Lucara Diamond

Lucara Announces First Quarter 2018 Results

VANCOUVER, May 8, 2018 /CNW/ - **Lucara Diamond Corp.** ("Lucara" or the "Company") **(TSX:LUC) (BOTSWANA:LUC)(NASDAQ OMX Stockholm:LUC)** is pleased to announce results for the three months ended March 31, 2018.

HIGHLIGHTS FOR THE FIRST QUARTER ENDED MARCH 31, 2018
(All amounts are presented in USD)

- Achieved revenues of $25.4 million (Q1 2017: $26.1 million) or $401 per carat (Q1 2017: $405 per carat) for its first regular tender, yielding an operating margin[1] of $170 per carat or 42% during the three months ended March 31, 2018.

- Recovered 218 specials (single diamonds >10.8 carats in size) during the quarter; the third best tally since mining began in 2012

- Operating costs (excluding depletion and amortization) for the quarter ended March 31, 2018 were $17.1 million, an increase of $0.5 million as compared to the quarter ended March 31, 2017

- The operating cash cost[1] for the three months ended March 31, 2018 was $43.04 per tonne processed (Q1 2017: $19.86 per tonne processed) compared to the full year forecast cash cost of $38-$42 per tonne processed. Costs per tonne processed during Q1 are higher than full year guidance due to mill maintenance completed during the period. Forecast costs are expected to be within full year guidance

- Q1 2018 EBITDA[1] of $1.4 million as compared to $4.9 million in Q1 2017

- Net loss for the three months ended March 31, 2018 was $7.0 million (a loss of $0.02 per share) as compared to a loss of $1.5 million ($0.00 per share) in the comparative quarter and is attributable to lower revenues, higher depletion and amortization costs, higher administrative and other expenses as compared to the same period in 2017

- Karowe's overall performance with respect to ore mined, processed and carats recovered was within forecast for the three months ending March 31, 2018:

  - Ore and waste mined was 0.6 million tonnes and 4.0 million tonnes respectively
  - Ore processed totaled 0.6 million tonnes
  - 218 specials (single diamonds larger than 10.8 carats) were recovered, representing 6.8% of the total recovered carats by weight
  - In April 2018, a 327 carat top white gem and a 472 carat top light brown were recovered from South lobe ore

- As at March 31, 2018, the Company had cash and cash equivalents of $43.6 million, a decrease of $17.5 million from the December 31, 2017 cash and cash equivalents balance of $61.1 million. This decrease is mainly due to a reduction in non-cash working capital by $5.8 million, capital expenditures of $4.0 million (Q1 2017: $5.0 million) primarily for the sub-middles XRT project audit facility, and capitalized production stripping costs of $6.8 million (Q1 2017: $0.6 million). The $50 million credit facility remains undrawn.

- Lucara completed the acquisition of Clara (see February 26, 2018 announcement), a company whose primary asset is a secure, digital diamond sales platform that combines proprietary analytics with existing cloud and blockchain technologies to transform how rough diamonds are sold. Lucara is currently working on commercialization of the Clara platform (anticipated in H2 2018) and will initially use select diamond production from the Karowe Diamond Mine. Thereafter, it is management's objective to scale the platform to accommodate diamond uptake from a variety of sources across the supply chain. Testing on the platform has demonstrated the potential to unlock greater than 20% of value throughout the diamond pipeline to the benefit of all participants. Clara's revenue model will be based on capturing a portion of this incremental value. As a wholly-owned subsidiary of Lucara, any revenue from the platform once commercialized will also benefit Lucara shareholders.

Eira Thomas, CEO, commented: "Karowe delivered solid performance in the first quarter, underpinned by production from the South Lobe which yielded 218 specials (diamonds >10.8 carats in size), the third best quarterly tally ever, and included eight diamonds greater than 100 carats in size. Large stone recoveries continued into April and included a 472 carat top light brown and a 327 carat white gem. The strong sales result achieved from our first Regular Stone Tender of the year is consistent with the improving sentiment of the broader diamond market, and positions Lucara well for its June sale, which will include both a Regular Stone Tender and an Exceptional Stone Tender."

