page 7 Non-IRFS measures) of \$28.9 (2015 guidance: \$33-\$36 per tonne) contributed to the Company achieving an EBITDA margin of 60%.

**Net cash position:** The Company's year-end net cash balance was \$134.8 million (2014: \$100.8 million). The increase in the Company's cash balance was due to its strong operating cash flows, which financed the Company's plant optimization expenditure, stripping costs and its dividend payment to shareholders of \$11.8 million during the year. The Company paid \$22.4 million of royalties and \$46.7 million in taxes to the Government of Botswana of which \$35.2 million was for 2015 taxes and the remainder largely for the final 2014 tax payment. The Company has a residual 2015 tax payable balance of \$9.5 million, which is forecast to be paid during the first quarter of 2016. The Company's \$50 million credit facility remains undrawn.

**Earnings per share:** earnings per share was \$0.21 per share for the year ended December 31, 2015 (2014: earnings per share was \$0.13) and \$0.05 per share for the quarter ended December 31, 2015 (2014: earnings per share was \$0.04).

**Dividends:** The Company paid its semi-annual dividend of CDN 2 cents per share on December 17, 2015 for a cumulative dividend of CDN 4 cents per share for the year. The total dividend paid in 2015 by the Company was \$11.8 million.

In 2016 the Company is introducing a progressive dividend with the aim to maintain or increase the Canadian dollar dividends per share on an annual basis. The dividends will be paid on a quarterly basis. The Company has declared a first quarter dividend of CDN 1.5 cents per share. The dividend is expected to be paid on March 31, 2016 to holders of securities on the record of the Company's common shares at the close of business on March 18, 2016. The Company anticipates that it will declare a further three payments of CDN 1.5 cents per share in 2016 at the end of each quarter for a

total yearly dividend of CDN 6 cents per share however the declaration of all future quarterly dividends remains in the discretion of the Board of Directors and is subject to the requirements of the Company's dividend policy.

## OPERATIONAL UPDATE

**Karowe operating performance:** Karowe's performance was in line with forecast for the year in terms of ore and waste mined and carats recovered. Karowe recovered a total of 727 stones greater than 10.8 carats with an average stone size of 36.7 carats per stone. (2014 recovery of 815 stones greater than 10.8cts at an average of 29 carats per stone) A total of 47 stones greater than 100 carats were recovered (2014: 31 stones) including 20 stones greater than 200 carats (2014: 4 stones) of which 7 stones were greater than 300 carats.

**Botswana Prospecting Licenses:** In 2014, the Company was awarded two precious stone prospecting licenses (PL367/2014 and PL371/2014) which are known to host the kimberlites, BK02, AK11 and AK12, AK13 and AK14. The prospecting licenses are located within a distance of 15 km and 30 km from the Karowe Diamond mine. During the fourth quarter of 2015, the bulk sampling plant was commissioned and the processing of kimberlite from BK02 commenced. During the fourth quarter, the Company received environmental approvals for bulk sampling activities at AK11 and AK12.

## FINANCIAL HIGHLIGHTS

**Table 1:**

<i>In millions of U.S. dollars unless otherwise noted</i>	<b>Three months ended December 31</b>		<b>Year ended December 31</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Revenues <sup>(1)</sup>	\$ 65.2	\$ 70.5	\$ 223.8	\$ 265.5
Average price per carat sold (\$/carat)	693	675	593	644
Operating expenses per carat sold (\$/carat)	137	89	133	115
Operating margin per carat sold (\$/carat)	556	586	460	529
Net income (loss) for the period <sup>(2)</sup>	19.0	(16.8)	77.8	45.7
Earnings (loss) per share (basic)	0.05	(0.04)	0.21	0.13
Earnings (loss) per share (diluted)	0.05	(0.04)	0.20	0.13
Cash on hand	\$ 134.8	\$ 100.8	\$ 134.8	\$ 100.8

(1) Revenue is presented based on cash receipts received during the period and excludes any tender proceeds received after quarter end. See results of operations (page 3) for a reconciliation of revenue and total proceeds for tenders proceeds received after quarter end.

(2) Net loss in Q4 2014 was mainly generated by the Mothae impairment and restoration charge: \$21.2 million in the period.

## 2016 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2016. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

### **Karowe Mine, Botswana**

Karowe is forecast to process 2.2-2.4 million tonnes of ore, producing over 350,000 carats of diamonds in 2016. Revenue is forecast between \$200 and \$220 million. This excludes the anticipated sale of the two high value diamonds such as the Lesedi La Rona and the 813 carat stone held in inventory at December 31, 2015.

