

Lucara Reports Strong Demand and Pricing for Its First Quarter Diamond Sale and Commences the Sales Process for the Lesedi La Rona Diamond

VANCOUVER, BRITISH COLUMBIA--(Marketwired - May 3, 2016) - Lucara Diamond Corp. (TSX:LUC) (BOTSWANA:LUC)(NASDAQ OMX Stockholm:LUC) ("Lucara" or the "Company") reports strong first quarter 2016 revenues of \$50.6 million or \$649 per carat and cash of \$144.3 million (all dollar amounts are in US Dollars unless otherwise indicated).

HIGHLIGHTS

Financial:

- Revenue for the period was \$50.6 million or \$649 per carat (Q1 2015: \$29.6 million or \$278 per carat).
- EBITDA for the period was \$30.7 million (Q1 2015: \$11.9 million), with an EBITDA margin of 61%.
- Net cash position of \$144.3 million (Q1 2015: \$87.5 million, FY 2015: \$134.8 million).
- Year to date costs at \$25 per tonne ore processed continue to be well controlled and below forecast.
- First quarter 2016 earnings per share were \$0.05 per share (Q1 2015: \$0.02 per share).
- Following the end of Q1, the first exceptional stone tender achieved \$51.3 million, resulting in year to date revenue exceeding \$100 million.
- The Company completed the transfer of its shares of Mothae Diamonds Pty Ltd and the site bulk sample plant to the Government of Lesotho. In consideration, the Company was released from any rehabilitation liability for the Mothae Project, which had been accrued in the accounts for approximately \$2 million.

Operational: Karowe Mine

- Mining of ore and waste stripping to open the pit at depth was largely in line with forecast.
- Diamond recovery remained strong with a total of 165 special stones (+10.8 carats) recovered during the period including 8 stones over 100 carats (Q1 2015: 6 stones).

Exploration:

- Sampling progressed well with kimberlite processed from BK02. Excavation and shipping of the BK02 sample was completed (approximately 5,500 tonnes). Results for BK02 are expected to be available during the first half of 2016.
- Bulk sampling activities at AK12 has commenced and will be followed by trenching at AK11 during Q2.
- Deep drilling of the Karowe AK6 resource is planned to commence in the second quarter.

William Lamb, President and Chief Executive Officer, commented, "Lucara's high quality stones and production assortment has resulted in strong customer demand for our product generating revenues of over \$100 million this year. With management's focus on cost control we continue to achieve high operating margins and returns. Lucara's exploration program continues to advance and with the deep drilling of the Karowe resource due to commence in the second quarter we are excited by the prospects for the remainder of 2016 and the potential organic growth opportunities.

The sale of the Lesedi La Rona diamond, the 1,109 carat stone discovered in November has commenced and is resulting in a great deal of interest and excitement for this magnificent, historic stone, culminating in an auction during the month of June."

FINANCIAL UPDATE

Cash flows and operating margins: The Company achieved revenue of \$50.6 million or \$649 per carat yielding a 79% operating margin or \$513 per carat during the period. The Company's EBITDA at the end of March 2016 was \$30.7 million (Q1 2015: \$11.9 million). Revenue is higher compared to the previous year largely due the sale of a larger volume of higher quality south lobe production compared to north and centre lobe in the prior year

Net cash position: The Company's quarter-end cash balance was \$144.3 million compared to a cash balance of \$87.5 million at March 31, 2015 and \$134.8 million of cash at the end of 2015. The increase in cash during the period is primarily due to operating cash inflows of \$16.6 million, which was partially offset by the Company's final 2015 tax payment of \$9.4 million, the 2016 quarterly tax installment of \$5.8 million and the payment of \$4.4 million of dividends. The Company's \$50 million credit facility remains undrawn.

Earnings per share: Earnings per share was \$0.05 for the three month period ended March 31, 2016 (Q1 2015: \$0.02 earnings per

share).

Dividends: In 2016, the Company introduced a progressive dividend with the aim to maintain or increase the Canadian dollar dividends per share paid each year on a quarterly basis. The Company paid its first quarterly dividend of CDN 1.5 cents per share on March 31, 2016. Effective today's date, May 3, 2016, the Company is declaring its second quarter dividend of CDN 1.5 cents per share. The dividend is expected to be paid on June 16, 2016 to holders of securities on the record of the Company's common shares at the close of business on June 3, 2016. The Company anticipates that it will declare a further two payments of CDN 1.5 cents per share in 2016 at the end of each quarter for a total yearly dividend of CDN 6 cents per share however the declaration of all dividends remains in the discretion of the Board of Directors and is subject to the requirements of the Company's dividend policy.

