



Lucara Diamond

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NEWS RELEASE

LUCARA FULL YEAR RESULTS

Date February 16, 2017 (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp. (“Lucara” or the “Company”) is pleased to announce revenues of \$295.5 million or \$824 per carat and EBITDA of \$185.4 million (all dollar amounts are in US Dollars unless otherwise indicated).

HIGHLIGHTS:

Financial:

- Revenue for the year was \$295.5 million or \$824 per carat (2015: \$223.8 million and \$593 per carat).
- EBITDA was \$185.4 million* for the period (2015: \$133.9 million*).
- Year end cash position of \$53.3 million (2015: \$134.8 million) following dividend payments of \$149.7 million during the period.
- Full year costs at \$26.5* per tonne ore processed were well controlled and within revised cost guidance of \$25.0-\$28.0 per tonne processed.
- Earnings per share for the year was \$0.19 (2015: \$0.21 earnings per share).
- Full year dividends paid of CA\$ 0.51 per share or CA\$ 194.7 million (US\$149.7 million in dividends). As previously announced, the Company is increasing its regular annual dividend to CA\$0.10 per share expected to be paid in four equal payments on a quarterly basis in 2017.

Operational: Karowe Mine

- New mine contractor, Moolman Mining Botswana (Pty) Ltd a subsidiary of Aveng Mining (“Aveng Moolmans”) commenced mobilization to the Karowe mine in February. Since December 2016, during the period of transition to Aveng Moolmans, Karowe has processed ore from stockpile resulting in lower than forecast ore and waste mined for the year.
- Ore processed for the year was in excess of forecast at 2.6 million tonnes with diamond recoveries totaling 353,974 carats which was in line with forecast.
- Successful implementation, on time and on budget, in Q3 of the project to increase the top size of diamonds recoverable by the existing Large Diamond Recovery. The Mega Diamond Recovery (“MDR”) and the sub middles XRT project are advancing and expected to complete on time and on budget in 2017.

Exploration:

- Exploration program is well advanced at BK02 and AK11 with results to be released during 2017 when the programs are complete. Drilling will commence at AK13 and AK14 during 2017.
- Drilling program to test the Karowe AK06 kimberlite at depths below 400m was completed in February 2017.

*Non-IFRS measure, see Q4 2016 MD&A for Non-IFRS measure definitions and reconciliations.

Investment:

- In Q4 2016, the Company acquired an interest in Tsodilo Resources Limited for \$2.5 million in a private placement financing. Tsodilo Resources has title to the Botswana's BK16 project covering an area of 1.02 square kilometers and is located 28 km northeast from Karowe mine.

William Lamb, President and Chief Executive Officer commented "The Company achieved record sales in 2016. We demonstrated our commitment to deliver consistent and sustainable value to our shareholders as well as the strength of our cash flow generation by paying a special dividend during the year, while continuing to advance growth opportunities in Botswana. We remain focused on operating performance at the Karowe mine and are well positioned to continue to drive operating efficiencies and safe productivity in partnership with our new mining contractor. Our capital projects for enhanced diamond recovery are on target to be completed in 2017, ensuring maximum diamond recoveries from the high value south lobe. We also remain excited with our work on resource expansion at the Karowe mine through our deep drilling program and our advanced exploration program in Botswana"

FINANCIAL UPDATE

Net Cash Position: The Company's year-end cash balance was \$53.3 million (2015: \$134.8 million). The decrease in cash during the year is primarily due to the Company's special and regular dividend payments of \$149.7 million to its shareholders. The Company's \$50 million credit facility remains undrawn.

Cash flows and Operating Cost Per Tonne of Ore Processed: During the year, the Company sold 358,806 carats for total revenues of \$295.5 million (2015: \$223.8 million) at an average sales price of \$824 per carat (2015: \$593 per carat). Excluding the sale of the 813 carat Constellation diamond, the 2016 average sales price was \$649 per carat. The Company's focus on cost control resulted in a cost per tonne processed of \$26.5 (Revised guidance \$25.0-\$28.0 per tonne).