Karowe Diamond Sales

Diamonds are heterogeneous by nature, with thousands of different price points depending on weight, colour, shape, and quality. Diamond production from Karowe is characterised by a coarse diamond size frequency distribution and is positively impacted by the regular recovery of diamonds in excess of 10.8 carats in size, referred to as "specials." Karowe production is further distinguished by the consistent recovery of high value, gem quality specials. Based on a production profile of 270,000 to 290,000 carats per annum, primarily sourced from the South Lobe, Lucara expects to consistently achieve average diamond values of between US$625 to US$680 per carat. This average diamond value excludes contributions from the less frequent and less predictable recovery of very large, high quality gem diamonds like the historic 1109 carat Lesedi La Rona and the 813 carat Constellation.

Regular Stone Tenders versus Exceptional Stone Tenders

Historically, Lucara has sold diamonds through both regular stone tenders (RST's) and exceptional stone tenders (EST's). Diamonds that qualify for EST's are rare, selected on a range of criteria including weight, quality, color, and, often achieve sales prices in excess of USD$ 1 million per diamond. On average, Lucara has held between 4 and 5 RST's and 1 to 2 EST's per annum.

Lucara continues to adjust its sales strategy to maximize client participation and achieve best possible revenue. As a result, Lucara has decided to conduct an Exceptional Stone Tender (EST) during the regular tender scheduled for June 2018 and thereafter, will move to a blended tender process, whereby a greater number of exceptional stones will be sold as part of RST's. This will decrease the inventory time for large, high value diamonds and will generate a smoother, more predictable revenue profile, that better supports price guidance on a per sale basis.

As part of this new approach, Lucara will retain the optionality of tendering truly unique and high value diamonds through special tenders, outside of the scheduled RST's.

FINANCIAL HIGHLIGHTS

In millions of U.S. dollars unless otherwise noted		Three months ended March 31, 2018		2017
Revenues	$	25.4	$	26.1
Net loss for the period		(7.0)		(1.5)
Earnings per share (basic)		(0.02)		(-)
Earnings per share (diluted)		(0.02)		(-)
Cash on hand	$	43.6	$	43.5
Average price per carat sold ($/carat)*		401		405
Operating expenses per carat sold ($/carat)*		231		217
Operating margin per carat sold ($/carat)*		170		188

(*) Average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures.

The average sales price per carat achieved for the three months ending March 31, 2018 is consistent with the price achieved for the same period last year. The increase in waste mining activities in the current quarter resulted in an increase in operating expenses causing a decrease in the operating margin per carat sold during the three months ended March 31, 2018 ($170 per carat or 42% compared to $188 per carat or 46% in Q1 2017).

RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17

Sales						
Revenues	US$M	25.4	37.1	77.9	79.6	26.1
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US$M	25.4	37.1	77.6	79.9	26.1
Sales proceeds received during the quarter	US$M	25.4	37.1	77.9	79.6	26.1
Q2 2017 tender proceeds received post Q2 2017	US$M	-	-	(0.3)	0.3	-
Carats sold for proceeds generated during the period	Carats	63,317	69,358	64,289	62,434	64,444
Carats sold for revenues recognized during the period	Carats	63,317	69,358	67,125	59,598	64,444
Average price per carat for proceeds generated during the period**	US$	401	535	1,207[2]	1,280[1]	405
Average price per carat for proceeds received during the period***	US$	401	535	1,161[2]	1,336[1]	405
Production						
Tonnes mined (ore)	Tonnes	630,242	624,749	386,906	432,017	131,380
Tonnes mined (waste)	Tonnes	3,991,648	4,745,609	5,540,139	4,992,196	587,177
Tonnes processed	Tonnes	599,407	631,777	591,196	513,643	598,934
Average grade processed	cpht (*)	12.6	10.2	10.6	11.2	10.9
Carats recovered	Carats	75,698	64,477	62,425	57,624	65,241
Costs						
Operating costs per carats sold (Non-IRFS measures)	US$	231	255	229	247	217
Capital expenditures						
-8+4mm sub-middles XRT project	US$M	3.6	5.4	5.3	4.9	2.8
Sustaining capital	US$M	0.4	4.1	1.9	2.2	0.5
LDR and MDR circuit	US$M	-	0.1	3.6	1.8	1.6
Total	US$M	4.0	9.6	10.8	8.9	4.9

(*) 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
(1) This includes one EST sale of $54.8 million in addition to an RST during the quarter.
(2) This includes the sale of the 1103 carat Lesedi La Rona for US$53 million.

