



Lucara Diamond

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NEWS RELEASE

LUCARA REPORTS STRONG THIRD QUARTER REVENUE

November 08, 2016 (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp. (“Lucara” or the “Company”) is pleased to announce revenues of \$38.1 million during Q3 resulting in year to date revenues of \$229.4 million or \$850 per carat. (all dollar amounts are in US Dollars unless otherwise indicated).

HIGHLIGHTS:

Financial:

- Revenue for Q3 2016 was \$38.1 million or \$332 per carat (Q3 2015: \$90.9 million). Year to date revenue was \$229.4 million or \$850 per carat (year to date 2015: \$158.6 million; \$560 per carat).
- Q3 EBITDA was \$12.4 million (Q3 2015 was \$66.8 million). YTD EBITDA was \$152.9 million (YTD 2015: \$95.3 million), with an EBITDA margin of 67%.
- The Company reported a net loss of \$3.8 million during Q3 (Q3 2015: net income of \$44.2 million). YTD net income was \$59.5 million (YTD 2015: net income of \$58.9 million).
- Cash position of \$49.7 million (Q3 2015: \$122.7 million and FY 2015 \$134.8 million).
- YTD costs at \$25.0 per tonne ore processed continue to be well controlled. Karowe’s cost guidance has been decreased from \$29.0-\$31.0 per tonne processed to \$25.0-\$28.0 per tonne processed.
- Q3 EPS was a loss of \$0.01 (Q3 2015: \$0.12 earnings per share). YTD EPS was \$0.16 (YTD Q3: \$0.15 earnings per share).
- Dividends of CA\$ 0.465 per share or CA\$ 177 million (US\$137 million in dividends) were paid in Q3.

Operational: Karowe Mine

- Ore mined in Q3 2016 was 0.7 million tonnes and waste was 3.1 million tonnes. The process plant has performed well during Q3 with tonnes processed being 19.5% ahead of forecast for the quarter.
- The project to increase the top size of diamonds recoverable by the existing Large Diamond Recovery was successfully implemented in early September 2016 on time and on budget. The Mega Diamond Recovery project is on schedule and currently with detailed design stage at 80% complete.

Exploration:

- In Q3 2016, the Company completed sampling of an additional 5000 tonnes of kimberlite from the BK02 kimberlite. Processing of the second BK02 sample was 28% at the end of Q3 2016
- A drill program commenced at AK11 during Q3 with plans to advance drill programs at BK02, AK13, and AK14 kimberlites during Q4 2016.
- The Company’s drilling program to test the AK06 kimberlite at depths below 400m was 55% complete and the drilling portion of the program is forecast to be complete by Q4 2016.

Management:

- Paul Day, Lucara's Chief Operating Officer will be leaving the Company effective November 8, 2016.

William Lamb, President and Chief Executive Officer commented "Lucara is committed to rewarding our shareholders with our dividend policy, having paid a total of \$185 million since we started to pay dividends in 2014. These payments now exceed the total amount of shareholder equity ever raised by the Company. We are pleased with our Q3 and year to date revenue and now look forward to the fourth quarter with high quality production for our second exceptional tender of the year and a further regular tender in December. Cost discipline during Q3 remained strong and we continued to advance our capital projects for large diamond recovery as well as our exploration and drilling programs to expand our resource base."

FINANCIAL UPDATE

Cash flows and operating margins: The Company achieved revenue of \$38.1 million (Q3 2015: \$90.9 million) or \$332 per carat yielding a 55% operating margin. This revenue includes \$8.3 million of proceeds received in the third quarter from the Company's June tender. Revenue in Q3 is lower than the prior year as revenue reported in Q3 2015 included two sales including an exceptional stone tender compared to a single regular tender during the current quarter. For the nine months ended September 30, 2016 ('year to date') revenue is \$229 million (2015: \$159 million) with operating margins of 83% (2015: 77%).

Karowe's operating cash cost update: Karowe's operating, year to date, cash cost is \$25.0 per tonne processed (2015: \$29.0 per tonne processed). Costs remain well controlled. Karowe's operating cash costs guidance was been decreased for the year from between \$29.0 to \$31.0 per tonne of ore processed to \$25.0 to \$28.0 per tonne ore processed. The reduction in cost guidance is due to power and general cost savings and an increase in tonnes processed. The Company's processed tonnes continue to exceed forecast and this level of productivity has resulted in more ore processed across the Company's operating cost base.

Net Income: The Company reported a net loss of \$3.8 million in Q3 compared to net income of \$44.2 million in the prior year. This is due to the Company having two sales in the prior year including an exceptional stone tender compared to a single sale in the current year. The Company also reported a foreign exchange loss in Q3 compared to a foreign exchange gain on translation of its US dollar cash in the prior year as the pula has appreciated in the current year.