Ore mined is forecast between 3.0-3.5 million tonnes and waste mined is expected to be between 13.0-14.0 million tonnes.

Karowe's operating cash costs (see page 7 Non-IRFS measures) are expected to be between \$33.50 and \$36.50 per tonne of ore treated.

Capital expenditures in 2016 include modifications to the existing Large Diamond Recovery ("LDR") circuit and the installation of a Mega Diamond recovery ("MDR") circuit for a total investment of

between \$15 million and \$18 million and sustaining capital expenditure is forecast to be approximately \$11 million. Sustaining capital includes a mill re-liner at a cost of \$1.5 million and an investment of \$1.5 million for a combined sales and administrative office in Gaborone.

The Company has budgeted \$3.7 million for deep drilling on the AK6 kimberlite and south lobe with the goal of converting inferred resources below 400 metres depth to an indicated resource. An exploration budget of up to \$7.0 million is forecast for advanced bulk sampling and drilling work at the Company's two Botswana prospecting licenses.

The USD/Pula outlook foreign exchange rate is 10.

## BUSINESS OVERVIEW

The Company is a diamond mining company focused in Africa. The business of the Company consists of the acquisition, exploration, development and operation of diamond properties. The Company's head office is in Vancouver, BC, Canada and its common shares trade on the Toronto Stock Exchange, the Nasdaq Stockholm Exchange in Sweden and the Botswana Stock Exchange under the symbol "LUC".

The principal assets of the Company and the focus of the Company's operations, development and exploration activities reside in Botswana.

Table 2: Company's current land holdings:

Country	Name	Interest Held	Area (km <sup>2</sup> )
Botswana	Karowe Diamond License	100%	15.3
Botswana	Prospecting License No. 371/2014	100%	55.4
Botswana	Prospecting License No. 367/2014	100%	1.1

## RESULTS OF OPERATIONS

Table 3: Karowe Mine, Botswana

	UNIT	Year ended Dec-15	Q4-15	Q3-15	Q2-15	Q1-15	Q4-14
<b>Sales</b>							
Revenues	US\$m	223.8	65.2	90.8	38.1	29.7	70.5
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	223.8	65.2	89.2	39.7	29.7	70.5
Sales proceeds received during the quarter	US\$m	223.8	65.2	90.8	38.1	29.7	70.5
Q2 2015 tender proceeds received post Q2 2015	US\$m	-	-	(1.6)	1.6	-	-
Carats sold for proceeds generated during the period	Carats	377,136	94,026	76,156	100,177	106,777	104,405
Carats sold for revenues recognized during the period	Carats	377,136	94,026	83,960	92,373	106,777	104,405
Average price per carat for proceeds generated during the period**	US\$	593	693	1,171	396	278	675
Average price per carat for proceeds received during the period***	US\$	593	693	1,081	412	278	675
<b>Production</b>							
Tonnes mined (ore)	Tonnes	3,187,222	1,038,901	864,180	722,855	561,287	757,672
Tonnes mined (waste)	Tonnes	13,890,115	3,143,168	3,224,971	4,278,605	3,243,372	2,477,687
Tonnes treated	Tonnes	2,238,974	567,966	560,501	506,538	603,969	566,681
Average grade processed	cpht (*)	16.3	15.6	18.0	16.9	14.9	20.1
Carats recovered	Carats	365,690	89,247	100,651	85,714	90,077	113,950
<b>Costs</b>							
Operating costs per carats sold (see page 7 Non-IRFS measures)	US\$	133	137	130	160	108	89
Capital expenditures (including capitalized waste)							
Plant Optimization	US\$m	16.1	1.6	2.9	2.2	9.4	16.6
Sustaining capital	US\$m	5.0	0.6	1.2	2.1	1.1	2.3
Bulk Sample Plant	US\$m	2.5	0.7	1.4	0.2	0.2	2.0
Capitalized waste	US\$m	12.6	1.0	2.3	4.2	5.1	1.8
Total	US\$m	36.2	3.9	7.8	8.7	15.8	22.7

(\*) carats per hundred tonnes

(\*\*) Average price per carat for proceeds generated during the period includes all sales tendered during the period including proceeds received post the quarter end

(\*\*\*) Average price per carat for proceeds received during the period includes all sales proceeds collected during the period including proceeds received during the quarter

## **OPERATIONS: KAROWE MINE**

Operational performance at Karowe for 2015 was in line with forecast for the year.

