



Lucara Diamond

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NEWS RELEASE

LUCARA ANNOUNCES THIRD QUARTER RESULTS

NOVEMBER 2, 2017 (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp. (“Lucara” or the “Company”) is pleased to announce third quarter revenues of \$77.9 million or \$1,161 per carat (all dollar amounts are in US dollars unless otherwise stated).

HIGHLIGHTS

Financial:

- Revenue was \$77.9 million or \$1,161 per carat (Q3 2016: \$38.1 million or \$332 per carat)
- EBITDA was \$49.8 million (Q3 2016: \$12.4 million)
- Ending Q3 cash position of \$91.4 million (Year end 2016: \$53.3 million)
- Q3 average sales price of \$389 per carat (excluding the sale of the Lesedi La Rona), 17% higher than Q3, 2016. Year to date average sales price of \$687 per carat (excluding sale of Lesedi La Rona), 11% higher than year to date 2016 (excluding sale of Constellation diamond)
- Year to date operating costs were \$32.40 per tonne processed (full year guidance \$36.0 to \$40.0 per tonne). Year to date mining cost per tonne was \$2.45 compared to guidance of \$2.70 to \$2.90 per tonne and processing cost per tonne was \$11.50 compared to guidance of \$11.0 to \$12.0 per tonne.
- Earnings per share for YTD 2017 was \$0.17 (YTD 2016: \$0.16 earnings per share)

Operational - Karowe Mine:

- Strong high value diamond production continued from the south lobe during the Quarter. 108 specials (+10.8 carats), including two poor quality stones in excess of 100 carats, equating to a 4.1% weight percentage of recovered carats
- The MDR and Sub-middles XRT capital projects were completed on time and on budget. This completes the major capital expenditure programs to address comminution and diamond recovery
- Longer than anticipated ramp up of new mining contractor and contractor operating inefficiencies are being addressed and improved
- The results of a Preliminary Economic Assessment prepared in accordance with National Instrument 43-101 demonstrates the quality of the south lobe and the economic viability for the development of an underground mine at Karowe (see press release dated November 2, 2017).

Exploration:

- Drilling program at the Karowe Mine to test the AK06 kimberlite at depths below 400 metres was completed in February 2017

- Mineral Services Canada contracted to assist in the development of sampling program and updated internal geological model that will be utilized for an updated resource estimate for the current inferred portion of the Karowe Mine between 400 and 600 metres below surface. Completion expected Q4, 2017
- Three of the planned eight large diameter drilling holes completed at AK11. Work programs at AK11 and AK13 continue to progress. Microdiamond samples from AK13 are at the laboratory and positive results may lead to a further drilling program
- Extension applications were received from the Ministry of Mines in Q4 2017 for Prospecting Licenses ("PL's") (PL367/2014 and PL371/2014).

Outlook:

- The Company has experienced a longer than anticipated ramp up of its new mining contractor, Aveng Moolman as well as contractor operating inefficiencies. The Company is working with its mining contractor to address these issues and performance is improving. These mining issues have led to a reduction in carats being recovered during the year as lower grade stockpile has been processed in place of fresh south lobe ore
- The reduction in carats processed has resulted in revenue guidance being decreased to between \$165 million and \$175 million, excluding the sale of the Lesedi La Rona. This does not reflect on the value of the Karowe resource as the south lobe diamonds sold in 2017 have increased in price compared to each of the past four years and the weight percentage of specials (+10.8 carats) recovered remains strong and firm at 5.0% for the year

William Lamb, President and Chief Executive Officer commented "Cash flow generation during the quarter was strong reflecting robust sale prices including the sale of the Lesedi La Rona. The continued recovery of specials and an increase in prices compared to the prior year and in difficult market conditions emphasizes the quality of the Karowe stones over the long term. We are addressing issues with our mining contractor, improvements are being made and we expect the shortfall in recovered carats from the south lobe this year to contribute to future cash flows. We are pleased with the results of the Preliminary Economic Assessment which demonstrates the quality of our south lobe diamonds and the potential for long term operations at Karowe with the development of an underground mine".

FINANCIAL UPDATE

Revenues and operating margins: The Company achieved revenue of \$77.9 million during the quarter (Q3 2016: \$38.1 million), including the sale of the Lesedi La Rona ("LLR") for \$53 million (\$47,777 per carat), a regular diamond tender of \$24.6 million and \$0.3 million of proceeds received from the Company's Q2 regular tender. The Q3 average price was \$389 per carat (excluding the sale of the LLR) compared to Q3 2016 average sales price of \$332 per carat, an increase of 17%. The Company has achieved strong year to date rough diamond prices at \$687 per carat excluding the sale of the LLR (Year to date 2016: \$618 per carat excluding the sale of the 813 carat Constellation diamond). Year to date sales prices achieved an increase of 11% compared to the sales prices in the same period in 2016.