Earnings Per Share: Earnings per share were \$0.19 per share for the year ended December 31, 2016 (2015: \$0.21) and \$0.03 per share for the quarter ended December 31, 2016 (2015: \$0.05). The Company's earnings per share were negatively impacted by \$0.03 per share due to a foreign exchange loss of \$11 million as compared to 2015's foreign exchange gain of \$15 million which contributed \$0.04 to 2015 earnings per share. Withholding taxes of \$7.4 million on funds remitted from Botswana for the payment of the special dividend in 2016 reduced earnings per share by a further \$0.02.

Earnings Before Interest, Tax, Depreciation and Amortization "EBITDA" and Operating Margin: The Company recorded EBITDA for the year of \$185.4* million (2015: \$133.9* million) and an operating margin of 81%* (2015: 78%*). The increase in EBITDA and operating margin was largely due to the sale of the Constellation, an 813 carat Type IIA diamond sold for a world record rough diamond price of US\$63.1 million or US\$77,649 per carat.

Dividends: The Company paid its quarterly dividend of CA\$0.015 per share on December 15, 2016 for a cumulative dividend of CA\$0.51 per share in 2016. The \$149.7 million cash dividend paid in 2016 resulted in a milestone achievement for the Company as the cumulative dividends paid since 2014 exceed the total amount of share capital ever raised by the Company.

In 2017, the Company is increasing its regular annual dividend to CA\$0.10 per share to be paid in four equal payments on a quarterly basis. The Company has declared a first quarter dividend of CA\$0.025 per share which will be paid on March 30, 2017 to holders of securities on the record of the Company's common shares at the close of business on March 17, 2017. The Company anticipates that it will declare a further three payments of CA\$0.025 per share in 2017 by the end of each quarter for a total yearly dividend of CA\$0.10 per share however the declaration of all future quarterly dividends remains at the discretion of the Board of Directors and is subject to the requirements of the Company's dividend policy.

*Non-IFRS measure, see Q4 2016 MD&A for Non-IFRS measure definitions and reconciliations.

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended December 31			Year ended December 31	
	2016	2015		2016	2015
Revenues*	\$ 66.0	\$ 65.2	\$	295.5	\$ 223.8
Net income for the period	11.2	19.0		70.7	77.8
Earnings per share (basic)	0.03	0.05		0.19	0.21
Earnings per share (diluted)	0.03	0.05		0.18	0.20
Cash on hand	\$ 53.3	\$ 134.8	\$	53.3	\$ 134.8
Average price per carat sold (\$/carat)	743	693		824	593
Operating expenses per carat sold (\$/carat)	197	137		156	133
Operating margin per carat sold (\$/carat)	546	556		668	460

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

RESULTS OF OPERATIONS

Karowe Mine, Botswana

	UNIT	Year 2016	Q4-16	Q3-16	Q2-16	Q1-16	Q4-15
Sales							
Revenues	US\$m	295.5	66.0	38.1	140.8	50.6	65.2
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	295.5	66.0	29.8	149.1	50.6	65.2
Sales proceeds received during the quarter	US\$m	295.5	66.0	38.1	140.8	50.6	65.2
Q2 2016 tender proceeds received in Q3 2016	US\$m	-	-	(8.3)	8.3	-	-
Carats sold for proceeds generated during the period	Carats	358,806	88,957	84,059	107,801	77,990	94,026
Carats sold for revenues recognized during the period	Carats	358,806	88,957	114,659	77,200	77,990	94,026
Average price per carat for proceeds generated during the period**	US\$	824	743	355	1,383	649	693
Average price per carat for proceeds received during the period***	US\$	824	743	332	1,824	649	693
Production							
Tonnes mined (ore) (****)	Tonnes	2,722,375	582,169	650,290	884,212	605,705	672,110
Tonnes mined (waste) (****)	Tonnes	11,058,041	2,728,915	3,092,110	2,868,798	2,368,218	2,631,224
Tonnes processed	Tonnes	2,613,217	630,471	650,646	680,190	651,909	567,966
Average grade processed	cpht (*)	13.5	13.0	12.5	14.6	13.9	15.6
Carats recovered	Carats	353,974	82,272	81,423	99,582	90,697	89,247
Costs							
Operating costs per carats sold	US\$	156	197	149	141	136	137
Capital expenditures (including capitalized waste)							
Plant Optimization	US\$m	-	-	-	-	-	1.6
-8+4mm sub-middles XRT project	US\$m	7.2	7.2	-	-	-	1.6
LDR and MDR circuit	US\$m	6.0	0.8	2.3	2.9	-	-
Sustaining capital	US\$m	10.0	2.1	5.8	1.7	0.5	0.6
Bulk Sample Plant	US\$m	0.1	-	-	-	0.1	0.7
Capitalized waste	US\$m	9.4	2.5	2.6	1.3	3.0	1.0
Total	US\$m	32.7	12.6	10.7	5.9	3.6	3.9

