

## Lucara Generates Strong Quarterly Cash Flow and Significant Operating Margins

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Nov. 5, 2015) - Lucara Diamond Corp. ("Lucara" or the "Company") (TSX:LUC) (BOTSWANA:LUC) (NASDAQ OMX Stockholm:LUC) is pleased to report revenues of \$90.9 million for the quarter with an operating margin of 88% and revenues of \$158.6 million for the nine months to September 2015.

### HIGHLIGHTS:

#### Financial:

- EBITDA for the period was \$66.8 million and year to date was \$95.3 million.
- Net cash position of \$122.7 million increased from \$74 million at June 2015 following the Company's first exceptional stone tender and regular tender during the quarter.
- Year to date costs at \$29.44 per tonne ore processed remain well controlled and marginally below forecast. Plant optimization costs and sustaining capital costs are within forecast.
- Third quarter earnings per share of \$0.12 (2014: \$0.11 per share). Year to date earnings per share of \$0.15 (2014: \$0.17 per share).
- Dividend: cumulative dividend of CDN 4 cents per share to be paid to shareholders on Decembers 17, 2015

#### Operational:

- Tonnes processed post plant optimization commissioning improved during the quarter. Tonnes milled in the third quarter were 11% higher than the previous quarter with 100,651 carats recovered during the period.
- Fourth quarter processing is expected to be focused on south lobe ore.

#### Exploration:

- Exploration sampling advancing with first ore to be processed from BK02 during the fourth quarter.

*William Lamb, President and Chief Executive Officer commented "Karowe continued to deliver strong cash flows in Q3, underpinned by the sale of our large, high value diamonds and our disciplined approach to cost control and allocation of capital. Further, demand for our diamonds remains high and we anticipate continued, robust free cash flow to help deliver strong shareholder returns going forward. We have been pleased with the optimized plant performance through the quarter with production returning to design capacity levels. This is particularly important as production in the fourth quarter will focus on south lobe material. The commissioning of the bulk sample plant has resulted in us advancing on our exploration activities. We look forward to updating the market on these exciting developments"*

### FINANCIAL UPDATE

Revenues and operating margin: The Company achieved revenues of \$90.9 million or \$1,081 per carat in the third quarter of 2015. The Company's third quarter operating margin was \$951 per carat or 88%, which is largely due to the Company's first exceptional stone tender in 2015, which achieved proceeds of \$68.7 million from the sale of 1,674 carats.

Year to date revenue to September 30, 2015 was \$158.6 million or \$560 per carat achieving a 77% operating margin.

Net cash position: The Company's third quarter cash ending balance was \$122.7 million compared to \$74 million at the end of June 2015. The increase in cash is due to the Company's exceptional stone tender and regular tender during the quarter, which generated proceeds of \$89.2 million. Revenue from sales were partially offset by operating costs and royalty payments, a quarterly tax payment of \$6.2 million and capital expenditures of \$7.8 million during the period.

Earnings per share: Earnings per share was \$0.12 for the three month period ended September 30, 2015 and \$0.15 for the nine month period ended September 30, 2015 (\$0.11 and \$0.17 earnings per share for the three and nine months to September 30, 2014 respectively).

Dividend Paid: The Company has declared a year-end dividend of CDN 2 cents per share for a cumulative

dividend of CDN 4 cents per share in 2015. The dividend is expected to be paid on December 17, 2015 to holders of securities on the record of the Company's common shares at the close of business on December 4, 2015 and represents a yield of 2.4% based on the share price of November 4th.

## FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended September 30		Nine months ended September 30	
	2015	2014	2015	2014
Revenues (*)	\$ 90.9	\$ 91.3	\$ 158.6	\$ 195.0
Average price per carat sold (\$/carat)	1,081	791	560	634
Operating expenses per carat sold (\$/carat)	130	122	131	123
Operating margin per carat sold (\$/carat)	951	669	429	511
Net income for the period	44.2	41.8	58.8	62.5
Earnings per share (basic and diluted)	0.12	0.11	0.15	0.17
Cash on hand	122.7	133.1	122.7	133.1

(\*) Revenue is presented based on cash receipts received during the period and excludes tender proceeds received after each quarter end. See results of operations (page 3) for reconciliation of revenue and total proceeds for tenders received for each quarter.