Karowe sales remain strong compared to the diamond sector which is experiencing an influx of new production, weakness in the smaller and poorer quality stones, as well as low colour brown diamonds. Average diamond prices, as reported by other diamond producers, are estimated to have decreased by up to 8% compared to the prior year in certain size and quality fractions. This price decrease has been compounded by the increase diamond production from new producers. The high quality south lobe and rarity of some of the Karowe diamonds has created strong demand for its diamonds leading to price increases. These strong prices and a

continued focus on costs have resulted in a year to date operating margin of 80% (year to date operating margin of 67% excluding the sale of the LLR).

Karowe's operating cash cost: Karowe's total operating year to date cash cost is \$32 per tonne processed (2016: \$25.00 per tonne processed) and is expected to end the year within guidance of \$36-\$40 per tonne processed. The Company's expenditures remain well controlled with mining and processing cost per tonne and all site costs within forecast.

Net cash position: The Company's Q3 cash balance was \$91.4 million (Q3 2016: \$49.7 million and FY 2016 \$53.3 million). The increase in cash during the period is primarily due to the LLR sale, which was partially offset by the Company's capital expenditures of \$20.3 million and dividend payments of \$7.7 million. The Company's \$50 million credit facility remains undrawn.

Earnings per share: Earnings per share were \$0.09 for Q3 2017 (Q3 2016: \$0.01 loss per share) and \$0.17 for year to date September 30, 2017 (year to date September 30, 2016: \$0.16).

Dividend: In Q3 2017, the Company paid its quarterly dividend of CDN 2.5 cents per share, or \$7.7 million, on September 14, 2017 bringing the total dividend paid in 2017 to \$21.9 million.

FINANCIAL HIGHLIGHTS

| <i>In millions of U.S. dollars unless otherwise noted</i> | Three months ended September 30 | | Nine months ended September 30 | |
|---|------------------------------------|---------|-----------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues * | \$ 77.9 | \$ 38.1 | \$ 183.6 | \$ 229.4 |
| Average price per carat sold (\$/carat)** | 1,161 | 332 | 960 | 850 |
| Operating expenses per carat sold (\$/carat)** | 229 | 149 | 231 | 143 |
| Operating margin per carat sold (\$/carat)** | 932 | 183 | 729 | 707 |
| Net income (loss) for the period | 32.9 | (3.8) | 63.6 | 59.5 |
| Earnings (Loss) per share (basic and diluted) | 0.09 | (0.01) | 0.17 | 0.16 |
| Cash on hand | 91.4 | 49.7 | 91.4 | 49.7 |

(*) Revenue is presented based on cash receipts received during the period and excludes tender proceeds received after each quarter end.

(**) Average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures.

RESULTS OF OPERATIONS

Karowe Mine, Botswana

| | UNIT | YTD-17 | Q3-17 | Q2-17 | Q1-17 | Q4-16 | Q3-16 |
|--|----------|------------|-----------|-----------|---------|-----------|-----------|
| Sales | | | | | | | |
| Revenues | US\$M | 183.6 | 77.9 | 79.6 | 26.1 | 66.0 | 38.1 |
| Proceeds generated from sales tenders conducted in the quarter are comprised of: | US\$M | 183.6 | 77.6 | 79.9 | 26.1 | 66.0 | 29.8 |
| Sales proceeds received during the quarter | US\$M | 183.6 | 77.9 | 79.6 | 26.1 | 66.0 | 38.1 |
| Q2 2017 tender proceeds received post Q2 2017 | US\$M | - | (0.3) | 0.3 | - | - | - |
| Q2 2016 tender proceeds received post Q2 2016 | US\$M | - | - | - | - | - | (8.3) |
| Carats sold for proceeds generated during the period | Carats | 191,167 | 64,289 | 62,434 | 64,444 | 88,957 | 84,059 |
| Carats sold for revenues recognized during the period | Carats | 191,167 | 67,125 | 59,598 | 64,444 | 88,957 | 114,659 |
| Average price per carat for proceeds generated during the period** | US\$ | 960 | 1,207 | 1,280 | 405 | 743 | 355 |
| Average price per carat for proceeds received during the period*** | US\$ | 960 | 1,161 | 1,336 | 405 | 743 | 332 |
| Production | | | | | | | |
| Tonnes mined (ore) | Tonnes | 950,303 | 386,906 | 432,017 | 131,380 | 582,169 | 650,290 |
| Tonnes mined (waste) | Tonnes | 11,119,512 | 5,540,139 | 4,992,196 | 587,177 | 2,728,915 | 3,092,110 |
| Tonnes processed | Tonnes | 1,703,773 | 591,196 | 513,643 | 598,934 | 630,471 | 650,646 |
| Average grade processed | cpht (*) | 10.9 | 10.6 | 11.2 | 10.9 | 13.0 | 12.5 |
| Carats recovered | Carats | 185,290 | 62,425 | 57,624 | 65,241 | 82,272 | 81,423 |
| Costs | | | | | | | |
| Operating costs per carats sold | US\$ | 231 | 229 | 247 | 217 | 197 | 149 |
| Capital expenditures | | | | | | | |
| -8+4mm sub-middles XRT project | US\$M | 13.0 | 5.3 | 4.9 | 2.8 | 7.2 | - |
| LDR and MDR circuit | US\$M | 7.0 | 3.6 | 1.8 | 1.6 | 0.8 | 2.3 |
| Sustaining capital | US\$M | 4.6 | 1.9 | 2.2 | 0.5 | 2.0 | 5.8 |
| Total | US\$M | 24.6 | 10.8 | 8.9 | 4.9 | 10.0 | 8.1 |

