

Lucara Reports Strong 2013 Full Year Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Feb. 20, 2014) - Lucara Diamond Corp. (TSX:LUC) (BOTSWANA:LUC)(NASDAQ OMX First North:LUC) ("Lucara" or the "Company") today reported full year revenue of \$180.5 million from diamond sales that achieved an average price of \$411 per carat at operating expenses of \$100 per carat.

HIGHLIGHTS

Safety: There were no Lost Time Injury ("LTI's") and no reportable environmental incidents at Karowe during the fourth quarter of 2013. Karowe's full year Lost Time Injuries Frequency Rate ("LTIFR") was 0.17. LTIFR is defined as the total number of work hours lost per 200,000 work hours.

Cash flows, cash operating margins and year end diamond inventory: The Company achieved revenue of \$47.9 million (\$433 per carat) from sales of 110,635 carats of diamond during the fourth quarter of 2013 including one exceptional stone tender. This excludes revenue of \$10.9 million, which was received during the quarter from Karowe's late September tender. At an average operating expense of \$109 per carat, the cash operating margin during the quarter was \$324 per carat.

Full year sales of 438,717 carats achieved proceeds of \$180.5 million, or \$411 per carat. The Company achieved a full year cash operating margin of \$311 per carat based on operating expenses of \$100 per carat. Full year operating cost per tonne milled was \$18 compared to budget of \$23 per tonne.

At year end the Company was well positioned for 2014 with a significant diamond inventory of approximately 67,000 carats of diamond, including a selection of exceptional stones totalling over 1,000 carats. The Company expects to hold its first Exceptional Stone Tender of 2014, early in the second quarter.

Exceptional stone tenders: The Company continued to recover large and exceptional diamonds, resulting in an exceptional stone tender during the quarter achieving revenue of \$22.9 million (\$20,280 per carat). During 2013 the Company held three exceptional stone tenders achieving revenues of \$72.1 million (2,971 carats at \$24,290 per carat).

Net cash position: The Company continued to achieve strong cash operating earnings of \$39.0 million during the quarter and \$118.6 million for the year resulting in a year-end cash balance of \$49.4 million. Management expects to use the existing cash resources to finance Karowe's plant upgrade capital expenditure during 2014. At year-end the Company remains debt free with the \$25 million Scotiabank credit facility being undrawn.

Karowe operating performance: Karowe exceeded budget in terms of carats recovered and sold and surpassed its initial and updated revenue forecast of \$90 million and \$118 million respectively, largely due to the recovery and sale of large and exceptional diamonds (see above). Karowe earnings before deducting interest, income taxes, depreciation and amortization ("EBITDA") was \$113.3 million, an EBITDA margin of 63%.

William Lamb, President and Chief Executive Officer commented: "Our first full year of production has surpassed expectations on all fronts having achieved total revenues in excess of \$180 million and met production and safety targets at significant cost savings. Lucara exceeded its initial revenue guidance of \$90 million by approximately \$20 million, not including sales received from its exceptional stone tenders, achieving robust margins and demonstrating that the Karowe diamonds have been well received in the marketplace. Additional revenues of approximately \$72 million, generated from the sale of our large and exceptional stones has further, significantly strengthened our balance sheet.

"In 2014, Lucara will continue to focus on operational excellence, cost discipline, and the completion of its' plant optimization project, which is designed to enhance the recoverability of large diamonds from Karowe. The Company is now debt free, with a solid balance sheet and is well positioned to achieve its operational objectives going forward. We believe that 2014 will be another exciting year for Lucara and its shareholders."

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended December 31		Year Ended December 31	
	2013	2012	2013	2012
Revenues	\$ 58.7	\$ 29.1	\$ 180.5	\$ 41.8
Proceeds from quarterly sales tenders is comprised				

of:					
Sales proceeds received during the period	47.8	29.1	180.5	41.8	
September tender proceeds received in October	10.9	-	-	-	
Total proceeds from quarterly sales tenders	58.7	29.1	180.5	41.8	
Average price per carat sold (excluding September tender proceeds received in October)	433	289	411	\$274	
Operating expenses per carat sold	109	84	100	92	
Cash operating margin per carat	324	205	311	182	
EBITDA (1)	32.8	12.9	102.9	(0.2)
Net income (loss) for the period	21.4	(4.1) 65.2	(7.5)
Basic earnings (loss) per share	0.05	(0.01) 0.17	(0.02)
Cash flow from operations (before working capital adjustments)	33.9	3.8	99.6	(3.8)
Cash on hand	49.4	13.3	49.4	11.1	
(1) EBITDA is a non-IFRS measure defined as earnings before interest, taxation, depreciation and amortization.					

RESULTS OF OPERATIONS

Karowe Mine, Botswana

	UNIT	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12
Sales						
Revenues	US\$m	58.7	42.1	47.2	32.5	29.1
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	47.8	50.9	49.3	32.5	29.1
Sales proceeds received during the quarter	US\$m	58.7	42.1	47.2	32.5	29.1
September tender proceeds received in October	US\$m	(10.9) 10.9	-	-	-
Sales proceeds received post June period end	US\$m	-	(2.1) 2.1	-	-
Carats sold for proceeds generated during the period	Carats	110,635	80,918	102,452	144,712	100,987
Carats sold for revenues recognized during the period	Carats	127,804	76,582	89,619	144,712	100,987
Average price per carat for proceeds generated during the period	US\$	433	625	481	225	289
Production						
Tonnes mined (ore)	Tonnes	918,765	898,501	1,157,747	969,330	701,931
Tonnes mined (waste)	Tonnes	1,694,134	1,430,105	1,259,479	1,109,727	1,267,343
Tonnes milled	Tonnes	613,064	647,304	560,910	533,260	545,354
Average grade processed	cpht*	18.9	17.6	15.6	23.1	25.4
Carats recovered	Carats	116,061	113,882	87,580	123,228	138,487
Costs						