Net cash position: The Company's Q3 cash balance was \$49.7 million (Q3 2015: \$122.7 million and FY 2015 \$134.8 million). The decrease in cash during the period is primarily due to the Company's special and regular dividend payment to its shareholders of \$136.6 million. The Company's \$50 million credit facility remains undrawn

Earnings per share: The Company recorded a \$0.01 loss per share during the quarter (Q3 2015: \$0.12 earnings per share) and \$0.16 earnings per share year to date. The loss during the period is largely due to the cyclical nature of the Company's sales and a foreign exchange loss during the quarter. The Company had one sale this quarter which will be followed by two sales in Q4 including the Company's second exceptional stone sale in 2016. Based on the company's full year forecast revenue and profitability the Company has maintained its full year tax rate of 42% and applied this to the Q3 earnings. A non-cash foreign exchange loss of \$7.6 million is reported in Q3 primarily due to the translation of the Company's US dollar cash balance due to the impact of the appreciating Pula during the year (September 30, 2016 USD/Pula 10.6) compared to year end 2015 USD/Pula of 11.2, a 5.6% depreciation.

Dividend: During the quarter, the Company paid \$137 million in dividends comprising a special dividend of CA\$0.45 per share and its regular quarterly dividend of CA\$0.015 cents per share on September 15, 2016. Following the payment of this special dividend the Company has paid \$185 million in dividends back to its shareholders, equivalent to approximately 20% of total revenues generated, since the commencement of its dividend policy in 2014. Effective today's date, November 8, 2016, the Company is declaring its fourth quarter

dividend of CA\$0.015 per share. The dividend is expected to be paid on December 15, 2016 to holders of securities on the record of the Company's common shares at the close of business on December 2, 2016.

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended September 30		Nine months ended September 30	
	2016	2015	2016	2015
Revenues *	\$ 38.1	\$ 90.9	\$ 229.4	\$ 158.6
Average price per carat sold (\$/carat)	332	1,081	850	560
Operating expenses per carat sold (\$/carat)	149	130	143	131
Operating margin per carat sold (\$/carat)	183	951	707	429
Net income (Loss) for the period	(3.8)	44.2	59.5	58.8
Earnings (Loss) per share (basic and diluted)	(0.01)	0.12	0.16	0.15
Cash on hand	49.7	122.7	49.7	122.7

(*) Revenue is presented based on cash receipts received during the period and excludes tender proceeds received after each quarter end. See table 2: results of operations for reconciliation of revenue and total proceeds for tenders received for each quarter.

RESULTS OF OPERATIONS

Table 2: Karowe Mine, Botswana

	UNIT	YTD-16	Q3-16	Q2-16	Q1-16	Q4-15	Q3-15
Sales							
Revenues	US\$m	229.4	38.1	140.8	50.5	65.2	90.8
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	229.4	29.8	149.1	50.5	65.2	89.2
Sales proceeds received during the quarter	US\$m	229.4	38.1	140.8	50.5	65.2	90.8
Q2 2016 tender proceeds received post Q2 2016	US\$m	-	(8.3)	8.3	-	-	-
Q2 2015 tender proceeds received post Q2 2015	US\$m	-	-	-	-	-	(1.6)
Carats sold for proceeds generated during the period	Carats	269,849	84,059	107,801	77,990	94,026	76,156
Carats sold for revenues recognized during the period	Carats	269,849	114,659	77,200	77,990	94,026	83,960
Average price per carat for proceeds generated during the period**	US\$	850	355	1,383	649	693	1,171
Average price per carat for proceeds received during the period***	US\$	850	332	1,824	649	693	1,081
Production							
Tonnes mined (ore) (****)	Tonnes	2,140,207	650,290	884,212	605,705	672,110	613,660
Tonnes mined (waste) (****)	Tonnes	8,329,126	3,092,110	2,868,798	2,368,218	2,631,224	2,722,047
Tonnes processed	Tonnes	1,982,745	650,646	680,190	651,909	567,966	560,501
Average grade processed	cpht (*)	13.7	12.5	14.6	13.9	15.6	18.0
Carats recovered	Carats	271,702	81,423	99,582	90,697	89,247	100,651
Costs							
Operating costs per carat	US\$	143	149	141	136	137	130
Capital expenditures (including capitalized waste)							
Plant Optimization	US\$m	-	-	-	-	1.6	2.9
LDR and MDR circuit	US\$m	5.2	2.3	2.9	-	-	-
Sustaining capital	US\$m	8.0	5.8	1.7	0.5	0.6	1.2
Bulk Sample Plant	US\$m	0.1	-	-	0.1	0.7	1.4
Capitalized waste	US\$m	6.9	2.6	1.3	3.0	1.0	2.3
Total	US\$m	20.2	10.7	5.9	3.6	3.9	7.8

(*) 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

(****) restated following Q3 2016 survey

OPERATIONS: KAROWE MINE

Safety performance was excellent with zero LTIs reported, and all other safety health environmental and corporate responsibility "SHECR" indices within target.

Ore mined in Q3 2016 was 0.7 million tonnes and waste was 3.1 million tonnes. The process plant has performed well during Q3 with tonnes processed being 19.5% ahead of forecast for the quarter and 17% for the year.

As greater volumes of south lobe ore are processed the recovered grade has decreased in-line with the resource model. The south lobe contains high value diamonds resulting in higher revenue per tonne ore processed compared to the centre and north lobes.

