

Lucara Announces Second Quarter Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug. 3, 2017) - Lucara Diamond Corp. ("Lucara" or the "Company") (TSX:LUC)(BOTSWANA:LUC)(NASDAQ OMX Stockholm:LUC) is pleased to announce second quarter revenues of \$79.6 million or \$1,336 per carat (all dollar amounts are in US dollars unless otherwise stated).

HIGHLIGHTS

Financial:

- Revenue was \$79.6 million or \$1,336 per carat (Q2 2016: \$77.7 million excluding the sale of the Constellation diamond for \$63.1 million and \$1,017 per carat).
- EBITDA was \$51.8 million (Q2 2016: \$46.6 million excluding the sale of the Constellation diamond).
- Operating margin was 82% (Q2 2016: 85% excluding the sale of the Constellation diamond)
- Q2 cash position of \$62.7 million (Q1 2017: \$43.5 million).
- Operating costs were \$30.1 per tonne processed (Q2: 2016: \$25.9 per tonne processed).
- Earnings per share for H1 2017 was \$0.08 (H1 2016: \$0.08 earnings per share excluding the sale of the Constellation diamond).

Operational: Karowe Mine:

- During Q2 the Company recovered 113 specials (+10.8 carats) which equated to 5.9% weight percentage of recovered carats which was in line with expectations (Q2 2016: 4.6%).
- The Company's mining contractor, Aveng Moolmans experienced equipment availability issues during the beginning of the quarter that resulted in lower than planned ore and waste mined. As the Company is focused on mining waste to ensure access to larger volumes of high value south lobe ore in the future, mining focused on waste and remains in line with current mine plan as efficiencies improved in the latter part of Q2 and into Q3 through the addition of more loading equipment.
- Processing volumes were largely on forecast as the lower volume of ore mined was replaced with stockpile ore, largely from the south lobe.
- The Company's two capital projects to improve diamond recovery and maintain design throughput remain on schedule and within forecast costs.
- As a result of the reduced mined ore volumes, management has reduced forecast carats recovered to between 265,000-285,000 carats and carats sold to between 260,000-275,000 carats. Revenue guidance is maintained at \$200 to \$220 million based on the processing of south lobe material. The Company is maintaining its revenue guidance due to the more than planned high value south lobe ore being processed. While revenue guidance is maintained, lower recovered carats results in increased risk to the revenue forecast based on the overall timing of the recovery of large and higher value stones.

Exploration:

- The Company's drilling program at the Karowe Mine testing the AK06 kimberlite at depths below 400m metres was completed in February 2017. 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 to a depth of approximately 600m. The resource update is expected to be complete in Q4, 2017.
- During Q2 2017, the Company initiated a large diameter drilling sampling program at the AK11 kimberlite and microdiamond work is being conducted on kimberlite recovered from AK13 which may lead to a further drilling program based on the overall results.
- Extension applications were submitted for each of the prospecting licenses ("PL") (PL367/2014 and

PL371/2014), responses from the Ministry of Mines are expected in Q3 2017.

William Lamb, President and Chief Executive Officer commented 'Sales in the First Half achieved extremely strong prices and with our focus on cost control, the Karowe mine continues to deliver strong operating margins. We have worked with our new mine contractor to improve performance during Q2 and Q3, and our mining department is now achieving our productivity targets. Our focus on the process plant is to complete the capital projects, further enhancing diamond recovery by the end of Q3 this year. This will place the Karowe mine in an even stronger position to maximize value from the recovery and sale of diamonds from the high value south lobe'.

FINANCIAL UPDATE

Revenues and operating margins: The Company achieved revenues of \$79.6 million during the quarter (Q2 2016: \$140.8 million or \$77.7 million excluding the sale of Constellation - 813 carat stone for \$63.1 million) or revenue per carat of \$1,336 per carat (Q2 2016: \$1,017 per carat excluding the sale of the Constellation diamond). This revenue excludes \$0.3 million of proceeds received post Q2 for the Company's June tender. The Company's Q2 2017 operating margins were \$1,089 per carat or 82%, which is largely due to the Company's first exceptional stone tender in 2017, which achieved proceeds of \$54.8 million or \$31,010 per carat. Year to date revenue was \$105.7 million or \$852 per carat achieving a 73% operating margin.

Net cash position: The Company's ending Q2 cash balance was \$62.7 million (FY 2016 \$53.3 million). The increase in cash is due to the Company's exceptional stone tender and regular tender during the quarter and was partially offset by operating costs, royalty payments and capital expenditures of \$17.0 million. The Company's \$50 million credit facility remains undrawn.

Earnings per share: Earnings per share were \$0.08 for H1 2017 (H1 2016: \$0.17 earnings per share). The Company's prior year earnings per share were largely impacted by the sale of the Constellation diamond. Excluding the sale of the Constellation diamond 2016 earnings per share was \$0.08.