FIRST QUARTER OVERVIEW – OPERATIONS – KAROWE MINE

Karowe had no lost time injuries during the three months ended March 31, 2018 resulting in a twelve-month rolling Lost Time Injuries Frequency Rate ("LTIFR") of 0.06.

Revenues and operating margins: The Company achieved revenues of $25.4 million (Q1 2017: $26.1 million) or $401 per carat (Q1 2017: $405 per carat) for its first regular tender, yielding an operating margin of $170 per carat or 42% during the period.

Revenue, EBITDA and earnings per share performance were as expected and reflect the overall timing of the Company's sales tenders, with a single tender held during the first quarter. The Company maintains its 2018 revenue forecast of between $170-$200 million.

Production: Ore and waste mined during the three months ended March 31, 2018 totaled 0.6 million tonnes and 4.0 million tonnes respectively. Tonnage processed was within forecast at 0.6 million tonnes, with a total of 75,698 carats recovered. Ore processed was predominantly from the South lobe. During Q1, a total of 218 specials (single diamonds larger than 10.8 carats) were recovered including four diamonds greater than 100 carats in weight. Recovered specials equated to 6.8% weight percentage of total recovered carats during the first quarter.

Lucara continues to work with its mining contractor, Aveng Moolmans (Moolmans), to address equipment availability issues and ensure that mined volumes of both ore and waste are achieved according to plan. As a result, a sub-contractor continues to mine and haul ore, while Moolmans focuses on waste stripping. In Q1, ore mined volumes and carats recovered were as expected, but waste mining was lower than forecast.

Performance has since improved and waste mining is expected to be within guidance for the year.

Karowe's operating cash cost: Karowe's first quarter operating cash cost[2] was $43.04 per tonne processed (2017: $19.86 per tonne processed) compared to the full year forecast of $38-$42 per tonne processed. The increase in cost per tonne processed compared to the three months ended March 31, 2017 reflects an increase in waste mined during the quarter as compared to the prior year, following the 2017 change in mining contractor. Waste stripping volumes will start to significantly reduce by the end of the fourth quarter. Costs per tonne processed during Q1 are higher than the full year guidance, due to mill maintenance completed during the period however, forecast costs are expected to be within guidance.

Net Cash Position: As at March 31, 2018, the Company's cash balance was $43.6 million, a decrease of $17.5 million from the December 31, 2017 cash balance of $61.1 million. This decrease is mainly due to the Company's reduction in non-cash working capital by $5.8 million, capital expenditures of $4.0 million primarily for the sub-middles XRT project audit facility, and capitalized production stripping costs of $6.8 million. The $50 million credit facility remains undrawn.

RESOURCE UPGRADE

Karowe Resource (AK06 kimberlite) Upgrade Drilling
During Q1, work continued on the resource model update with receipt of all microdiamond and density data from previous sampling. Work progressed on the updated geological and resource model for AK6, which 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. Mineral Services Canada has been contracted to assist in the development of a sampling program and the internal geology updates. Updates to the geological model, based on the 2016 and 2017 drilling programs, interpret a larger volume of the Eastern magmatic/pyroclastic kimberlite ("EM/PK(S)") unit at depth than in the original model. The EM/PK(S) unit has recently (Q1 2018) been exposed in the Karowe open pit and during Q1, a controlled sample of EM/PK(S) of approximately 88,000 tonnes was processed through the Karowe process plant. From this sample, a total of 14,310 carats were recovered, including seven diamonds greater than 50 carats and one diamond greater than 100 carats. Results of this sample including independent and internal valuations will be used in the current resource model update, which is expected to be announced in Q2.

2018 OUTLOOK

This following disclosure relates to management's production and cost estimates for 2018. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

The Company's 2018 forecast remains unchanged.

