



## Lucara Diamond

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## NEWS RELEASE

### LUCARA ANNOUNCES FULL YEAR RESULTS

**FEBRUARY 20, 2018 (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp.** (“Lucara” or the “Company”) is pleased to announce full year revenues of \$220.8 million or \$847 per carat (all dollar amounts are in US dollars unless otherwise stated).

#### HIGHLIGHTS

##### Financial:

- Revenue was \$220.8 million or \$847 per carat (2016: \$295.5 million or \$824 per carat)
- EBITDA was \$113.5 million (2016: \$185.4 million)
- Year end cash position was \$61.1 million (2016: \$53.3 million)
- Operating costs were \$34.6 per tonne processed (2016: \$26.5 per tonne processed)
- Basic earnings per share for the year was \$0.17 (2016: \$0.19 basic earnings per share)

##### Operational: Karowe Mine:

- The south lobe continued to produce high value diamonds during the year with a total of 521 specials (>10.8 carats), 5.6% weight percentage of total recovered carats in 2017 (2016: 4.9%)
- Excluding the sale of the Lesedi La Rona (“LLR”) the average sales price for 2017 was \$647 per carat, in line with the 2016 average sales price of \$649 excluding the sale of the 813 carat Constellation diamond
- The MDR and Sub-middles XRT capital projects were completed on time and on budget. The circuits are performing well and to design specifications
- Operational performance at the mine resulted in strong cost control. Processing cost per tonne was \$34.6 per tonne processed compared to full year guidance of \$36-\$40 per tonne

##### Exploration and Resource Upgrade:

- The Company’s drilling program at the Karowe Mine to test the AK06 kimberlite at depths below 400m metres was completed during the year. An updated resource update is expected to be complete in Q2, 2018
- A pre-feasibility level study for the Karowe AK06 underground development is underway, following the announcement of a positive economic outcome from a PEA in November 2017, and is expected to be completed by the end of 2018

**William Lamb, President and Chief Executive Officer commented** “The Company continued to receive strong prices for the sale of our diamonds this year demonstrating the quality of the south lobe diamonds at Karowe. Our capital projects for enhanced diamond recovery were completed on time and within budget and will ensure maximum value is recovered at the mine. These systems are operating well and above expectation.

*We are advancing our resource expansion work with the underground study at Karowe, with a pre-feasibility study to be completed during the second half of 2018”.*

## **FINANCIAL UPDATE**

**Revenues and operating margins:** The Company achieved revenues of \$220.8 million during the year (2016: \$295.5 million) including the sale of the 1,109 carat Lesedi La Rona (“LLR”) for \$53.0 million (\$47,777 per carat). The 2017 average sales price was \$847 per carat (including the sale of the LLR) compared to 2016 average sales price of \$824 per carat (including the sale of 813 carat Constellation diamond for \$63.1 million). Excluding the sale of the LLR the average sales price for 2017 was \$647 per carat which was in line with the 2016 average sales price of \$649 excluding the sale of the 813 carat Constellation diamond. The consistently strong sales price demonstrates the quality of Karowe’s south lobe diamonds in a market where average diamond prices have decreased by up to 10% in certain size and quality fractions in 2017.

**Karowe’s operating cash cost:** Karowe’s total annual operating cash cost was \$34.6 per tonne processed (2016: \$26.5 per tonne processed) compared to forecast 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 2017 year-end cash balance was \$61.1 million (2016: \$53.3 million). The increase in cash during the year is primarily due to the sale of the LLR which was partially offset by the Company’s capital expenditures of \$34.2 million for the Mega Diamond Recovery (‘MDR’) and Sub-middles XRT capital projects, stripping costs of \$32.9 million of which \$24.8 million was capitalized and dividend payments of \$29.4 million. The Company’s \$50 million credit facility remains undrawn.

**Earnings and Basic Earnings Per Share:** Earnings for 2017 were \$65.1 million (2016: \$70.7 million) and basic earnings per share were \$0.17 for the year ended December 31, 2017 (2016: \$0.19).

**Dividends:** The Company paid its quarterly dividend of CA\$0.025 per share on December 14, 2017 for a cumulative annual dividend of CA\$0.10 per share in 2017 or a total of \$29.4 million cash dividend to our shareholders in 2017.

## FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended December 31		Year ended December 31	
	2017	2016	2017	2016
Revenues	\$ 37.1	\$ 66.0	\$ 220.8	\$ 295.5
Net income for the period	1.7	11.2	65.1	70.7
Earnings per share (basic)	0.00	0.03	0.17	0.19
Earnings per share (diluted)	0.00	0.03	0.17	0.18
Cash on hand	\$ 61.1	\$ 53.3	\$ 61.1	\$ 53.3
Average price per carat sold (\$/carat)	535	743	847	824
Operating expenses per carat sold (\$/carat)	255	197	238	156
Operating margin per carat sold (\$/carat)	280	546	609	668

## RESULTS OF OPERATIONS

### Karowe Mine, Botswana

	UNIT	Year 2017	Q4-17	Q3-17	Q2-17	Q1-17	Q4-16
<b>Sales</b>							
Revenues	US\$M	220.8	37.1	77.9	79.6	26.1	66.0
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$M	220.8	37.1	77.6	79.9	26.1	66.0
Sales proceeds received during the quarter	US\$M	220.8	37.1	77.9	79.6	26.1	66.0
Q2 2017 tender proceeds received post Q2 2017	US\$M	-	-	(0.3)	0.3	-	-
Carats sold for proceeds generated during the period	Carats	260,526	69,358	64,289	62,434	64,444	88,957
Carats sold for revenues recognized during the period	Carats	260,526	69,358	67,125	59,598	64,444	88,957
Average price per carat for proceeds generated during the period**	US\$	847	535	1,207	1,280	405	743
Average price per carat for proceeds received during the period***	US\$	847	535	1,161	1,336	405	743
<b>Production</b>							
Tonnes mined (ore)	Tonnes	1,575,052	624,749	386,906	432,017	131,380	582,169
Tonnes mined (waste)	Tonnes	15,965,121	4,745,609	5,540,139	4,992,196	587,177	2,728,915
Tonnes processed	Tonnes	2,335,550	631,777	591,196	513,643	598,934	630,471
Average grade processed	cpht <sup>(*)</sup>	10.7	10.2	10.6	11.2	10.9	13.0
Carats recovered	Carats	249,767	64,477	62,425	57,624	65,241	82,272
<b>Costs</b>							
Operating costs per carats sold	US\$	238	255	229	247	217	197
Capital expenditures							
-8+4mm sub-middles XRT project	US\$M	18.4	5.4	5.3	4.9	2.8	7.2
LDR and MDR circuit	US\$M	7.1	0.1	3.6	1.8	1.6	0.8
Sustaining capital	US\$M	8.7	4.1	1.9	2.2	0.5	2.0
Total	US\$M	34.2	9.6	10.8	8.9	4.9	10.0

(\*) 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 Q4 resulting in a twelve month rolling Lost Time Injuries Frequency Rate ("LTIFR") of 0.64.

In Q3 the Company's new mining contractor, Aveng Moolmans, experienced equipment availability issues that resulted in decreased ore and waste mined during the year. Additional trucks, shovels, excavators and drill rigs were brought to site to address the operational issues. A mining sub-contractor commenced operating on site during Q4 2017 to mine ore while Aveng Moolmans focusses on waste mining. Operations improved in Q4 2017 and the Company continues to work with Aveng Moolmans to work on improving its mining methods and operating efficiencies.

The two capital projects, an MDR project and a Sub-middles XRT project were successfully completed and commissioned in Q3 2017. These capital projects were incorporated into the comminution process to enhance diamond recovery and maintain design throughput. 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 is operating to design capacity and has shown consistent recoveries when compared to those recorded when processing low yield material through a standard Dense Medium Separation circuit. An audit plant which is designed to process a portion of the coarse plant tailings above 4mm is expected to be commissioned in Q1 2018.

During Q4 2017 the Company successfully transitioned in to a new processing contractor at the Karowe mine. The transition has increased capabilities on the operation of Karowe's new circuits and the Company anticipates continued cost reductions and increased operational utilization.

The results of an Underground Preliminary Economic Assessment (PEA) prepared in accordance with National Instrument 43-101 ("NI 43-101") demonstrates positive economic potential for the development of an underground mine at Karowe (see press release dated November 2, 2017) and supports a NI 43-101 Technical Report on the Karowe Underground PEA (press release December 15, 2017).

The preparation of the Pre-feasibility ("PFS") is currently underway and is expected to be completed in H2 2018. The PFS will include trade-off studies for alternatives to Sub-level open stoping such as block caving, optimal sublevel intervals, potential lease option for mining equipment and other optionality. In Q1 2018, the Company will initiate hydrological and geotechnical drilling with updates to the structural and hydrological models. These updated models will inform the ongoing potential underground mining options in support of the PFS and potential Feasibility level study (FS).