Dividend Paid: In Q2 2017, the Company paid its quarterly dividend of CDN 2.5 cents per share or \$7.1 million on June 15, 2017 bringing the total dividend paid in 2017 to \$14.2 million.

FINANCIAL HIGHLIGHTS

| <i>In millions of U.S. dollars unless otherwise noted</i> | Three months ended June 30 | | Six months ended June 30 | |
|---|-------------------------------|----------|-----------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Revenues (*) | \$ 79.6 | \$ 140.8 | \$ 105.7 | \$ 191.4 |
| Average price per carat sold(**) (\$/carat) | 1,336 | 1,824 | 852 | 1,233 |
| Operating expenses per carat sold(**) (\$/carat) | 247 | 141 | 232 | 139 |
| Operating margin per carat sold(**) (\$/carat) | 1,089 | 1,683 | 620 | 1,094 |
| Net income for the period | 32.2 | 46.1 | 30.6 | 63.3 |
| Earnings per share (basic and diluted) | 0.08 | 0.12 | 0.08 | 0.17 |
| Cash on hand | 62.7 | 210.8 | 62.7 | 210.8 |

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

(**) Non-IFRS measures.

RESULTS OF OPERATIONS

Karowe Mine, Botswana

| | UNIT | Q2-17 | Q1-17 | Q4-16 | Q3-16 | Q2-16 |
|--------------------|-------|-------|-------|-------|-------|-------|
| Sales | | | | | | |
| Revenues | US\$M | 79.6 | 26.1 | 66.0 | 38.1 | 140.8 |
| Proceeds generated | | | | | | |

| | | | | | | |
|--|----------|-----------|---------|-----------|-----------|-----------|
| from sales tenders conducted in the quarter are comprised of: | US\$M | 79.9 | 26.1 | 66.0 | 29.8 | 149.1 |
| Sales proceeds received during the quarter | US\$M | 79.6 | 26.1 | 66.0 | 38.1 | 140.8 |
| Q2 2017 tender proceeds received post Q2 2017 | US\$M | 0.3 | - | - | - | - |
| Q2 2016 tender proceeds received post Q2 2016 | US\$M | - | - | - | (8.3) | 8.3 |
| Carats sold for proceeds generated during the period | Carats | 62,434 | 64,444 | 88,957 | 84,059 | 107,801 |
| Carats sold for revenues recognized during the period | Carats | 59,598 | 64,444 | 88,957 | 114,659 | 77,200 |
| Average price per carat for proceeds generated during the period** | US\$ | 1,280 | 405 | 743 | 355 | 1,383 |
| Average price per carat for proceeds received during the period*** | US\$ | 1,336 | 405 | 743 | 332 | 1,824 |
| Production | | | | | | |
| Tonnes mined (ore)(****) | Tonnes | 432,017 | 131,380 | 582,169 | 650,290 | 884,212 |
| Tonnes mined (waste)(****) | Tonnes | 4,992,196 | 587,177 | 2,728,915 | 3,092,110 | 2,868,798 |
| Tonnes processed | Tonnes | 513,643 | 598,934 | 630,471 | 650,646 | 680,190 |
| Average grade processed | cpht (*) | 11.2 | 10.9 | 13.0 | 12.5 | 14.6 |
| Carats recovered | Carats | 57,624 | 65,241 | 82,272 | 81,423 | 99,582 |
| Costs | | | | | | |
| Operating costs per carats sold | US\$ | 247 | 217 | 197 | 149 | 141 |
| Capital expenditures | | | | | | |
| -8+4mm sub-middles XRT project | US\$M | 1.8 | 2.8 | 7.2 | - | - |
| LDR and MDR circuit | US\$M | 4.9 | 1.6 | 0.8 | 2.3 | 2.9 |
| Sustaining capital | US\$M | 2.2 | 0.5 | 2.0 | 5.8 | 1.7 |
| Total | US\$M | 8.9 | 5.0 | 10.0 | 8.1 | 4.6 |

(*) 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

Karowe had one lost time injury during Q2 resulting in a twelve month rolling Lost Time Injuries Frequency Rate ("LTIFR") of 0.13. The incident resulting in the loss time injury involved a hand injury during equipment repair. Actions have been taken on site to improve safety awareness.

The Company's mining contractor, Aveng Moolman, experienced equipment availability issues during the beginning of the quarter that resulted in lower than planned ore mined. Mining activity therefore focused on waste material movement that is on schedule to ensure increased flexibility for mining south lobe ore in the future.

While ore mined was lower than forecast, processed volumes were largely on forecast as ex-pit ore feed was replaced with south lobe stockpile material. Due to the south lobe being of lower grade when compared to the centre and north lobes, but of higher value, carats recovered to date were lower than forecast, however the Company continues to maintain its revenue forecast due to the processing of higher value south lobe ore.