2018 Diamond Sales, Production and Outlook

Karowe Mine	**Full Year – 2018**
In millions of U.S. dollars unless otherwise noted	
Diamond revenue (millions)	$170 to $200
Diamond sales (thousands of carats)	270 to 290
Diamonds recovered (thousands of carats)	270 to 290
Ore tonnes mined (millions)	2.5 to 2.8
Waste tonnes mined (millions)	13.0 to 16.0
Ore tonnes processed (millions)	2.4 to 2.7
Total operating cash costs(1) including waste mined(2) (per tonne processed)	$38.00 to $42.00
Operating cash costs excluding waste mined (per tonne processed)	$21.00 to $24.00
Botswana general & administrative expenses including marketing costs (per tonne processed)	$2.00 to $3.00
Tax rate	22%
Average exchange rate – USD/Pula	9.8

(1) Operating cash costs are a non-IFRS measure.
(2) Includes ore and waste mined cash costs of $2.90 to $3.20; processing cash costs of $13.75 to $15.00 and mine-site departmental costs (security, technical services, mine planning, health & safety, geology) of $4.50 to $5.50 (all dollar figures in per tonne mined or processed).

During 2018, efforts to fully gain access to the Cut 2 South lobe ore will require a large volume of waste to be mined which impacts operating cash costs. The strip ratio is forecast to be approximately 5.0-6.0 in 2018, decreasing in the fourth quarter of 2018. A more significant decrease in the stripping ratio is forecast in 2019 (approximately 2.9 – 3.1), followed by a forecast stripping ratio of 2.0 from 2020 onwards. The decrease in waste mining is expected to add to free cash flow once the Cut 2 push back is complete between late 2018 and early 2019.

Sustaining capital expenditures in 2018 are forecast to be up to $11 million, which includes final expenditures for the sub-middles XRT project audit facility (completed during the three months ending March 31, 2018).

A budget of up to $3.0 million was approved for the completion of a 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 are forecast at up to $26 million in 2018. During the three months ended March 31, 2018, the Company started hydrological and geotechnical drilling programs and updates to structural and hydrological models to support the underground study.

The Company also budgeted $6.0 million for advanced exploration work on the Company's prospecting licenses in Botswana. The Company is planning drill programs at AK24. Any large diameter drilling programs would be based on positive microdiamond results from the core drilling and geophysical surveys in the vicinity of AK11 and AK24.

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the first quarter results on Wednesday, May 9, 2018, at 6:00 a.m. Pacific, 9:00 a.m. Eastern, 2:00 p.m. UK, 3:00 p.m. CET.

Conference Call
Please call in 10 minutes before the conference call starts and stay on the line (an operator will be available to assist you).

> **Conference ID:**
> 3895074 / Lucara Diamond
>
> **Dial-In Numbers:**
> Toll-Free Participant Dial-In North America: +1-844-892-6587
> All International Participant Dial-In: +1-661-378-9938
>
> **Webcast**
> To view the live webcast presentation, please log on using this direct link:
> https://edge.media-server.com/m6/p/86dwsst9
> The presentation slideshow will also be available in PDF format for download from the Lucara website www.lucaradiamond.com before the conference call.

On behalf of the Board,

Eira Thomas
Chief Executive Officer

Lucara Diamond on Facebook
Lucara Diamond on Twitter
Lucara Diamond on Google+
Lucara Diamond on Instagram

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.

About Clara

Clara Diamond Solutions (Clara), wholly owned by Lucara Diamond Corp, is a secure, digital sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies, unlocking value and ensuring diamond provenance from mine to finger.

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. This information was publicly communicated on May 8 at 4:45p.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 be 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 accurate 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; processing capabilities, recovery rates, cash flows and sales volumes for the Karowe Mine, including the potential effect of the development and integration of the proposed underground mine at Karowe on production, sales volumes and the expected LOM; estimated costs to construct the proposed Karowe underground development and the timelines associated therewith; expected exploration and development expenditures and expected reclamation costs at the Karowe Mine including associated plans, objectives and economic estimates; expectation of diamond prices and changes to foreign currency exchange rate; expectations regarding the need to raise capital; possible impacts of disputes or litigation and other forward looking information.

There can be no assurance that such forward looking 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 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), 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.

1 Non-IFRS measure
2 This is a non-IFRS measure that the Company uses to describe the mining, processing and site administration costs incurred to produce a single diamond carat. This is calculated as operating cost per carat of diamonds sold.

SOURCE Lucara Diamond Corp.

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https://lucaradiamond.mediaroom.com/2018-05-08-Lucara-Announces-First-Quarter-2018-Results