The project to increase the top size of diamonds recoverable by the existing Large Diamond Recovery was successfully implemented in early September 2016 on time and on budget. The Mega Diamond Recovery project is on schedule and currently with detailed design stage at 80% complete. The related civil work has commenced at site and fabrication is on schedule and forecast to be complete in Q2, 2017.

During Q3 2016 a mine survey resulted in mined ore and waste volumes being reduced from those originally calculated. The decrease in volumes previously mined does not impact future mine production. Additional procedures have been put in place to monitor the mined volumes going forward.

EXPLORATION

Botswana Prospecting Licenses

In 2014, the Company was awarded two precious stone prospecting licenses (PL367/2014 and PL371/2014) which are known to host 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, Q1 2015 and Q2 2016. The geophysical results confirmed the kimberlite localities and have provided information that has been used to plan our core drilling and surface sampling programs.

At BK02 at the end of Q2 the company had completed a bulk sample with a total of 274.33 carats being recovered from the processing of 5,916 tonnes, for a sample grade of 4.6 cph (carats per hundred tonne). The largest diamond recovered was a 5.48 carat brownish octahedron. In addition a total of 24 stones were recovered greater than 1 carat in weight, including 3 diamonds in excess of 2 carats in weight. In Q3 2016, the Company completed sampling of an additional 5000 tonnes of kimberlite from the BK02 kimberlite in order to recover a parcel of diamonds large enough for basic valuation purposes. Processing of the second BK02 sample was 28% complete at the end of Q3 2016.

A drill program was initiated at AK11 and a total of 10 holes were completed (1570 metres of drilling), 9 holes intersected kimberlite. Drilling confirmed the size of AK11 at approximately 2.5 hectares. Logging and sampling of the drill core is underway and results will be released when the program is complete. Drilling will progress to BK02, AK13, and AK14 during Q4 2016.

Karowe Resource Upgrade Drilling

Drilling commenced on a planned 10,000 metre deep drill program designed to test the AK06 kimberlite at depths below 400m with the a target to bring inferred mineral resources into the indicated category in support of underground mining studies. At the end of Q3 2016 the drilling component of the program was 55% complete. The drilling portion of the program will be complete by Q4 2016.

2016 OUTLOOK

These are “forward-looking statements” and are subject to the cautionary note regarding the risks associated with forward-looking statements.

Karowe Mine, Botswana

Operating guidance:

The Company continues to forecast revenue (regular and exceptional tenders) between \$200 million and \$220 million for the year ending December 31, 2016, excluding the sale of the 813 carat Constellation diamond, which sold for \$63.1 million. The Company continues to hold the 1,109 carat Lesedi La Rona in inventory as at September 30, 2016 and is currently considering options for its sale.

Karowe’s operating cash costs guidance was been decreased for the year from between \$29.0 to \$31.0 per tonne of ore processed to \$25.0 to \$28.0 per tonne ore processed. The reduction in cost guidance is due to power and general cost savings and an increase in tonnes processed. The mine is forecast to exceed previous guidance of 2.2 to 2.4 million tonnes of ore processed. The Company forecasts producing over 350,000 carats of diamonds in 2016.

Ore mined is in line with previous guidance of between 3.0 and 3.5 million tonnes and waste mined is expected to be between 13.0 and 14.0 million tonnes.

Capital and exploration guidance:

The Company continues to forecast between \$15 million and \$18 million for the modifications to the existing Large Diamond Recovery circuit and the installation of a Mega Diamond recovery circuit. The Company’s \$11 million guidance for 2016’s sustaining capital expenditure, which 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, remains unchanged.

During Q2, the Company approved a sub-middles XRT project which targets the recovery of diamonds sized between 4mm and 8mm using XRT technology. Detail design has commenced and is on track for completion Q4 2017. This \$30 million project will further address processing of the very dense high quality South lobe ore at depth and will result in the most efficient and cost effective processing methodology for processing this ore.

The Company maintains its forecast to spend approximately \$3.7 million for deep drilling in the south lobe of the AK6 kimberlite, 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 maintained for advanced bulk sampling and drilling work at the Company’s two Botswana prospecting licenses.

The USD/Pula guidance foreign exchange rate is 10. The USD/Pula foreign exchange rate for the nine months was 10.95.

On behalf of the Board,

William Lamb
President and CEO

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About Lucara

Lucara is a well positioned diamond producer. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company's main producing asset is the 100% owned Karowe Mine in Botswana. The Company also conducts exploration activities and holds two precious stone prospecting licenses close to its Karowe mine.

The information in this release is accurate at the time of distribution but may be superseded or qualified by subsequent news releases.

The information in this release is subject to the disclosure requirements of the Company under the EU Market Abuse Regulation and/or the Securities Markets Act. This information was publicly communicated on November 8, 2016 at 4:00 p.m. Pacific Time.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein 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 achieved.

Forward looking statements are based on the opinions 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. 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 herein should not be unduly relied upon. In particular, this release 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 rate; expectations regarding the need to raise capital; possible impacts of disputes or litigation and other risks and uncertainties describe under "Risks and Uncertainties" as disclosed in the Company's most recent Annual Information Form.

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 "Risk and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com>, 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.