

Lucara Reports Strong First Half Year Earnings and Rewards Shareholders With A Special Cash Dividend of CA\$172 Million

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug. 4, 2016) - Lucara Diamond Corp. (TSX:LUC) (BOTSWANA:LUC)(NASDAQ OMX Stockholm:LUC) ("Lucara" or the "Company") reports strong Q2 2016 revenues of \$140.8 million or \$1,824 per carat resulting in H1 revenues of \$191.4 million or \$1,233 per carat. The board also declared on July 19, 2016 a total dividend to be paid of CA\$178 million at CA\$46.5 cents per share (all dollar amounts are in US Dollars unless otherwise indicated).

HIGHLIGHTS:

Financial:

- Revenue for H1 was \$191.4 million or \$1,233 per carat, excluding \$8.3 million received post end of Q2 for the Company's June tender (H1 2015: \$67.8 million or \$340 per carat).
- EBITDA for H1 2016 was \$140.5 million (H1 2015: \$28.4 million), with an EBITDA margin of 73%.
- Net cash position of \$210.8 million (Year to date Q2 2015: \$74.0 million, December 2015: \$134.8 million).
- H1 costs at \$26 per tonne ore processed continue to be well controlled and below forecast. Cost guidance has been reduced to \$29.00-\$31.00 per tonne processed from previous guidance of \$33.50-\$36.50 per tonne processed.
- H1 2016 earnings per share were \$0.17 per share (H1 2015: \$0.04 per share).
- In July 2016, the Company declared and announced a special dividend of CA\$0.45 per share in addition to its quarterly dividend of CA\$0.015 per share for a total payment of CA\$177.5 million to be paid on September 15, 2016. The special dividend along with the forecast full year quarterly dividend payments is expected to total CA\$0.51 per share in 2016 which equates to a dividend yield of 12% based on the share price of CA\$4.18 on August 4, 2016.

Operational: Karowe Mine

- Mining of ore and waste stripping to open the pit at depth was ahead of forecast.
- Diamond recovery remained strong with a total of 340 special stones (+10.8 carats) recovered during H1 2016 including 12 stones over 100 carats.

Exploration:

- The Company completed processing of BK02 during Q2. Further sampling is planned at BK02 during Q3 2016 along with trenching and drilling work at AK11.
- Results at AK12 showed low diamond content and no further exploration will be carried out on this kimberlite.
- Deep drilling of the Karowe AK6 resource commenced during the second quarter and three core drilling rigs are active on site.

William Lamb, President and Chief Executive Officer commented "Lucara's consistent recovery and sale of high quality stones demonstrates the strong cash generation from the Karowe mine which translated to the Company achieving a significant cash balance at the end of June. Our commitment to reward our shareholders based on our results, while maintaining a robust balance sheet for future growth resulted in the Company announcing an exceptional special cash dividend of CA\$172 million in addition to our regular dividend this year. We remain focused on advancing our growth opportunities while continuing our dividend policy for our shareholders to share in the continued value recreation of the Company".

FINANCIAL UPDATE

Cash flows and operating margins: The Company achieved revenue of \$191.4 million (H1 2015: \$67.8 million) or \$1,233 per carat yielding an 89% operating margin or \$1,094 per carat for H1 2016. This revenue excludes \$8.3 million of proceeds received post end of Q2 for the Company's June tender. H1 2016 EBITDA was \$140.5 million (H1 2016: \$28.4 million). Revenue is higher compared to the previous year due to the sale of the 813 carat Constellation diamond which sold for \$63.1 million (\$77,649 per carat) and an exceptional stone tender which was held during the second quarter compared to the third quarter in 2015. The Company's first 2016 exceptional stone tender achieved \$51.3 million in proceeds or \$33,632 per carat.

Karowe's operating cash cost update: Karowe's operating cash costs guidance has been decreased for the year from between \$33.50 to \$36.50 per tonne of ore processed to \$29.0 to \$31.0 per tonne ore processed.

Net cash position: The Company's Q2 cash balance was \$210.8 million (Q2 2015: \$74 million and FY 2015

\$134.8 million). The increase in cash during the period is primarily due to operating cash inflows of \$92.7 million, which was partially offset by the Company's final 2015 tax payment of \$9.5 million, capital expenditures of \$9.5 million and dividend payments of \$8.8 million. The Company's \$50 million credit facility remains undrawn.

Earnings per share: Earnings per share were \$0.17 for H1 2016 (H1 2015: \$0.04 earnings per share).

Dividend: In July 2016, the Company declared and announced a special dividend (see announcement dated July 19, 2016) of CA\$0.45 per share and a quarterly dividend of CA\$0.015 per share to be paid on September 15, 2016 to shareholders of record on September 02, 2016. The total dividend to be paid by the Company in Q3 2016 is anticipated to be CA\$177.5 million (CA\$ 0.465 per share).

