

Lucara Diamond Corp. Second Quarter Results

VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug. 9, 2013) - Lucara Diamond Corp. (TSX:LUC) (BOTSWANA:LUC)(NASDAQ OMX First North:LUC) ("Lucara" or the "Company") today reports its first quarter 2013 results.

William Lamb, President and Chief Executive Officer commented, "Lucara had an exceptional first six months of the year with sales proceeds in excess of \$80 million and over 230 thousand carats sold. Following the first large and exceptional stone sale, the Karowe mine has continued to produce a high proportion of large stones and a second exceptional stone sale will be held in September featuring 16 diamonds, including a pink stone and five stones which are over 100 carats each. The proceeds from this sale are expected to further strengthen the Company's overall cash position."

SUMMARY FINANCIAL RESULTS FOR THE QUARTER (1):

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Revenues (2)	\$ 47.2	\$ -	\$ 79.7	\$ -
Proceeds from quarterly sales tenders (2)	49.3	-	81.8	-
Cash operating earnings	33.3	-	50.1	-
EBITDA	29.0	(6.2)	43.7	(10.9)
Net income (loss) for the period	22.7	(7.6)	28.8	(11.8)
Basic earnings (loss) per share	0.06	(0.02)	0.08	(0.03)
Cash flow from operations (before working capital adjustments)	29.4	(4.3)	44.3	(8.8)
Cash on hand	28.5	7.7	28.5	7.7

Karowe Mine - Botswana

- During the second quarter the Company completed its first large and exceptional stone tender along with two regular tenders achieving gross proceeds of \$49.3 million (2). Full year to date proceeds are \$81.8 million. The diamond sales completed during the second quarter included:
- Large and exceptional stone tender held in May consisting of 15 single stone lots. All stones were sold for gross proceeds of \$24.6 million (\$30,184 per carat with a combined weight of 815 carats).
- The Company's two regular tenders during the second quarter totalled 101,637 carats of diamond, achieving winning bids of \$24.7 million or \$243 per carat.
- The average value of run-of-mine diamonds recovered and sold during the quarter was \$485 per carat.
- During the period the Company continued to recover a number of significant gem quality diamonds from its run of mine production. The Company is planning its second exceptional stone tender in September 2013, which will feature 16 single diamond lots, including five diamonds larger than 100 carats and one small pink diamond.

Operating costs per carat sold was \$102 during the quarter compared to \$86 per carat sold in the previous period. The increase is in line with budget and the Company's mine plan and reflects lower grades processed (15.6cph) as the mine transitioned from the north lobe to the upper benches in the centre lobe as well as the planned increase in ore and waste mined.

- Cash operating earnings during the second quarter of 2013 (excluding depreciation, amortization and depletion) were \$33.3 million or 71% of gross revenue.

(1) The Company's financial results are prepared in accordance with IFRS. This press release refers to cash operating earnings and EBITDA, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. Refer to the "Non-IFRS Measures" section in the MD&A for further details.

(2) Total proceeds for diamond sales during the quarter were \$49.3 million (\$485 per carat) resulting in full year to June 30, 2013 proceeds of \$81.8 million. Proceeds of \$2.1 million or 12,833 carats were collected post June 30, 2013 due to the timing of the June month end sale and therefore not recognized as revenue in the Company's condensed interim consolidated statement of operations resulting in total revenue for the quarter of \$47.2 million (\$527 per carat). These \$2.1 million in proceeds were collected in early July and will be recognized as revenues in the third quarter of 2013.

Mothae Project - Lesotho

- The Mothae project remained on temporary care and maintenance during the quarter and the Company is currently reviewing a number of development options for Mothae.

Corporate

- Cash on hand as at June 30, 2013 was \$28.5 million. The Company's \$25 million Scotiabank credit facility is currently undrawn.
- The principal balance of a \$50 million debenture was reduced to \$33.3 million (\$50.0 million at December 31, 2012) with the quarterly \$8.3 million payments being made as scheduled at the end of the first and second quarter 2013.
- Appointment of Mr Paul Day as Chief Operating Officer of the Company based in Gaborone effective April 15, 2013. Mr Day is a mining engineer with over 22 years of operational experience in the sub-Saharan mining industry. During this time Mr Day has been responsible for managing large scale open pit and underground mines as well as being involved in greenfield mine start ups and project development.

Safety

- There was one Lost Time Injury ("LTI's") and no reportable environmental incidents at Karowe during the quarter. Karowe's Lost Time Injuries Frequency Rate ("LTIFR") was 0.67 for the quarter and is 0.36 for the year. LTIFR is defined as the total number of work hours lost per 200,000 work hours.