(*) 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

Karowe had no lost time injuries during Q3 resulting in a twelve month rolling Lost Time Injuries Frequency Rate ("LTIFR") of 0.68.

The Company's mining contractor, Aveng Moolman, experienced equipment availability issues during the quarter that resulted in lower than planned south lobe ore being mined. To address this issue the contractor has delivered additional trucks, shovels, excavators and drill rigs to the mine. The contractor has also strengthened its site senior management team and is focused on improving overall mining methods to achieve sustainable, long term operating efficiencies. Improved performance is now being realized and is expected to steadily improve during the next quarter.

Tonnes processed were largely on forecast as stockpile material provided plant feed. The Company continues to focus on waste mining to create additional options for ore availability and access to south lobe material in the future.

Karowe's total operating cash costs are at \$32 per tonne processed and is forecast to be between \$36-\$40 per tonne processed for the year. Year to date cash mining cost per tonne was \$2.45 per tonne compared to guidance of \$2.70 to \$2.90 and processing cost per tonnes was \$11.50 compared to guidance of \$11.0 to \$12.0 per tonne.

The two capital projects: MDR project and Sub-middles XRT project to enhance diamond recovery and maintain design throughput were completed within the quarter with total expenditure during the past two years for both projects within forecast of \$48 million. The primary purpose of the MDR is to recover diamonds larger than 50mm prior to unit processes where the diamond may incur breakage resulting in a lower diamond value. The Sub-middles XRT circuit, which processes +4-8mm material has shown consistent recoveries when compared to those recorded when processing low yield material through a standard Dense Medium Separation circuit. An audit system which is designed to process ~20% of the coarse plant tailings above 4mm is expected to be commissioned in Q1/2018 and forms part of the budget for the Sub-middles XRT project. These costs are expected to be paid in 2018.

The Company's mine processing contract with Dowding, Raynard and Associate's ("DRA") 100% subsidiary, Minopex Botswana (Proprietary) Limited has been transitioned to a new DRA company which has increased capabilities on the operation of Karowe's new technology. The new subsidiary will also be focused on improving operating efficiencies, achieving costs reductions and increasing operational utilization.

The results of an Underground Preliminary Economic Assessment prepared in accordance with National Instrument 43-101 demonstrates the quality of the south lobe and the economic viability for the development of an underground mine at Karowe (see press release dated November 2, 2017). An NI43-101 Preliminary Economic Assessment was completed early in Q4 2017. A Pre-Feasibility Study is expected to be completed in H1 2018.

EXPLORATION AND RESOURCE UPGRADE

Karowe Resource (AK06 kimberlite) Upgrade Drilling

During the quarter specific sampling of drill core was completed for density, petrography, and microdiamond analysis. Limited additional infill sampling was initiated in early Q4 to compliment the existing data and provide additional data points at depth. Drilling was completed in Q1 2017 on a planned 10,000 metre drill program at the Karowe Mine to test the AK06 kimberlite at depth. A total of 12 drill holes (9,750 metres) were completed with approximately 2,770 linear metres within the south lobe of the AK06 kimberlite being drilled. The program is designed to increase confidence in the geological model for the south lobe of the AK06 kimberlite and provide sufficient data and material for an updated resource to be utilized in an underground option study for the Karowe mine. Mineral Services Canada has been contracted to assist in the development of the sampling program and internal geology updates that will be utilized for an updated resource estimate for the current inferred portion of the Karowe Mine and is expected to be completed in Q4 2017.