The drilling and related data collection and analysis programs were approved to prepare the Company to continue the underground project into the FS following a viable PFS.

## **EXPLORATION AND RESOURCE UPGRADE**

### *Karowe Resource (AK06 kimberlite) Upgrade Drilling*

Work progressed on the updated geological and resource model for AK6, this 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 the underground project study for the Karowe mine. Updates to the geological model interpret a larger volume of the Eastern magmatic/pyroclastic kimberlite ("EM/PK(S)") unit at depth. A controlled sample of the EM/PK(S) unit will be mined and processed through the Karowe process plant to increase data available for size frequency and diamond value analysis. A similar program was conducted in 2013 for the magmatic/pyroclastic kimberlite ("M/PK(S)") unit in support of the 2013 resource update.

#### *Botswana Prospecting Licenses:*

In 2014, the Company was awarded two precious stone prospecting licenses (PL367/2014 and PL371/2014). The prospecting licenses are located within a distance of 15 kilometres and 30 kilometres from the Karowe Diamond mine. The BK02 license was extended for one year to Q3 2018 and the AK11/13/24 license was reduced by 50% in area and extended for two years until Q3 2019.

#### **AK11**

During Q4 2017, the Company completed a LDD program at AK11. A total of 1510 metres were drilled in 8 LDD holes with an estimated in-situ tonnage of 490 tonnes. Material recovered from the LDD samples commenced processing at the Company's BSP located at the Karowe Mine in Q4 2017, results are expected in early Q2 2018.

#### **AK13**

During Q3 2017 logging and sampling of AK13 was completed and microdiamond samples shipped for analysis. Microdiamond results are expected in Q1 2018 and followed by a drill program contingent on the results.

#### **AK24**

During Q4 2017, a limited drone-based geophysical survey was flown over AK24 to confirm location and nature of the anomaly. A drill program at AK24 is planned for Q1 2018.

### **2018 OUTLOOK**

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

#### ***Karowe Mine, Botswana***

Karowe is forecast to process 2.5-2.8 million tonnes of ore, producing between 270,000 and 290,000 carats of diamonds in 2018. Revenue is forecast between \$170 million and \$200 million.

Ore mined is forecast between 2.5-2.8 million tonnes and waste mined is expected to be between 13.0-16.0 million tonnes.

Karowe's operating cash costs (see page 9 Non-IRFS measures) are expected to be between \$38.00 and \$42.00 per tonne. To fully gain access to the cut 2 south lobe ore requires a large volume of waste to be mined which significantly impacts operating cash costs in 2018 similar to 2017. Operating cash costs, excluding waste mining is expected to be between \$21-\$24 per tonne processed. The strip ratio is forecast at approximately 5.0-6.0 in 2018 before decreasing significantly in 2019 to approximately 2.7 and then forecast at under 2.0 stripping ratio going forward from 2020 onwards. The decrease in waste mining is expected to add to free cash flow once the cut 2 push back is complete in 2019.

Sustaining capital expenditures in 2018 is forecast to be up to \$11 million, which includes final expenditure for the sub-middles XRT project audit facility at \$3.0 million which was part of the total project cost at \$45 million compared to forecast of \$45-\$48 million.

A budget of up to \$3.0 million is approved for the completion of the pre-feasibility level study ("PFS") of the Karowe AK06 underground development and is expected to be completed by the end of 2018. Costs associated with geotechnical and hydrogeology drilling and additional studies in support of an underground development study and are forecast at up to \$26 million in 2018. The Company also budgeted \$6.0 million for advance exploration work on the Company's prospecting licenses. The Company is planning on completing drill programs at AK13, AK24 and LDD programs would be based on positive microdiamond results from the core drilling and geophysical surveys in the vicinity of AK11 and AK24.

The USD/Pula budgeted foreign exchange rate for 2018 is 9.8.

## **ANNUAL MEETING**

The Company reports that it is planning to hold its annual shareholder's meeting at Blake, Cassells and Graydon LLP (Pacific + Atlantic Boardroom), Suite 2600, 595 Burrard Street, Vancouver, British Columbia on May 10, 2018 at 10:00 am Pacific Time.

On behalf of the Board,

William Lamb  
President and CEO

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## **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 February 20, 2018 at 2:45 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.