

**An Overview:**

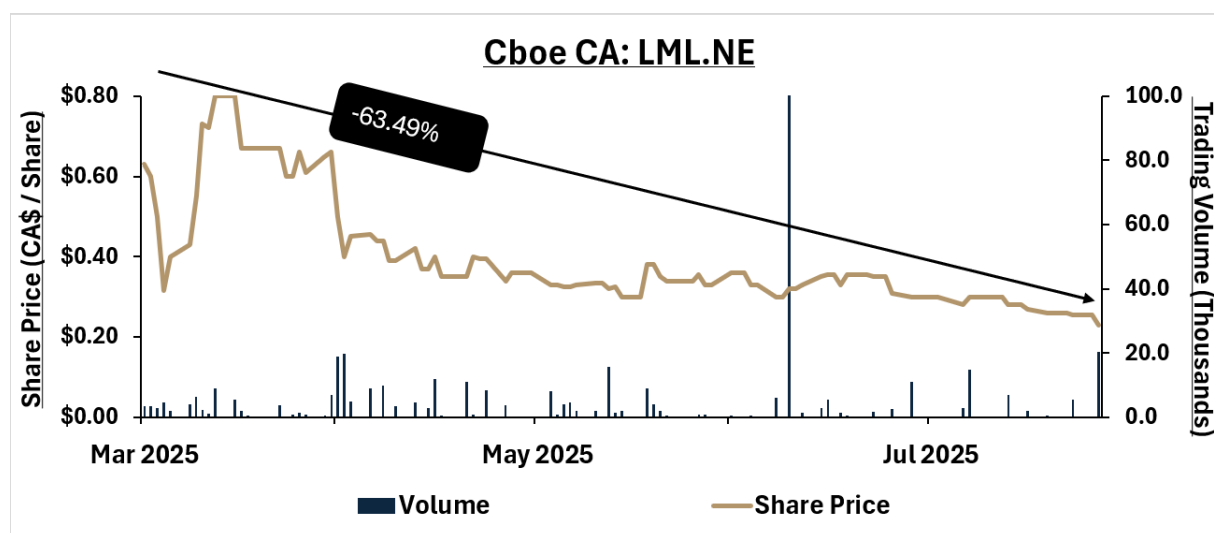
***Lipari Mining's Path  
Forward***

## Company Overview

Lipari Mining Ltd. (Cboe CA: LML) (FSE: 0Y90) ("**Lipari**" or the "**Company**") is a publicly listed diamond mining company with operations in Brazil, Angola, and Canada. The company's core producing asset is the Braúna Mine in Brazil, which has yielded over **1.2 million carats since 2016** and is now transitioning to underground mining to extend its life through 2027.

Lipari also holds a **75%** interest in the advanced-stage Tchitengo Project in Angola, where historical estimates indicate over **23 million carats**, offering significant growth potential. The company completed a reverse takeover in March 2025, gaining listings on the Cboe Canada and Frankfurt Stock Exchanges.

This report presents a comprehensive overview of Lipari's operations, growth strategy, financials, and market positioning. Key highlights include robust Q1 2025 production results, a favorable outlook for natural diamond prices amid declining global supply, and continued progress on the Tchitengo resource. The report also emphasizes Lipari's strong ESG credentials, including **water recycling, community engagement, and conflict-free sourcing**. Financially, the transition to a public company marks a turning point, enabling access to capital for expansion. With its diversified asset base, experienced leadership, and exposure to high-value diamond markets, Lipari is positioned as a credible, growth-focused player in the global diamond sector.



*Lipari Mining Ltd. (LML.NE) – 5-Month Share Price Performance Through August 26, 2025*

## Mines

### Braúna Mine – Brazil (100% owned):

The Braúna Mine, located in Nordestina, Bahia, is South America's first and only kimberlite-based diamond mine. It spans a permitted area of 1,875 hectares, with additional permits and exploration licenses covering ~3,386 hectares and includes 23 known kimberlite occurrences.