(*) 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 for the year with a Safety and Health Lost Time Injury Frequency rates for 2016 of zero (measured per 1,000,000 hours) (2015: less than 0.4). All safety health environmental and corporate responsibility indices were within target. The Company has achieved five million man hours without a lost time injury.

Ore mined in Q4 2016 was 0.6 million tonnes and waste was 2.7 million tonnes. Tonnes of ore and waste mined were lower than forecast as Karowe's previous mine contractor commenced demobilization from site and ore was processed from stockpile. The process plant has performed well during Q4 with tonnes processed being 14% ahead of forecast for the quarter and 6% ahead of forecast for the year resulting in Karowe achieving its carat recovered forecast in excess of 350,000 carats.

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 on schedule and within budget. The MDR project is on schedule at 45% complete. The related civil work has commenced at site and fabrication is on schedule and forecast to be complete in Q2, 2017.

The sub-middles XRT project (targeting the recovery of diamonds between 4mm and 8mm using XRT technology) is 25% complete. Excavation in preparation of civil work has commenced. The project is on schedule for completion in Q3 2017. This project will further address processing of the very dense high quality South lobe ore at depth and is anticipated to result in a highly efficient and cost effective processing methodology for processing this ore.

In January 2017, the Company announced the appointment Aveng Moolmans as the new mining contractor for the Karowe mine. Aveng Moolmans is contracted for a six year period to provide full mining services including all drill, blast, load and haul functions for both ore and waste. In February 2017, Aveng Moolmans has commenced mobilization of its mining equipment fleet into the Karowe mine.

EXPLORATION AND MOTHAE

Karowe Resource Upgrade Drilling

Drilling commenced on the planned 10,000 metre deep drill programme designed to test the Karowe AK06 kimberlite at depths below 400m with the objective of converting inferred mineral resources into the indicated category in support of an underground mining study. The drilling component of the program is expected to be completed in February 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 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.

BK02

In Q2 2016, the Company had completed processing 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 cpht. The largest diamond recovered was a 5.48 carat brownish octahedron. Additionally, a total of 24 stones were recovered greater than one carat in weight, including three diamonds in excess of two carats in weight. In Q3 2016, the Company completed sampling of an additional 5000 tonnes of kimberlite in order to recover a parcel of diamonds sufficient for basic valuation purposes. Processing of the second BK02 sample was completed in Q4 2016 with audit samples and diamond sorting forecast to be completed in Q1 2017.

During Q4 2016, 14 drill holes totaling 1670 metres were drilled into the BK02 kimberlite. An additional three drill holes (320m) were completed in early Q1 2017. Drill core logging is underway and will be sampled for microdiamond analysis and is forecast to be completed in Q3, 2017

AK 11

During Q3 a drill program was initiated and completed at AK11 with a total of 10 core holes (1570 metres of drilling). This program constituted the first ever drilling on AK11. Nine holes were drilled at AK11 and all intersected kimberlite, the tenth hole which did not intersect kimberlite tested a geophysical anomaly to the west of AK11. Preliminary core logging indicates that AK11 has two distinct pipe infill sequences, a well preserved crater infill (graded bedding, re-sediment kimberlite) and a more magmatic/pyroclastic kimberlite phase. Drilling confirmed the size of AK11 at approximately 2.5 hectares. Logging and sampling of the drill core is underway, microdiamond samples are currently being processed and is forecast to be completed in Q2 2017.