Operating costs per carats sold (see page 5 Non-IRFS measures)	US\$	109	110	102	86	84
Capital expenditures	US\$m	1.5	2.4	1.7	2.2	0.4

* carats per hundred tonnes

Operational performance at Karowe was as per forecast for the last quarter of 2013. Tonnes of ore mined were on target, and overall waste stripping was well advanced to access the deeper sections of the ore body in the south lobe as per the life of mine plan. The mine currently has three months of ore exposed providing flexibility of material processed. The process plant performed well during the quarter, and tonnes processed and carats produced were in line with forecast.

The first full year of operations at Karowe was extremely successful with production and cost targets either being met or exceeded. The 2013 year end target of 440,000 carats recovered was surpassed.

The frequency of special stones (+10.8 carats) recovered during the quarter was significant with 190 stones recovered with an average size of over 26 carats. This included five stones of over 100 carats and a single 281 carat stone. The recovery of specials during 2013 far exceeded expectations with 732 specials recovered with a total weight of over 18,000 carats equating to 4% of annual production. Included in this were 17 stones over 100 carats and 4 stones over 200 carats.

The geological resource update was completed during the quarter, which demonstrated superior value through the recognition of a continued presence of exceptional stones within the centre and south lobes. This is now reflected in the size frequency distributions and an increase in average modeled price to \$394 per carat for an indicated mineral resource of 46.2 million tonnes with an average grade of 16 carats per hundred tonnes. The NI43-101 technical report accompanying the resource update was published on February 3, 2014 and can be found at www.sedar.com.

REVIEW OF PROJECTS

Mothae Diamond Project, Lesotho

The Mothae project is located in northeast Lesotho and is a large low grade kimberlite containing a population of large, high value Type IIa diamonds.

The Company is currently reviewing a number of development options for Mothae.

Karowe, Plant Optimization Project, Botswana

Karowe's plant optimization project to modify the process plant to treat the harder material at depth and improve the recovery of exceptional diamonds is advancing. Orders have been completed for some long lead items, and the project schedule is on track to be complete by year end.

OUTLOOK

This section with management's production and cost estimates for 2014 should be read as "forward-looking statements" and subject to the cautionary notes in the MD&A regarding the risks associated with forward-looking statements.

Karowe Mine, Botswana

Karowe is forecast to process 2.2-2.4 million tonnes of ore and to produce and sell 400,000 to 420,000 carats of diamond in 2014. Revenue is forecast between \$150 - \$160 million.

Ore mined is forecast between 3.0 - 3.5 million tonnes and waste mined is expected to be between 10.0 - 11.0 million tonnes.

Karowe's operating cash costs are expected to be between \$31-\$33 per tonne ore treated.

Capital expenditures include between \$45-\$50 million for Karowe's plant upgrade to improve large diamond recovery following the occurrence of exceptional stones, and to enable sustainable processing of hard ore in the south lobe. Sustaining capital expenditures is forecast at \$3.5 million.

The Company plans on holding eight diamond tenders and two exceptional stone tenders during the year. The

timing of these tenders will be based on Karowe's production profile as well as commercial decisions to maximize diamond revenue.

Karowe's detailed operating performance and capital spend guidance is available on SEDAR at www.sedar.com.

SUBSEQUENT EVENTS

Litigation

Legal proceedings were initiated against African Diamonds Plc, Lucara's wholly-owned subsidiary, by two former directors of African Diamonds claiming entitlement to a 3% royalty on production from the AK6 (Karowe) diamond project.

The claim was heard in the Botswana High Court in early June 2011. The High Court delivered its ruling, dismissing the claims against African Diamonds, with costs awarded against the plaintiffs. The plaintiffs appealed the ruling. The Appeal was heard in Botswana by a panel of international judges on Jan 21, 2014 with the judgment being handed down on February 6, 2014.

The Court of Appeals, the highest court in Botswana upheld the previous ruling by the Botswana High Court, dismissing the claim against African Diamonds, with costs awarded against the plaintiffs. The decision is final and there is no further recourse against African Diamonds.

Sale of Mothae plant

In December 2013, the Company signed a memorandum of understanding ("MOU") with Paragon Diamonds Ltd. ("Paragon") for the sale of certain kimberlite processing plant and diamond recovery assets. Under the terms of the MOU, the Company will receive consideration of:

- \$0.1 million cash and 4,434,589 common shares of Paragon on signing of the asset purchase agreement
- \$0.2 million cash and 5,543,236 common shares of Paragon on commencement of relocation of the assets from the Mothae site. The number of common shares will be adjusted should an equity raise be completed by Paragon at a price less than £0.04.

The signing of the asset purchase agreement is anticipated by the end of February 2014.

As part of the MOU, the Company received a non-refundable deposit of US\$50,000 from Paragon in December 2013.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein in the MD&A 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 in this MD&A should not be unduly relied upon. In particular, this MD&A 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 Annual Information Form dated March 27, 2013 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.

On Behalf of the Board,

William Lamb, President and CEO

Lucara's Certified Advisor on NASDAQ OMX First North is Pareto Securities AB.

<https://lucaradiamond.mediaroom.com/index.php?s=2429&item=122614>