#### Production History & Transition to Underground:

- Commercial production began in July 2016 and, as of June 30, 2025, the mine has produced 1.24 million carats from 6.89Mt of kimberlite, averaging 18 cpht.
- Initially operated as an open-pit mine on the Braúna 3 kimberlite pipe, reaching a depth of ~250 metres, it transitioned to underground mining in Q1 2024.
- The underground development, using Sub-Level Retreat (SLR) mining, targets the high-grade South Lobe.
- Processing of underground ore commenced in November 2024, yielding 73,016 carats from 0.47Mt at 15.4 cpht by June 2025.

#### Sales & Economic Performance

- In H1 2025, Lipari sold 43,426 carats for CA \$9.6M (US \$7.1M), averaging CA \$221 (US \$163)/ct.
- Since 2016, Braúna has averaged 143,000 carats/year at ~CA \$253/ct (US \$184/ct), generating cumulative revenues of CA \$304.3M (US \$221.6M).

#### Geology & Expansion Potential

- Braúna kimberlites are hosted in Brazil's São Francisco Craton.
- Braúna 3 is a vertical pipe with strong diamond concentration, especially in the South Lobe.
- 22 of the 23 pipes are confirmed diamond-bearing.
- Lipari is actively assessing satellite pipes (e.g., Braúna 7, 18, and 8–21 cluster), with bulk sampling underway and trial mining expected by late 2025.
- These satellites could extend mine life beyond 2027, with potential for a camp-style operation using centralized processing, similar to Ekati and Diavik mines in Canada.

## Tchiuzo Kimberlite – Angola (Tchitengo Project)

Lipari holds a 75% stake in the Tchitengo Project in Angola's Lunda diamond province, with state-owned Endiama holding 25%.

Under the joint venture structure, Endiama may be diluted to a 10% carried interest, allowing Lipari to increase its stake to 90%.

### Flagship Deposit – Tchiuzo Kimberlite

- Historical estimate: 23.3 Mcts contained in 53.5 Mt grading ~45 cpht.
- Originally explored by Sociedade Mineira de Catoca (SMC) and ALROSA, with ~US \$35.6M invested in drilling and feasibility work.
- ALROSA feasibility studies (2009–2013) outlined a 14-year open-pit mine, producing ~1.3 Mcts/year at 3.6 Mtpa throughput.
- Based on current diamond pricing (US\$170–205/ct), project economics indicate an NPV (10%) of US \$234–340M.

### 2025 Development Plan

- **Phase I (completed):** \$3.2M core drilling program validating geological model and mineral resource.
- **Phase II (planned):** \$5.7M bulk sampling via a 15-tph processing plant, targeting 10,000–12,000 tonnes of kimberlite and 500 tonnes via large-diameter drilling. Objectives are to generate a larger diamond parcel for valuation and update project economics.

### Additional Potential

- Tchegi-38 kimberlite: historical resource of ~17.5 Mt @ 23.8 cpht.
- 28 other kimberlites identified within the concession, offering potential for cluster development.
- Strategic location near Catoca (5.6 Mcts/year) and Luaxe (4.0 Mcts/year), with excellent infrastructure including a hydroelectric dam located 32 km away.

### Strategic Significance

Angola is re-emerging as a Tier-1 diamond jurisdiction, attracting De Beers and Rio Tinto. Tchitengo represents Lipari's most significant growth asset, offering near-term production potential and transformational upside.

## Comparable Companies Analysis

Lipari Mining Ltd. is uniquely positioned within the diamond industry as a small-to-mid cap publicly listed company with both cash-generating operations (Braúna Mine) and significant organic growth potential (Tchitengo Project). This dual profile distinguishes Lipari from most of its peers, who are typically either mature producers with limited upside or early-stage explorers without current cash flow.