Drilling will progress to AK13 and AK14 during Q1 2017.

Mothae Diamond Project, Lesotho

On March 31, 2016, the Company completed the transfer of its shares of Mothae Diamonds Pty Ltd. and the Mothae site bulk sample plant to the Government of Lesotho. As consideration, the Government of Lesotho has released the Company from all liabilities relating to the rehabilitation of the Mothae Diamond Project. Lucara has no remaining ownership in this project.

INVESTMENT

In Q4 2016, the Company acquired 4,476,773 Units of a Tsodilo Resources Limited for \$2.5 million in a private placement financing. Each Unit is comprised of one common share and one common share purchase warrant, each such warrant entitling the holder to purchase one common share of Tsodilo for a period until the close of business on December 12, 2018 at an exercise price of USD\$0.75. Lucara was granted a pre-emptive right to maintain its percentage ownership in Tsodilo as well as a right of first refusal to purchase all or any portion of the Tsodilo's or its subsidiaries' rights, title or interest in or to the Tsodilo's BK16 project pursuant to a right of first refusal agreement. The funds received by Tsodilo from Lucara are specifically designated and ring fenced for work on BK16. The BK16 property covers an area of 1.02 square kilometers and is located 28 km northeast from the Karowe mine and is 14 km from BK02.

DIAMOND MARKET

Supply and demand fundamentals in the diamond market remain unbalanced, resulting in a very cautious market. The large volume of rough diamonds sold into the market in 2016 has not translated into increased sales of polished diamonds. Polished diamond price indices remain at very low levels, restricting the ability for rough diamond prices to see short term and sustainable growth.

Demonetization in India towards the end of 2016 resulted in low to almost no liquidity for polishers to pay their employees. Although this is a short term concern for the sector, additional supply being brought into the market by three new diamond producers may continue to have an impact on prices for the smaller and lower quality rough diamonds.

The market for large high value rough diamonds remains resilient and their remains strong demand for these goods. Lucara continues to receive a high number of bids for its high value single stones as polishers look to move into the higher margin areas of the industry.

2017 OUTLOOK

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 2.2-2.5 million tonnes of ore, producing between 290,000 and 310,000 carats of diamonds in 2017. Revenue is forecast between \$200 and \$220 million. This excludes the anticipated sale of Lesedi La Rona held in inventory at December 31, 2016.

Ore mined is forecast between 2.4-2.7 million tonnes and waste mined is expected to be between 17.0-20.0 million tonnes.

Karowe's operating cash costs are expected to be between \$36.00 and \$40.00 per tonne processed following a planned increase in waste mining as the Company advances toward early completion of a major push back by the end of 2018. This will create further optionality for accessing the high value south lobe ore.

Capital expenditure in 2017 is forecast at between \$33-\$35 million. This capital investment is largely for the completion of the MDR and -8+4mm sub-middles XRT projects, which commenced in 2016 and is to be completed in 2017. Both projects are forecast to be completed within budgeted costs between \$15-\$18 million and up to \$30 million respectively. Sustaining capital is forecast to be between \$7-\$9 million in 2017.

A budget of up to \$10.0 million is allocated to advance exploration work and the completion of a pre-feasibility level underground study. The Company continues its advanced bulk sampling and drilling work at BK02, AK11 and AK13. Deep drilling on the Karowe AK06 kimberlite south lobe is to be completed in 2017 with the aim of converting inferred resources below 400 metres depth to an indicated resource and to determine the economic viability of underground mining with a view to potentially extending the life of mine.

The USD/Pula budgeted foreign exchange rate for 2017 is 10.3.

On behalf of the Board,

William Lamb
President and CEO

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Annual Meeting

The Company reports that it is planning to hold its annual meeting of shareholders at Blake, Cassels & Graydon LLP, Suite 2600, Pacific Boardroom, 595 Burrard Street, Vancouver, British Columbia, on Thursday May 11, 2017 at 10:00 a.m. (Pacific Time).

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 good international practices in the areas of 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 the Company under the EU Market Abuse Regulation and/or the Swedish Securities Markets Act. This information was publicly communicated on February 16, 2017 at 2:30 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 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.