Safety performance for the year was excellent with Safety and Health Lost time injury frequency rates ('LTIFR') for 2015 of less than 0.4 (measured per 1,000,000 hours) (2014: 0.99).

Mining performed well, concentrating in the south lobe was ahead of forecast. Waste stripping to access the ore body at depth progressed well and all mine face positions are in line with forecast.

Tonnes milled were in line with forecast. During the fourth quarter a total of 205 special stones (+10.8 carats) were recovered at an average size of 52.46 carats. This included the historic Lesedi La Rona type Ila diamond as well as the second and third largest stones ever recovered at Karowe.

The study to increase the top size of diamonds recoverable by the existing Large Diamond Recovery circuit has now moved to the engineering design phase, and a further plant upgrade to recover exceptionally large diamonds immediately post primary crusher has commenced.

## **EXPLORATION AND MOTHAE**

### *Botswana Prospecting Licenses:*

In 2014, the Company was awarded two precious stone prospecting licenses (PL367/2014 and PL371/2014) which are known to host the kimberlites, BK02, AK11 and AK12, AK13 and AK14. The prospecting licenses are located within a distance of 15 km and 30 km from the Karowe Diamond mine. Ground geophysical surveys were conducted over the known kimberlite occurrences within the prospecting licenses during Q4 2014 and Q1 2015. The geophysical results confirmed the kimberlite localities and have provided information that has been used to plan our core drilling and surface sampling programs. Additional geophysical surveys are planned for first quarter of 2016.

Bulk sampling activities at BK02 were 50% completed as at December 31, 2015 and processing of the surface sample was initiated during Q4 2015. The BK02 diamond results will be released once processing of the sample is complete which is expected to be at the first half of 2016. Bulk sampling activities at AK12 will commence in the first quarter of 2016 followed by trenching at AK11. Environmental approvals for drilling campaigns on the Prospecting Licenses are still pending with the Republic of Botswana Department of Environment Affairs ("DEA").

### *Mothae Diamond Project, Lesotho*

Following the signing of a Memorandum of understanding for the sale of the Mothae Diamond project to Paragon Diamonds Limited ('Paragon'), a share purchase agreement was entered into effective July 2, 2015. During the fourth quarter, Paragon was unable to complete the share purchase agreement and as such the Company has relinquished its 75% ownership of the project to the Government of Lesotho. The Company is currently working with the Government of Lesotho to finalize its plan for the rehabilitation of the project. Lucara has no remaining ownership in this project.

## SELECT FINANCIAL INFORMATION

Table 4:

Year ended December 31,

<i>In millions of U.S. dollars unless otherwise noted</i>	2015	2014	2013
Revenues	\$ 223.8	\$ 265.5	\$ 180.5
Operating expenses	(50.1)	(47.2)	(43.8)
Royalty expenses	(22.4)	(26.6)	(18.1)
<b>Operating earnings</b> <sup>(1)</sup>	<b>151.3</b>	<b>191.7</b>	<b>118.6</b>
Exploration expenditures	(1.0)	-	-
Care and maintenance	(0.6)	(1.2)	(1.3)
Administration	(13.0)	(12.8)	(11.4)
Gain on sale of exploration program diamonds	-	-	0.5
Sales and marketing	(2.8)	(4.3)	(3.5)
<b>EBITDA</b> <sup>(2)</sup>	<b>133.9</b>	<b>173.4</b>	<b>102.9</b>
Depletion, amortization and accretion	(15.0)	(14.6)	(15.0)
Finance income (expenses)	1.0	0.8	(3.8)
Foreign exchange gain (loss)	15.5	(19.4)	(3.9)
Impairment charge - Mothae	-	(18.8)	-
Restoration charge - Mothae	-	(2.4)	-
Current income tax expense	(44.7)	(41.6)	-
Deferred income tax expense	(12.9)	(31.7)	(15.0)
<b>Net income for the year</b>	<b>77.8</b>	<b>45.7</b>	<b>65.2</b>
<b>Change in cash during the year</b>	<b>33.9</b>	<b>51.5</b>	<b>36.1</b>
<b>Cash on hand</b>	<b>134.8</b>	<b>100.8</b>	<b>49.4</b>
<b>Earnings per share (basic)</b>	<b>0.21</b>	<b>0.13</b>	<b>0.17</b>
<b>Earnings per share (diluted)</b>	<b>0.20</b>	<b>0.13</b>	<b>0.17</b>
<b>Per carats sold</b>			
<b>Sales price</b>	\$ 593	\$ 644	\$ 411
<b>Operating expenses</b>	133	115	100
<b>Average grade (carats per hundred tonnes)</b>	<b>16.3</b>	<b>17.7</b>	<b>18.7</b>

<sup>(1)</sup> Operating earnings is a non-IFRS measure defined as sales less operating expenses and royalty expenses.