## RESULTS OF OPERATIONS

### *Karowe Mine, Botswana*

	UNIT	YTD-15	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Sales							
Revenues	US\$m	158.6	90.9	38.1	29.7	70.5	91.2
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	158.6	89.2	39.7	29.7	70.5	66.5
Sales proceeds received during the quarter	US\$m	158.6	90.9	38.1	29.7	70.5	91.2
Q2 2015 tender proceeds received post Q2 2015	US\$m	-	(1.6)	1.6	-	-	-
Q2 2014 tender proceeds received post Q2 2014	US\$m	-	-	-	-	-	(24.8)
Carats sold for proceeds generated during the period	Carats	283,110	76,156	100,177	106,777	104,405	88,364
Carats sold for revenues recognized during the period	Carats	283,110	83,960	92,373	106,777	104,405	115,362
Average price per carat for proceeds generated during the period (**)	US\$	560	1,171	396	278	675	753
Average price per carat for proceeds received during the period (***)	US\$	560	1,081	412	278	675	791
Production							
Tonnes mined (ore)	Tonnes	2,148,322	864,180	722,855	561,287	757,672	1,003,312
Tonnes mined (waste)	Tonnes	10,746,948	3,224,971	4,278,605	3,243,372	2,477,687	2,624,067

Tonnes treated	Tonnes	1,671,008	560,501	506,538	603,969	566,681	509,283
Average grade processed	cpht (*)	16.50	18.0	16.9	14.9	20.1	20.8
Carats recovered	Carats	276,443	100,651	85,714	90,077	113,950	106,162

## Costs

Operating costs per carats sold (see page 7 Non-IRFS measures)	US\$	131	130	160	108	89	122
Capital expenditures (including capitalized waste)							
Plant Optimization	US\$m	14.5	2.9	2.2	9.4	16.6	12.8
Sustaining capital	US\$m	4.4	1.2	2.1	1.1	2.3	1.0
Bulk Sample Plant	US\$m	1.8	1.4	0.2	0.2	2.0	-
Capitalized waste	US\$m	11.6	2.3	4.2	5.1	1.8	0.4
Total	US\$m	32.3	7.8	8.7	15.8	22.7	14.2

(\*) 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 from previous period sales tenders.

## Karowe Mine

Zero lost time injuries were reported for the quarter resulting in a year to date Lost Time Injuries Frequency ("LTIFR") of 0.52.

Operational performance at Karowe was generally in line with forecast for the third quarter. Mining performed well with overall volume mined, ore tonnage mined, and ore grade mined ahead of forecast. Waste stripping to access the ore body at depth is progressing well and is ahead of forecast. Ore mining remains concentrated in the south and centre lobes.

During the third quarter a total of 160 special stones (+10.8 carats) were recovered at an average size of 33.49 carats, an increase of 34% compared to full year 2014. The specials (+10.8 carats) frequency and size distribution remains in line with ore-body model predictions. The largest stone recovered during the quarter included a 336 carat stone from the south lobe, which is expected to be sold along with twelve other stones in the second Exceptional Stone Tender of 2015. Tonnes processed in the fourth quarter are forecast to be largely from the south lobe.

Recovery of fine diamonds improved during the quarter as changes were made to the dense medium separation circuit's operating parameters. Studies to further optimize the recovery of these stones are ongoing. Processing tonnes through the mill post plant optimization commissioning were 11% higher than the previous quarter and diamond recovery was ahead of forecast at 100,651 carats during the period.

## REVIEW OF EXPLORATION AND MOTHAE

### Botswana Prospecting Licenses:

The Company was awarded two precious stone prospecting licenses covering the known kimberlites, BK02, AK11 and AK12 located within a distance of 15 km and 30 km from the Karowe Diamond mine in 2014. Ground geophysical surveys were conducted over the kimberlite occurrences within the prospecting licenses during Q4 2014 and Q1 2015. The geophysical results confirmed the kimberlite localities and have provided information that has been used to plan our core drilling and surface sampling programs for 2015.

Approval has been received from the Botswana Department of Environmental Affairs ("DEA") for the extraction of samples from the BK02 kimberlite. Bulk sampling activities at BK02 have commenced with the processing of a 5000 tonne kimberlite sample expected to be completed during Q1 2016. This will be followed by a similar program at AK 11 and AK12, subject to the appropriate environmental approvals being received. Environmental permits are at an advanced stage for the proposed drilling phases of the project.