FINANCIAL HIGHLIGHTS

Table 1:	Three months ended June 30		Six months ended June 30	
<i>In millions of U.S. dollars unless otherwise noted</i>	2016	2015	2016	2015
Revenues (*)	\$ 140.8	\$ 38.1	\$ 191.4	\$ 67.8
Average price per carat sold (\$/carat)	1,824	412	1,233	340
Operating expenses per carat sold (\$/carat)	141	160	139	132
Operating margin per carat sold (\$/carat)	1,683	252	1,094	208
Net income for the period	46.1	8.6	63.3	14.6
Earnings per share (basic and diluted)	0.12	0.02	0.17	0.04
Adjusted earnings per share	0.12	0.02	0.17	0.04
Cash on hand	210.8	74.0	210.8	74.0

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

RESULTS OF OPERATIONS

Table 2: Karowe Mine, Botswana

	UNIT	Q2-16	Q1-16	Q4-15	Q3-15	Q2-15
Sales						
Revenues	US\$m	140.8	50.6	65.2	90.8	38.1
Proceeds generated from sales tenders conducted in the quarter are comprised of:						
Sales proceeds received during the quarter	US\$m	140.8	50.6	65.2	90.8	38.1
Q2 2016 tender proceeds received post Q2 2016	US\$m	8.3	-	-	-	-
Q2 2015 tender proceeds received post Q2 2015	US\$m	-	-	-	(1.6)	1.6
Carats sold for proceeds generated during the period	Carats	107,801	77,990	94,026	76,156	100,177
Carats sold for revenues recognized	Carats	77,200	77,990	94,026	83,960	92,373

during the period						
Average price per carat for proceeds generated during the period**	US\$	1,383	649	693	1,171	396
Average price per carat for proceeds received during the period***	US\$	1,824	649	693	1,081	412
Production						
Tonnes mined (ore)	Tonnes	1,124,743	677,766	1,038,901	864,180	722,855
Tonnes mined (waste)	Tonnes	3,482,741	3,328,365	3,143,168	3,224,971	4,278,605
Tonnes processed	Tonnes	680,190	651,909	567,966	560,501	506,538
Average grade processed	cpht (*)	14.6	13.9	15.6	18.0	16.9
Carats recovered	Carats	99,582	90,697	89,247	100,651	85,714
Costs						
Operating costs per carats sold	US\$	141	136	137	130	160
Capital expenditures (including capitalized waste)						
Plant Optimization	US\$m	-	-	1.6	2.9	2.2
Sustaining capital	US\$m	4.6	0.5	0.6	1.2	2.1
Bulk Sample Plant	US\$m	-	0.1	0.7	1.4	0.2
Capitalized waste	US\$m	1.3	3.0	1.0	2.3	4.2
Total	US\$m	5.9	3.6	3.9	7.8	8.7

(*) 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

Operational performance at the Karowe Mine was better than forecast for H1 2016.

Safety performance was excellent with zero LTIs reported, and all other SHECR indices within target.

Both ore and waste tonnage mined was ahead of forecast for both for second quarter and year to date. Ore mining remains concentrated in the South lobe. The process plant has performed well during the second quarter and year to date with tonnes processed ahead of forecast and carats recovered in line with expectation. For the first six months of 2016, Karowe has recovered 340 special stones (+10.8 carats) including 12 stones over 100 carats.

The project to increase the top size of diamonds recoverable by the existing Large Diamond Recovery circuit is well advanced with specialized equipment in fabrication and commissioning on track for end of Q3 2016. The Mega Diamond Recovery project is on schedule and currently in detailed design stage with procurement of long lead items complete.

EXPLORATION AND MOTHAE

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. A drill programme will be initiated

during Q3 2016 at BK02, AK11, AK13, and AK14.

In Q2 2016, the Company completed processing of the BK02 sample (see announcement dated June 13, 2016). The results of the BK02 bulk sample were press released on June 13, 2016. A total of 274.33 carats were recovered from the processing of 5,916 tonnes of BK02 material, for a sample grade of 4.6 cpht (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. Additional sampling will take place at BK02 and processing of the additional material from BK02 will start in mid Q3 2016.

Surface sampling of AK12 was completed and processing was initiated during Q2. Subsequent to the end of Q2 2016, processing of 2,550 tonnes of the AK12 sample had been completed with diamond recoveries of less than 0.5 cpht recovered. The AK12 sample showed no possibility of economic return and the sample processing was terminated after 43% of stockpiled sample had been processed. Environmental approvals for drilling campaigns on the Prospecting Licenses were received from Republic of Botswana Department of Environment Affairs ("DEA").

Karowe Resource Upgrade Drilling

Drilling commenced on a planned 10,000 metre deep drill programme 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. Drilling commenced in the latter stages of Q2 2016 and is ongoing with three core drilling rigs active.

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.

2016 OUTLOOK

These are "forward-looking statements" and 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, 2016, excluding the sale of the Constellation, which sold for \$63.1 million. The Company continues to hold the Lesedi La Rona in inventory as at June 30, 2016 and is currently considering options for its sale.

Karowe's operating cash costs guidance has been decreased for the year from between \$33.50 to \$36.50 per tonne of ore processed to \$29.0 to \$31.0 per tonne ore processed. The reduction in cost guidance is due to the depreciation of the Pula compared to the US dollar, power and general cost savings. The mine continues to forecast between 2.2 to 2.4 million tonnes of ore processed, producing over 350,000 carats of diamonds in 2016.

Ore mined for the quarter 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 be forecast between \$15 million and \$18 million for the modifications to the existing Large Diamond Recovery ("LDR") circuit and the installation of a Mega Diamond recovery ("MDR") 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.

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 H1 was 11.1.

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 Lucara Diamond Corp. under the EU Market Abuse Regulation and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on August 4, 2016 at 3:00 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.

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