Company	Market Cap (USD)*	EV (USD)**	Stage	2024/25 Production (carats)	Resource (Mcts)	EV/Resource (\$/ct)***	EV/Carat Produced (\$/ct)
Lipari Mining	\$31.74M	\$30.88M	Producing + Growth	143,000 (Braúna historical avg)	23.3 (Tchitengo historical + Braúna remaining)	~\$1.32/ct (discount)	~\$216/ct (discount)
Lucara Diamond (LUC)	\$77M	\$120M	Producing	~395,000 (Karowe)	47+	~\$2.5/ct	~\$304/ct
Mountain Province (MPVD)	\$7.65 M	\$170M	Producing	~3.0M (49% JV share)	60+	~\$2.8/ct	~\$57/ct
Burgundy Diamond Mines	\$27.12M	\$140M	Producing	~1.2M (Ekati)	105+	~\$1.3/ct	~\$117/ct
Star Diamond (DIAM)	\$20.21M	\$20M	Pre-production	N/A	66+	~\$0.3/ct	N/A
Diamcor Mining (DMIFF)	\$1.22M	\$2M	Small Producer	~20,000	0.5	~\$4.0/ct	~\$100/ct

**Note:**

\*Market Cap as of 31<sup>st</sup> July 2025

\*\* EV assumes net debt based on last reported financials.

\*\*\* EV/Carat Produced is based on most recent fiscal production.

Exchange Rate: 1 CAD = US \$ 0.72

## NAV Analysis (NPV 10%)

Project	NAV (US\$M)	Key Assumptions
Braúna (Brazil)	~10-20	4-yr underground mine life; ~433,000 carats @ US\$200/ct; US\$62.5M opex; US\$5.4M capex
Tchitengo (Angola)	~180-230	14-yr open-pit mine; ~1.3M carats/year (total ~23Mcts); diamond value US\$170-205/ct; capex & opex per ALROSA PFS (updated for 2023 pricing)
Total NAV	~190-250	Consolidated portfolio NAV at 10% discount rate

## 1. Industry Overview

### Market Dynamics (2022-2024):

- **2022:** Post-COVID demand surges and sanctions on Alrosa drove rough diamond prices up ~15–18%, peaking at ~US\$145/ct.
- **2023:** Prices fell ~10% to ~US\$130/ct, driven by midstream inventory buildup and disappointing Chinese recovery. Smaller stones (<0.3ct) were hit hardest, while larger stones remained resilient.
- **2024:** Excess inventory in India pressured prices, particularly in H1, with a ~4% decline YoY to ~US\$125/ct. Market bifurcation intensified:
  - Premium stones (>1ct): Stable or appreciating.
  - Lower-quality/melee: Down –20–25% YoY, impacted by lab-grown diamond (LGD) substitution.

## Key Drivers:

- **Lab-Grown Diamonds:** Capturing the <0.5ct market; compressing margins and prices in low- end natural segments.
- **Supply Constraints:** Global production fell from 152M carats (2017) to 116M carats (2023) due to mine closures (e.g., Argyle in 2020) and minimal new discoveries.
- **Sanctions on Russian Diamonds:** Alrosa (30% of global supply) impacted by sanctions, supporting pricing for non-Russian producers.
- **Macro Demand:** U.S. and China account for 60%+ of global diamond jewelry demand; India and China expected to overtake U.S. by 2030.
- **Exploration Downturn:** Underinvestment in exploration is limiting the pipeline of future supply.

## Market Dynamics (2025-2027):

- **2025:** Inventory drawdowns + modest demand recovery in China/India = +6–8% YoY, to ~US\$133/ct.
- **2026:** Structural supply deficits deepen = +5–7% YoY, to ~US\$140/ct.
- **2027:** Stronger macro backdrop = +3–5% YoY, reaching ~US\$145–148/ct.

## 2. ESG Overview

- **Environmental Stewardship:** Lipari integrates sustainability into mine design and operations. Both Braúna (Brazil) and Tchitengo (Angola) feature closed-loop water recycling systems, recirculating 98% and 95% of water, respectively. Tchitengo’s plant design eliminates the need for traditional tailings dams through semi-dry filter cake tailings.  
At Braúna, Lipari operates a “100% Sustainable Mine Production” model, selling waste kimberlite as construction aggregate and repurposing fine tailings for agriculture — generating ~CA\$4.5M/year in ancillary revenue. The site was awarded 1st place for environmental initiatives in Bahia (2018). The underground portal was built within the completed open pit to minimize land disturbance, and the Tchitengo region benefits from renewable hydro and solar energy.
- **Social Responsibility & Community:** Lipari employs 283 full-time staff and ~50 contractors at Braúna, prioritizing local hiring and training. In Angola, it is transferring Brazilian expertise to develop a skilled local workforce. In Canada, Lipari maintains a formal exploration agreement with the Marten Falls First Nation, ensuring Indigenous



engagement at the Ogoki project. All diamonds are Kimberley Process-certified, guaranteeing conflict-free sourcing and full traceability, aligning with rising consumer expectations for ethical luxury goods.