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. Extension applications were received from the Ministry of Mines in Q4 for prospecting licenses ("PL") (PL367/2014 and PL371/2014).

AK11

During Q3 2017, the Company completed all pilot holes and three (3) of the planned eight (8) large diameter drilling ("LDD") holes at the AK11 kimberlite. Material recovered from the LDD samples commenced processing at the Company's Bulk Sample Plant located at the Karowe Mine in early Q4 2017.

AK13

During Q3 2017 logging and sampling of AK13 was completed and microdiamond samples shipped for analysis. Results are expected during Q4 2017.

2017 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 has revised its revenue guidance to between \$165 million and \$175 million (previously \$200-\$220 million) for the year ending December 31, 2017, excluding the sale of the 1,109 carat Lesedi La Rona, which sold for \$53 million. The Company has experienced a longer than anticipated ramp up of its new mining contractor, Aveng Moolman as well as contractor operating inefficiencies which are being addressed and improved. The contractor mining issues have led to a reduction in planned fresh south lobe ore being mined and processed during the year resulting in the substitution of lower grade stockpile being processed. The processing of lower grade stockpile has caused a decrease in carats recovered and forecast carats sold, which are now between 260,000 to 270,000 carats compared to initial guidance of between 290,000 to 310,000 carats. The south lobe ore not mined during the year is planned to be mined and carats recovered in 2018. . The south lobe ore mined continues to meet expectations in terms of both grade and sales prices achieved. Year to date average sales price achieved is \$687 per carat (excluding the sale of the Lesedi La Rona). This compares to the same period in 2016 prices of \$618 per carat, excluding the sale of the 813 carat Constellation diamond, and full year prices of \$649, \$593 and \$644 per carat in 2016, 2015 and 2014 respectively. The increase in price reflects an increasing proportion of south lobe diamonds compared to prior years, the continued recovery of specials (+10.8 carats) at 5.0% weight percentage of total production in 2017 and the continued strong demand for Karowe's south lobe diamonds.

The Company continues to forecast tonnes processed at between 2.4 to 2.7 million tonnes and is forecasting carats recovered of between 260,000 and 265,000 carats from 265,000 to 285,000 forecast in Q2. Ore mined is forecast between 1.4 to 1.6 million tonnes, a decrease from the 1.8 to 2.0 million tonnes forecast in Q2. Waste mining is forecast between 15 to 17 million tonnes from 17 to 20 million tonnes forecast in Q2.

The two capital projects: MDR and Sub-middles XRT were completed during the quarter on schedule and within budget. This is expected to complete the Company's major capital expenditures to address comminution and diamond recovery at the mine and improve future cash flows. Sustaining capital is unchanged and forecast to be between \$7-\$9 million in 2017.

Karowe's total operating cash costs are well controlled and remain unchanged and are expected to be between \$36.00 and \$40.00 per tonne.

A budget of up to \$10.0 million remains unchanged to advance resource evaluation work on the AK06 kimberlite at Karowe Mine and the completion of a Preliminary Economic Assessment on the potential of an Underground Mine at Karowe, as well as initial hydrogeological modeling to support a pre-feasibility level underground study.

The USD/Pula outlook foreign exchange rate is 10.3.

On behalf of the Board,

William Lamb
President and CEO

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For further information, please contact:

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Third Quarter Results Conference Call

The Company will host a conference call to discuss the results on Friday, November 3, 2017, at 6:00 a.m. Pacific, 9:00 a.m. Eastern, 2:00 p.m. CET (**Note change in CET time from press release of October 16, 2017**).

Conference ID: 1900874 / Lucara Diamond

Dial-In Numbers: Toll-Free Participant Dial-In North America: +1-844-892-6587 All International Participant Dial-In: +1-661-378-9938

To view the live webcast presentation, please log on using this direct link: <https://edge.media-server.com/m6/p/ajsahkh3>

About Lucara

Lucara is a leading independent producer of large exceptional quality Type IIa diamonds from its 100% owned Karowe Mine in Botswana. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company operates transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment and community relations.

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 Lucara Diamond Corp. under the EU Market Abuse Regulation and the Swedish Securities Markets Act. This information was publicly communicated on November 2, 2017 at 4:30 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 reserve and resources; estimates of the Company's production and sales volumes for the Karowe Mine; estimated costs to construct 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 disclosed in the Company's 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 Factors" 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 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), 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.