<sup>(2)</sup> EBITDA is a non-IFRS measure defined as earnings before interest, taxation, depreciation and amortization.

**Table 5: Cash operating cost per tonne ore milled reconciliation:**

	Year ended December 31,	
<i>In millions of U.S. dollars with the exception of tonnes milled and cash operating cost per tonne milled</i>	2015	2014
Operating expenses	\$ 50.1	\$ 47.2
Capitalized production stripping costs <sup>(1)</sup>	12.6	6.2
Investment activities: other <sup>(2)</sup>	-	2.1
Net change rough diamond inventory <sup>(3)</sup>	(1.2)	2.7
Net change ore stockpile inventory <sup>(4)</sup>	3.1	7.2
Total cash operating costs for ore milled	64.5	65.4
Tonnes milled	2,238,975	2,421,506
<b>Cash operating cost per tonne ore milled</b> <sup>(5)</sup>	<b>28.85</b>	<b>27.01</b>

<sup>(1)</sup> Capitalized production stripping cost in investing activities in the audited consolidated statements of cash flows.

<sup>(2)</sup> Investment activities: other in the audited consolidated statements of cash flows relates to mobilization costs for MCC, the Company's mining contractor which was paid in Q4 2014 and will be amortized in future periods.

<sup>(3)</sup> Net change in rough diamond inventory for the year ended December 31, 2015 and December 31, 2014.

<sup>(4)</sup> Net change in ore stockpile inventory for the year ended December 31, 2015 and December 31, 2014.

<sup>(5)</sup> Cash operating cost per tonne milled for the year is a non-IFRS measure defined as the sum of operating expenses, capitalized production stripping costs, and net change in working capital items for diamond inventories divided by the tonnes ore milled for the period.

## **Revenues**

During the year the Company had sales totalling 377,136 carats for gross proceeds of \$223.8 million at an average price of \$593 per carat. The exceptional stone sales resulted in an average price of \$31,597 per carat from the sale of 3,114 carats in 2015 (2014: \$32,471 per carat from the sale of 4,176 carats), with the remaining tenders achieving \$335 per carat (2014: \$318 per carat).

## **Operating earnings**

Operating earnings before royalty payments for 2015 were \$173.7 million resulting in an operating margin (before royalties and depletion, amortization and accretion) of 78%. Operating expenses during the year were \$133 per carat, which resulted in an operating margin of \$460 per carat. As anticipated, the full year operating expenses at \$133 per carat were higher than the \$115 per carat in the prior year due to the increase in processing costs to process the harder material from the south lobe and a decrease in carats recovered in 2015 compared to the prior year.

## **Income tax expense**

The Company's 2015 income tax expense was \$57.6 million, which consisted of a current income tax charge of \$44.7 million and a deferred income tax charge of \$12.9 million for the year. The Company is subject to a variable tax rate in Botswana that increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% only if taxable income were equal to revenue. At the Company's 2015 performance, its tax rate for 2015 was 40%. The Company has paid \$35.2 million of its current year tax expense and the remaining current tax accrual of \$9.5 million is due by April 30, 2016.

## **Foreign exchange**

The Company recorded a foreign exchange gain of \$15.5 million in 2015 compared to a loss of \$19.4 million in 2014. The 2015 foreign exchange gain is largely due to the depreciating value of the pula and its impact on the USD cash the Company retains. The 2014 foreign exchange charge was related to Pula denominated loan between Corporate and Boteti that is not applicable in 2015. The Company had historically reported foreign exchange losses following the weakening of the Botswana Pula which were calculated and reported in the Company's other comprehensive income as this loan was reported as a net investment in a foreign operation under IAS21. In 2014 the Company no longer reported this intercompany loan as a net investment in a foreign operation and as a result previous foreign exchange losses reported in other comprehensive income were charged against the statement of operations as the intercompany loan is repaid

## **Earnings before interest, tax, depreciation and amortization (EBITDA)**

Full year EBITDA was \$133.9 million compared to \$173.4 million in 2014. The EBITDA is lower than the prior year largely due to the decrease in revenues compared to the prior year.