Costs remain well controlled at \$30 per tonne processed and are forecast to be between \$36-\$40 per tonne processed for the year.

The two capital projects to enhance diamond recovery and maintain design throughput continued to advance on schedule and within approved budget. The Mega Diamond Recovery ("MDR") project is forecast to be complete during Q3 2017, with commissioning and ramp up in the same period. Construction is essentially complete and first stage commissioning has commenced.

The -8+4mm sub-middles XRT project's construction progressed on plan during the quarter. The project is on schedule for completion in Q3 2017. This project will further enhance the processing facilities ability to treat the high yielding, high value south lobe ore at depth and is anticipated to result in an efficient and cost effective methodology for processing this ore.

An underground study at Karowe has commenced with the firm, Royal HaskoningDHV being appointed to lead the work. A Preliminary Economic Assessment is expected in Q4 2017 and, following hydro geotechnical work, a Pre-Feasibility Study is expected to be completed in H1 2018.

EXPLORATION AND RESOURCE UPGRADE

Karowe Resource Upgrade

During Q2 2017, specific sampling of drill core was initiated for density, petrography, and microdiamond analysis. 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 AK6 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. Core logging is complete and a program of core sampling for density, petrography, and microdiamond analysis is underway. 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) that 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. Extension applications were submitted for each of the PL's (PL367/2014 and PL371/2014), responses from the Ministry of Mines are expected in Q3 2017.

AK11

During Q2 2017, the Company initiated large diameter drilling ("LDD") sampling program at AK11. Drilling has commenced on the pilot drill-hole aspect of the program. Material recovered from the LDD samples will be processed at the Company's Bulk Sample Plant located at the Karowe Mine.

AK13

During Q2 2017, logging and sampling of AK13 was completed and microdiamond samples shipped for analysis. Results are expected during H2 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 continues to forecast revenue between \$200 million and \$220 million for the year ending December 31, 2017. This excludes the sale of Lesedi La Rona currently held in inventory.

The Company has ensured waste mining remains on schedule, opening up the pit to allow increased flexibility for mining south lobe ore in the future and has also continued to process volumes at forecast levels with a blend of pit ore and stockpile material. As a result, waste mining remains on schedule with a forecast of between 17-18 million tonnes mined for the full year. A reduction in ore mined has led to a revised forecast from 2.4-2.7 million tonnes to 1.8-2.0 million tonnes.

The Company continues to forecast tonnes processed at between 2.4-2.7 million tonnes. Reduced mined ore volumes offset by increased volumes from the lower grade south lobe stockpile has reduced forecast of carats recovered to between 265,000-285,000 carats (previous guidance 290,000-310,000) and carats sold to 260,000-275,000 carats (previous guidance 290,000-310,000). Revenue guidance is maintained at between \$200 to \$220 million, however, as south lobe ore generally returns larger, higher value diamonds contributing to higher overall rock value. Revenue guidance forecast does carry increased risk based on the challenge in predicting the overall timing of the recovery of these large, high value stones. The two capital projects comprising of the MDR and -8+4mm sub-middles XRT are expected to enhance diamond recovery and maintain design throughput. Both projects remain on schedule and on forecast for a spend of between \$33-\$35 million during 2017 for a total project spend of between \$15-\$18 million and up to \$30 million respectively. The projects are forecast to be fully commissioned in Q3 2017.

Sustaining capital is unchanged and forecast to be between \$7-\$9 million in 2017.

Karowe's operating cash costs remain unchanged and 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 Cut 2 push back that will open up the south lobe by the end of 2018.

A budget of up to \$10.0 million is unchanged to advance resource evaluation work on the AK6 kimberlite at Karowe Mine and the completion of a pre-feasibility level underground study and to advance its exploration program. A 10,000 metre deep drilling program on the Karowe Mine to test the AK06 kimberlite south lobe was completed in Q1 2017 with the aim of converting inferred resources below 400 metres depth to an indicated resource and to determine the economic viability of the Karowe mine resource extension. Detailed logging and sampling was initiated in Q2 2017 and continues into Q3 2017. 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 to a depth of approximately 600m. The resource update is expected to be completed in Q4 2017.

The USD/Pula outlook foreign exchange rate is 10.3.

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 August 3, 2017 at 2:30 p.m. Pacific Time.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein in the press release 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 be achieved.

In particular, this press 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 rates; expectations regarding the need to raise capital; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

Forward-looking statements are based on the opinions, assumptions 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. Such assumptions include: the Company's ability to obtain necessary financing; the Company's expectations regarding the economy generally, results of operations and the extent of future growth and performance; and assumptions that the Company's activities will not be adversely disrupted or impeded by development, operating or regulatory risk. 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 in this press release should not be unduly relied upon.

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 "Risks and Uncertainties" in the Company's AIF, 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, regulatory or environmental changes resulting from global climate change 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.

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