FINANCIAL HIGHLIGHTS

Table 1:

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended March 31	
	2016	2015
Revenues (*)	\$ 50.6	\$ 29.6
Average price per carat sold(**) (\$/carat)	649	278
Operating expenses per carat sold (\$/carat)	136	108
Operating margin per carat sold (\$/carat)	513	170
Net income for the period	17.1	6.0
Earnings per share (basic and diluted)	0.05	0.02
Cash on hand	144.3	87.5

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

RESULTS OF OPERATIONS

Karowe Mine, Botswana

Table 2: Karowe Mine, Botswana

	UNIT	Q1-16	Q4-15	Q3-15	Q2-15	Q1-15
Sales						
Revenues	US\$m	50.6	65.2	90.8	38.1	29.6
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	50.6	65.2	89.2	39.7	29.6
Sales proceeds received during the quarter	US\$m	50.6	65.2	90.8	38.1	29.6
Q2 2015 tender proceeds received post Q2 2015	US\$m	-	-	(1.6)	1.6	-
Carats sold for proceeds generated during the period	Carats	77,990	94,026	76,156	100,177	106,777
Carats sold for revenues recognized during the period	Carats	77,990	94,026	83,960	92,373	106,777
Average price per carat for proceeds generated						

during the period**	US\$	649	693	1,171	396	278
Average price per carat for proceeds received during the period***	US\$	649	693	1,081	412	278
Production						
Tonnes mined (ore)	Tonnes	677,766	1,038,901	864,180	722,855	561,287
Tonnes mined (waste)	Tonnes	3,328,365	3,143,168	3,224,971	4,278,605	3,243,372
Tonnes treated	Tonnes	651,909	567,966	560,501	506,538	603,969
Average grade processed	cpht (*)	13.9	15.6	18.0	16.9	14.9
Carats recovered	Carats	90,697	89,247	100,651	85,714	90,077
Costs						
Operating costs per carats sold	US\$	136	137	130	160	108
Capital expenditures (including capitalized waste)						
Plant Optimization	US\$m	-	1.6	2.9	2.2	9.4
Sustaining capital	US\$m	0.5	0.6	1.2	2.1	1.1
Bulk Sample Plant	US\$m	0.1	0.7	1.4	0.2	0.2
Capitalized waste	US\$m	3.0	1.0	2.3	4.2	5.1
Total	US\$m	3.6	3.9	7.8	8.7	15.8

(*) 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

Karowe did not have any lost time injuries during the first quarter of 2016 and all Safety, Health, Environment, and Community Relations indices were within target. Karowe was awarded the 2015 Environmental & Social Responsibility Award from the Prospectors and Developers Association of Canada ("PDAC") for the Company's stakeholder initiatives, community engagement and focus on sustainable practices and long-term benefits at the Karowe mine.

Volume mined for the period was in line with expectation. Waste stripping to access the ore body at depth progressed well and in line with forecast.

The process plant performed well during the three months, as the tonnes milled were in excess of forecast and carats recovered were in line with expectation. During the quarter, a total of 165 special stones (+10.8 carats) were recovered including 8 stones over 100 carats (Q1 2015: 6 stones).

The project to increase the top size of diamonds recoverable by the existing Large Diamond Recovery circuit and the new Mega Diamond Recovery circuit to recover large diamonds immediately post the primary crusher, are both in detailed engineering design, with procurement of long lead items completed.

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 the 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 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. Additional geophysical surveys are planned for the second quarter of 2016.

Bulk sampling activities at BK02 were completed in the first quarter and processing of the surface sample was substantially completed during Q1 2016 with audit work remaining outstanding at the end of the quarter. The BK02 diamond results will be

released once processing of the sample is complete which is expected to be in the first half of 2016 post the audit and reprocessing work, which is currently being undertaken. Bulk sampling activities at AK12 commenced in the first quarter and processing will begin in the second quarter of 2016 followed by trenching at AK11 which is expected to also commence in Q2 2016. Environmental approvals for drilling campaigns on the Prospecting Licenses are still pending with the Republic of Botswana Department of Environment Affairs ("DEA").

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. This excludes the anticipated sale of the two high value diamonds, the Lesedi La Rona and the 813 carat stone held in inventory at March 31, 2016.

Karowe's operating cash costs for the year are expected to remain in line with guidance of between \$33.50 and \$36.50 per tonne of ore treated and the mine is expected to process between 2.2 to 2.4 million tonnes of ore, 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's 2016 capital expenditures guidance remains unchanged for a total investment of 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 and 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 and south lobe 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 forecast for advanced bulk sampling and drilling work at the Company's two Botswana prospecting licenses.

The USD/Pula outlook foreign exchange rate is 10.

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 Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on May 3, 2016 at 2:30 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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