EBITDA is a non-IFRS measure and is reconciled in the table on page 5.

## **Cash operating cost per tonne ore milled**

The year ended December 31, 2015 cash operating cost per tonne milled was \$28.9 per tonne milled (2014: \$27.01 per tonne milled) and 2015 guidance of \$33-\$36 per tonne milled. The higher cost compared to the prior year is largely due to the higher costs required to process the harder ore in the south lobe which was anticipated in the mine plan. The costs were lower than forecast due to the depreciating pula and overall cost savings including savings on power and fuel.

Cash operating cost per tonne milled is a non-IFRS measure and is reconciled in the table on table 5 to the most directly comparable measure calculated in accordance with IFRS, which is operating expenses.

## **Liquidity and Capital Resources**

As at December 31, 2015, the Company had cash of \$134.8 million (2014: \$100.8 million).

Cash increased during the year by \$33.9 million. This increase reflects cash from operating activities of \$84.8 million offset primarily by the Company's acquisition of plant and equipment of \$23.6 million, largely for the plant optimization project and sustaining capital, \$12.6 million of capitalized production stripping costs, and payment of the Company's regular dividend of \$11.8 million. The Company has a 2015 tax payable of \$9.5 million which will be paid during the first quarter of 2016.

## **SUMMARY OF QUARTERLY RESULTS**

(All amounts expressed in thousands of U.S. dollars, except per share data). The Company's financial statements are reported under IFRS issued by the IASB.

Table 6: The following table provides highlights, extracted from the Company's financial statements, of quarterly results for the past eight quarters (unaudited):

<b>Three months ended</b>	<b>Dec-15</b>	<b>Sept-15</b>	<b>Jun-15</b>	<b>Mar-15</b>	<b>Dec-14</b>	<b>Sept-14</b>	<b>Jun-14</b>	<b>Mar-14</b>
A. Revenues	65,212	90,878	38,122	29,634	70,499	91,253	70,972	32,780
B. Administration expenses	(5,214)	(3,005)	(2,353)	(2,425)	(4,536)	(2,290)	(3,841)	(2,107)
C. Net income (loss) <sup>(1)</sup>	18,958	44,181	8,625	6,006	(16,819)	41,846	15,639	5,074
D. Earnings (loss) per share (basic and diluted)	0.05	0.12	0.02	0.02	(0.03)	0.11	0.04	0.01

(1) Net loss in Q4 2014 was mainly generated by the Mothae impairment and restoration charge: \$21.2 million in the period.

## **Revenues**

During the three months ended December 31, 2015, the Company completed two diamond tenders, one of which was an exceptional diamond tender. The exceptional diamond tender generated gross proceeds of \$29.7 million and the regular tender in the fourth quarter achieved \$35.3 million.

## **Administration expenses**

During the three months ended December 31, 2015, administration expenses increased by \$2.2 million with full year costs in line with the previous year.

## **NON-IFRS FINANCIAL MEASURES**

This MD&A refers to certain financial measures, such as EBITDA, Operating costs per carats sold, and Cash operating cost per tonne ore treated, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position.

EBITDA (see "Select Financial Information") is the term the Company uses as an approximate measure of the Company's pre-tax operating cash flow and is generally used to better measure performance and evaluate trends of individual assets. EBITDA comprises earnings before deducting interest and other financial charges, income taxes, depreciation and amortization and net loss attributable to non-controlling interests.

Operating costs per carats sold (see "Karowe Mine, Botswana") is the term the Company uses to describe the mining, processing and site administration costs to produce a single carat of diamond. This is calculated as operating costs per carat of diamond sold.

Cash operating cost per tonne ore treated (see "Select Financial Information") is the term the Company uses to describe operating expenses per tonne treated on a cash basis. This is calculated as cash operating cost divided by tonnes of ore treated for the period. This ratio provides the user with the total cash costs incurred by the mine during the period per tonne of ore treated, including waste capitalisation costs, mobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS is operating expenses. A table reconciling the two measures is presented on page 5.