- **Health, Safety & Labor Practices:** In 2024, Lipari reported zero fatalities and only one lost-time injury, achieving a global LTI rate of 0.0. The company enforces strict anti-discrimination, no child/forced labor policies, and provides all workers with safety training and PPE. Labor practices reflect international ESG norms.
- **Transparency & Anti-Corruption:** Operating in Angola, Lipari mitigates corruption risk through alignment with state partner Endiama and governance practices. The company is externally audited by McGovern Hurley LLP and maintains transparent financial disclosures, including details of its reverse takeover and shareholder structures. Angola's recent reforms further strengthen the country's regulatory environment.

### 3. PEA Estimates

#### ***Tchitengo Project (Angola):***

Historical FS work (by ALROSA, 2009–2013) envisaged a 14-year open-pit mine, producing ~1.3M carats/year at ~3.6 Mtpa throughput. Total recoverable resource was estimated at ~23.3M carats, with updated valuations (2023–2025) suggesting diamond prices of US\$170–205/ct.

#### ***Industry Context***

Angola's diamond industry is attracting renewed investment from majors like De Beers, which recently re-entered the country. This validates the jurisdiction and supports Tchitengo's strategic positioning as a scalable, Tier-1 asset.

**NAV Perspective:** *Based on Preliminary Economic Assessment (PEA) parameters, Lipari's projects have an estimated combined NAV (10%) of US\$190–250M, driven by Braúna's underground cash flow and Tchitengo's large-scale development potential. Against Lipari's current enterprise value of ~US\$31M, this suggests a significant valuation gap and rerating potential as production stabilizes and development milestones are achieved.*



## 4. Management Team



**Ken Johnson**  
President & Chief  
Executive Officer



**Wes Roberts**  
Vice President,  
Business Development



**Jay Wilgar**  
Chief Financial Officer &  
Corporate Secretary



**Christian Schobbenhaus**  
Vice President,  
Operations



**Aguinaldo Aureliano da Silva**  
Controller & Administrative  
Manager

## 5. Lipari's Equity Structure and Capitalization

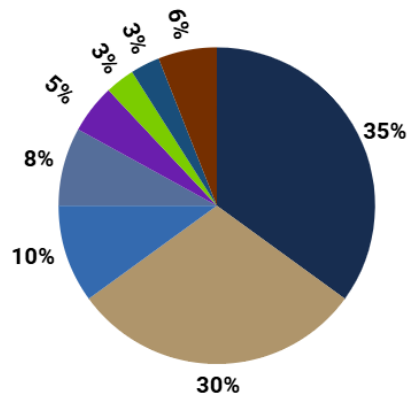
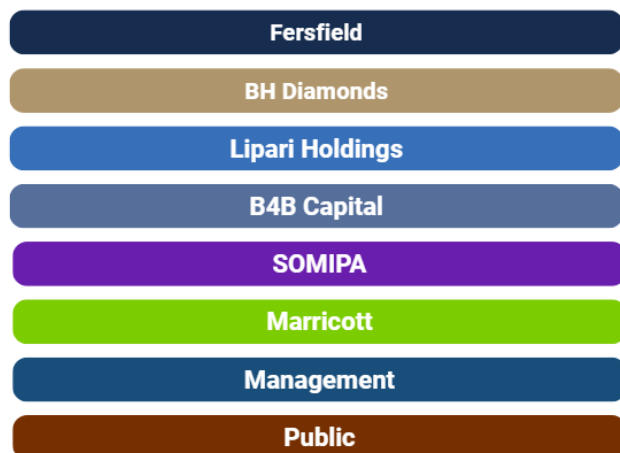
### Capital Structure

Market Cap (as of Aug 26<sup>th</sup> 2025)

CA \$37.45M

Common Shares Outstanding

146,859,936



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