### *Mothae Diamond Project, Lesotho*

Following the signing of a MOU for the sale of the Mothae Diamond project to Paragon Diamonds Limited, a share purchase agreement was entered into effective July 2, 2015 which was subsequently amended. In consideration for the sale, the Company expects to receive \$6.5 million cash payment with US\$ 2 million to be paid from Paragon's initial financing and subsequent payments of \$2.0 million and \$2.5 million in January 2016 and March 2016 respectively. The Company expects to continue to receive 5% of profits earned from the sale of the polished stones and/or rough diamonds not selected for polishing from the first 6.75 million tonnes of ore processed from Mothae by Paragon.

The completion of the Share Purchase Agreement is subject to the approval of the Lesotho Government and Paragon's completion of project financing. The initial transaction closing date of September 30, 2015 has been extended and is subject to Paragon achieving milestones in their financing schedule as agreed with Lucara.

### OUTLOOK

These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

### *Karowe Mine, Botswana*

The Company continues to forecast revenue of between \$200-\$220 million.

The Company's forecast sales remain at between 350,000 and 400,000 carats of diamond in 2015 from the Karowe mine as in previous guidance. Karowe's operating cash costs for the year are expected to remain in line with previous guidance of between \$33 and \$36 per tonne of ore treated and process between 2.2 to 2.3 million tonnes of ore.

Ore mined is in line with forecast at between 2.5-2.8 million tonnes and waste mined is forecast to remain between 12.0-12.5 million tonnes

The Company is within its guidance of \$55 million for the plant optimization project and its sustaining capital expenditures of between \$4.5-\$5.5 million for the year. The Company is also in line with its guidance of \$5.0 million for the purchase and installation of a mill relining machine of which up to \$3.0 million is forecast to be spent in 2015.

The Company maintains its forecast to spend between \$7.0-\$8.0 million on exploration including \$5.0 million for a Bulk Sample Plant ("BSP"). The Company spent \$2.0 million of this planned exploration expenditure on the BSP plant in the prior year. The total cost of the BSP plant is within forecast of \$5.0 million with the remaining \$5.0-\$6.0m to be spent in 2015.

### DIAMOND MARKET

The diamond industry continued to see softer prices, specifically in the small and medium size classes. The downward pressure is a result of large volumes of polished inventories which have increased due to a reduction in consumption in the Asia Pacific region. In addition to the high level of polished inventory, a significant volume of rough diamonds have not been sold at many of the large producers rough diamond auctions. This has resulted in an oversupply situation for specific quality and size goods across the diamond supply chain. The Company foresees a prolonged weakness in smaller lower quality goods due to the current high levels of inventories held.

Over the past twelve months, Lucara has seen similar reductions, when compared to other rough producers, in "same quality" goods. The Company has however been able to maintain a relatively consistent average diamond price due to the changes in its production profile with a greater number of high value stones being recovered from the South lobe and being sold in the regular tenders. The increase in higher value stones recovered from the south lobe and sold in the Company's regular tenders as well as the continued recovery of its exceptional diamonds has resulted in the development of a strong customer base for the Company's diamonds and differentiates Lucara in terms of its strong operating margin and cash flows.

On behalf of the Board,

William Lamb, President and CEO

### 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 assets include the Karowe Mine

in Botswana, two Precious Stone Exploration Licenses in Botswana and the Mothae Project in Lesotho. The 100% owned Karowe Mine is in production. The 75% owned Mothae Project is currently being divested.

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 Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on November 5, 2015 at 3:00 p.m. Pacific Time.

#### CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This press release contains forward-looking statements and information as defined in applicable securities laws including: the estimates of the Company's mineral reserve and resources; estimates of the Company's production and sales volumes, revenue for the Karowe Mine; exploration and development plans and objectives, production costs, exploration and development expenditures. 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 assumptions, 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 and uncertainties 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. In particular, such risks include 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 and other risks and uncertainties describe under Risks and Uncertainties disclosed under the heading "Risk Factors" in the Company's most recent Annual Information Form available at <http://www.sedar.com>.

Forward-looking statements and information 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.

Readers are cautioned not to place undue reliance on forward-looking statements and information.

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