## **RELATED PARTY TRANSACTIONS**

For the year ended December 31, 2015, the Company paid \$0.6 million for the year ended December 31, 2015 (2014 \$0.2 million) to a charitable foundation directed by members of the Company's directors to carry out social programs on behalf of the Company.

## **FINANCIAL INSTRUMENTS**

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or consolidated statements of comprehensive loss. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, for liabilities, amortized cost.

The fair value of the Company's available for sale financial instruments is derived from quoted prices in active markets for identical assets. The fair value of the Company's long-term debt approximates their carrying amounts due to the fact that there have been no significant changes in the Company's own credit risk. The fair value of all other financial instruments of the Company approximates their carrying values because of the demand nature or short-term maturity of these instruments.

In the normal course of business, the Company is inherently exposed to currency and commodity price risk. For a discussion of certain risks and assumptions that relate commodity price risk, currency risk, liquidity risk and credit risk, refer to Note 19 in the Company's consolidated financial statements. For a discussion of the methods used to value financial instruments, as well as any significant assumptions, refer also to Note 19 of the Company's consolidated financial statements.

## **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company had 380,029,413 common shares outstanding, 529,889 share units and 3,141,669 stock options outstanding under its stock-based incentive plan. As at the same date, the Company had no stock purchase warrants outstanding.

## **RISKS AND UNCERTAINTIES**

The operations of the Company are speculative due to the high risk nature of its business which includes acquisition, financing, exploration, development and operation of diamond properties. Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set below. Any one or more of these risks and others could have a material adverse effect on the Company.

### ***Diamond Prices and Marketability***

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of diamonds produced. The value of the Company's shares, its financial results and its mining activities are significantly affected by the price and marketability of diamonds. Numerous factors beyond the control of the Company may affect the price and marketability of any diamonds produced which cannot be accurately predicted, such as: international economic and political trends; global or regional consumption and demand and supply patterns; and increased production of other diamond producers, especially due to the small concentration of producers and sellers within the market. There is no assurance that the sale price of diamonds produced from any diamond deposit will be such that they can be mined at a profit.

### ***Economic Conditions***

Unfavourable economic conditions may negatively impact the Company's financial ability. Unfavourable economic conditions could also increase the Company's financing costs, decrease estimated income from prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

### ***Uncertainties Related to Mineral Resource Estimates***

There is a high degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, no assurance can be given to the actual quantity of mineral resources and grades. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a diamond project is complicated and involves a number of variables. It involves extensive geo-statistical analysis due to the highly variable nature of diamond distribution in kimberlite pipes and the fact that both diamond grade and average diamond value play important roles in determining the viability of any given diamond project. Since no two diamonds are exactly alike, a significant parcel of diamonds is needed to gain confidence levels on diamond size distribution and average diamond value necessary to make any realistic decisions regarding future development.

### ***Licenses, permits and approvals***

The Company's operations require licenses, permits and approvals from various governmental authorities. The Company believes that it currently holds and is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct its current operations. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn.

There can be no guarantee the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

### ***Currency Risk***

Currency fluctuations may impact the Company's financial performance. Diamonds are sold in US dollar with a the Company's costs and expenses being incurred in Botswana Pula, South African Rand, Lesotho Loti, Canadian, U.S. dollar, and Great Britain Sterling. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction.

### ***Mining and Processing***

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water, power, surface conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, weather conditions which can materially and adversely affect among other things production quantities and rates, development, costs and expenditures and production commencement dates.

The Company periodically reviews its Life of Mine (“LOM”) planning. Significant changes in the LOM plans can occur as a result of experience obtained in the course of carrying out its mining activities, changes in mining methods and rates, process changes, investments in new equipment and technology, diamond price assumptions and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment may be required to write down the carrying value of its mine or development property. This process continues for the economic life of the mines in which the Company has an interest.

### ***Environmental and Other Regulatory Requirements***

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company’s operations. As well, environmental hazards may exist on a property that the Company holds an interest in, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company’s mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls and health and safety. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company’s mining licenses.

### ***Foreign Operations Risk***

The Company’s current significant project is located in Botswana. The country exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. For example, changes to regulations in Botswana and Lesotho relating to royalties, allowable production, importing and exporting of diamonds and environmental protection, may result in the Company not receiving an adequate return on investment capital.

Although the operating environments in Botswana and Lesotho are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes in these countries may also adversely affect the Company’s business. In addition, there may be greater exposure to a risk of corruption and bribery (including possible prosecution under the federal Corruption of Foreign Public Officials Act). Also, in the event of a dispute arising in foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts and may be hindered or prevented from enforcing its rights.

There is no assurance that future changes in taxes in any of the countries in which the Company operates will not adversely affect the Company’s operations.

### ***Mineral Exploration and Development***

The business of exploring for diamonds and mining is highly speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing diamond properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a diamond bearing deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

### ***Title Matters***

Any changes in the laws of Botswana relating to mining could have a material adverse effect to the rights and title to the interests held in Botswana by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

### ***Infrastructure***

The Karowe Mine is located in a remote area and the availability of adequate infrastructure is critical. Reliable roads, bridges, power and water supply are important determinants which affect capital and operating costs. Sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

### ***Rehabilitation Funds and Mine Closure Costs***

Changes in environmental laws and regulations can create uncertainty with regards to future rehabilitation costs and affect the funding requirements. Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

### ***Community Relations***

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company's operations, or the mining industry generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

### ***Uninsured Risks and Insurance Coverage***

The mining business is subject to a number of risks and hazards that may not be insured including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability.

The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

### ***Competition***

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. The Company continues to compete with a number of companies for the acquisition of mineral properties. The ability for the Company to replace or increase its mineral reserves and mineral resources in the future will depend on its ability to develop its present properties and also to select and acquire economic producing properties or prospects for diamond extraction.

### ***Legal Proceedings***

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicated with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurance that these matters will not have a material adverse effect on the Company's business.

### ***Conflicts of Interest***

The Company's directors and officers may serve as directors or officers, or may be associated with other public companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transactions.

If a conflict of interest arises, directors and officers are subject to the Company's Code of Business Conduct and Ethics and applicable corporate legislation. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

### ***Personnel***

The Company is depending on a relatively small number of key senior management employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these key individuals.

In addition, due to the remoteness of the Company's Karowe mine, there is competition for personnel. The degree to which the Company is not successful in retaining and developing employees at its mine sites could lead to a lack of knowledge, skills and experience required to operate the mine effectively.

### ***Natural Disasters***

The occurrence of one or more natural disasters such as a pandemic outbreak or unusually adverse weather conditions could disrupt mining operations and have a material adverse effect on the Company.

### ***Share Price Volatility and Future Sales by Existing Shareholders***

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies or early stage production companies without a proven history of sustainable cash flow, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities. Also, subject to compliance with applicable securities laws, the Company's officers, directors, significant shareholders may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the Company's securities. The future sale of a substantial number of common shares by the Company's officers, directors, principal shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

### **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **FINANCIAL INFORMATION**

The report for the quarter ended March 31, 2016 is expected to be published on May 13, 2016. In addition, the Company's annual general meeting of shareholders will be held on May 12, 2016 in Vancouver, British Columbia.

## **NEW ACCOUNTING PRONOUNCEMENTS**

The Company prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Note 3 of the audited consolidated financial statements for the year ended December 31, 2015 provides details of significant accounting policies and accounting policy decisions for significant or potentially significant areas that have had an impact on our financial statements or may have an impact in future periods.

The following are new IFRS pronouncements that have been issued but are not yet effective are listed below. The Company plans to apply the new standards or interpretations in the annual period for which it is first required.

### **IFRS 9 - Financial Instruments**

IFRS 9, Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of this standard and its related amendments on our financial statements.

### **IFRS 15 - Revenue from Contracts with Customers**

The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when a performance obligation is satisfied. IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers.

IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company is currently assessing the effect of this standard on our financial statements.

## IFRS 16 - Leases

The new Leases standard requires lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases.

IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the effect of this standard on our financial statements.

### **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The application of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

Note 3 to the audited consolidated financial statements for the year ended December 31, 2015 includes a summary of the significant accounting policies adopted by the Company. The following policies are considered to be critical accounting policies since they involve the use of significant estimates.

#### ***Estimated recoverable reserves and resources***

Mineral reserve and resource estimates are based on various assumptions relating to operating matters. These include production costs, mining and processing recoveries, cut-off grades, long term commodity prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Estimated recoverable reserves and resources are used to determine the depreciation of property, plant and equipment at operating mine site, in accounting for deferred stripping costs and in performing impairment testing. Therefore, changes in the assumptions used could affect the carrying value of assets, depreciation and impairment charges recorded in the income statement.

#### ***Depreciation, depletion and accretion***

Mineral properties and plant and equipment comprise a large component of the Company's assets and as such, depreciation and depletion of these assets have a significant effect on the Company's financial statements. Upon commencement of commercial production, the Company amortizes mineral property and mining equipment and other assets over the life of the mine based on the depletion of the mine's proven and probable reserves. In the case of mining equipment and other assets, if the useful life of the asset is shorter than the life of the mine, the asset is amortized over its expected useful life.

Proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves geological and geophysical studies and economic data and the reliance on a number of assumptions. The estimates of the reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

A change in the original estimate of reserves would result in a change in the rate of depreciation and amortization of the related mining assets and could result in an impairment of the mining assets.

### ***Mineral properties***

The Company carries the acquisition costs of its mineral properties at cost less any provision for impairment. The costs of each property will be amortized over the economic life of the property on a unit of production basis. Costs are charged to operations when a property is abandoned or when impairment in value, other than temporary, has been determined. Exploration costs are charged to operations as incurred.

The Company undertakes a periodic review of the carrying values of mineral properties and whenever events or changes in circumstances indicate that their carrying value may exceed their fair value. In undertaking this review, management of the Company is required to make significant estimates. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the mineral properties and related expenditures.

### ***Income taxes***

Deferred income tax assets and liabilities are determined based on differences between the financial statement carrying values of assets and liabilities and their respective income tax bases ("temporary difference"), and losses carried forward. Deferred income tax assets and liabilities are measured using tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by year end. The effect on deferred income tax assets and liabilities of a change in tax rates is included in operations in the period in which the change is substantively enacted. The amount of deferred income tax assets recognized is limited to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilized.

Management of the Company is required to exercise judgments and make assumptions about the future performance of the Company in determining its ability to utilize loss carry-forwards and realize the benefits of deferred income tax assets.

### ***Stock-based compensation***

In calculating the fair value of stock options granted, management is required to make significant estimates in relation to the future volatility of the Company's share price and the period in which stock options will be exercised. Selection of a volatility factor and the estimate of the expected option life will have a significant impact on costs recognized for stock-based compensation. Estimates concerning volatility are made with reference to historical volatility, which is not necessarily an accurate indicator of volatility that will be experienced in the future. Management assumes that stock options will be exercised prior to their expiry date.

### ***Decommissioning and site restoration***

The Company has obligations for site restoration and decommissioning related to its diamond properties. The future obligations for decommissioning and site restoration activities are estimated by the Company using mine closure plans or other similar studies which outline the requirements that will be carried out to meet the obligations. Because the obligations are dependent on the laws and regulations of the countries in which the mines operate, the requirements could change as a result of amendments in the laws and regulations relating to environmental protection and other legislation affecting resource companies. As the estimate of obligations is based on future expectations, a number of assumptions and judgments are made by management in the determination of closure provisions. The decommissioning and site restoration provisions are more uncertain the further into the future the mine closure activities are to be carried out.

The Company's policy for recording decommissioning and site restoration provisions is to establish provisions for future mine closure costs at the commencement of mining operations based on the present value of the future cash flows required to satisfy the obligations. The amount of the present value of the provision is added to the cost of the related mining assets and depreciated over the life of the mine. The provision is accreted to its future value over the life of the mine through a charge to

operating costs. Actual results could differ from estimates made by management during the preparation of these consolidated financial statements and those differences may be material.

## **INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS**

### *Disclosure controls and procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2015, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

### *Internal controls over financial reporting*

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2015, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain of the statements made and contained herein in the MD&A and elsewhere constitute forward-looking statements as defined in applicable securities laws. 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 be achieved.

In particular, this MD&A may contain forward looking information pertaining to the following: the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Mine; estimated costs for capital expenditures related to the Karowe Mine; start-up, exploration and development plans and objectives; production costs; exploration and development expenditures and reclamation costs; expectation of diamond price and changes to foreign currency exchange rates; expectations regarding the need to raise capital; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

Forward-looking statements are based on the opinions, assumptions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors 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. Such assumptions include: the Company's ability to obtain necessary financing; the Company's expectations regarding the economy generally, results of operations and the extent of future growth and performance; and assumptions that the Company's activities will not be adversely disrupted or impeded by development, operating or regulatory risk. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking information included in this MD&A should not be unduly relied upon.

There can be no assurance that such statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "Risks and Uncertainties" in the Company's AIF, as well as changes in 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 and availability 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) and 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).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which 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.