Karowe Mine, Botswana

	Unit	Q2-13 (1)	Q1-13	Q4-12	Q3-12	Q2-12
Sales						
Revenues	US\$m	\$ 47.2	\$ 32.5	\$ 29.1	\$ 12.7	\$ -
Carats sold	Carats	89,619	144,712	100,987	51,737	-
Average price per carat	US\$	527	225	289	245	-
Production						
Tonnes mined (ore)	Tonnes	1,163,761	968,871	701,931	561,230	337,810
Tonnes mined (waste)	Tonnes	1,259,478	1,109,727	1,267,343	1,240,062	1,566,791
Tonnes treated	Tonnes	560,911	533,918	545,354	594,000	188,328
Average grade processed	cpht	15.6	23.1	25.4	15.4	34.1
Carats produced	Carats	87,580	123,335	138,487	91,476	64,204
Costs						
Operating costs per carats sold	US\$	102	86	84	107	-
Capital expenditures	US\$m	1.7	2.2	0.4	19.9	4.2

Tonnes of ore mined ex-pit for the quarter was in line with budget with diamond grade favourable by 5%. Waste mining to access deeper sections of the ore body in the south lobe was according to plan during the period. A drill programme to deliver ten water supply holes was completed with good water yields achieved. Equipping of these boreholes will take place during the second half of the year.

Process plant performance has been in line with expectations with over 30% of the second quarter mill feed being competent ore from the deeper section of the north lobe. Diamonds recovered surpassed budget of 86,523 carats with a total production of 87,580 carats for the quarter. A total of five diamonds in excess of 100 carats were recovered during the second quarter. These diamonds will be sold during the Company's second exceptional stone tender in September 2013.

Mothae Diamond Project, Lesotho

The Company is currently reviewing a number of development options for Mothae following the completion of its trial mining program.

SELECT FINANCIAL INFORMATION

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended June 30		Six months ended June 30	
	2013	2012	2013	2012
Revenues	\$ 47.2	\$ -	\$ 79.7	\$ -
Operating expenses	(9.1)	) -	(21.6)) -
Royalty expenses	(4.8)	) -	(8.0)) -
Cash operating earnings (1)	33.3	-	50.1	-
Exploration and other mining costs	(0.5)	) (2.8)	(0.8)	) (6.1)
Administration	(2.8)	) (3.4)	(4.7)	) (4.8)
Gain on sale of diamonds	-	-	0.6	-
Sales and marketing	(1.0)	) -	(1.5)) -
EBITDA (2)	29.0	(6.2)	43.7	(10.9)
Depletion, amortization and accretion	(3.3)	) -	(7.7)) -
Finance expenses	(0.8)	) (0.1)	(1.9)	) (0.4)
Foreign exchange loss	(2.2)	) (1.3)	(5.3)	) (0.5)
Net income (loss) for the period	22.7	(7.6)	28.8	(11.8)
Total equity	169.1	157.8	169.1	157.8
Cash flow from operations (before working capital adjustments)	29.4	(4.3)	44.3	(8.8)
Total assets	225.9	232.8	225.9	232.8
Cash on hand	28.5	7.7	28.5	7.7
Income (loss) per share (basic and diluted)	0.06	(0.02)	0.08	(0.03)
Per carats sold				
Sales price	\$ 527	\$ -	\$ 340	\$ -
Operating expenses	102	-	92	-
Average grade (carats per hundred tonnes)	15.6	-	19.3	-

(1) Cash operating earnings is a non-GAAP measure defined as sales less operating expenses and royalty expenses.

(2) EBITDA is a non-GAAP measure defined as earnings before interest, taxation, depreciation and amortization.

Revenues

During the three months ended June 30, 2013, the Company completed two regular tenders and its first large and exceptional diamond tender. The Company's large and exceptional diamond tender generated gross proceeds of \$24.6 million or \$30,184 per carat. The regular tenders achieved winning bids totalling \$24.7 million or \$243 per carat. At June 30, 2013, proceeds of \$2.1 million from 12,833 carats of diamond had not been collected and have not been recognized as revenues in the Company's condensed interim consolidated statement of operations. These proceeds were collected in early July and will be recognized as revenues in the third quarter of 2013.

Cash operating earnings

Cash operating earnings for the three months ended June 30, 2013 were \$33.3 million.

Operating expenses were impacted by a decrease in grades during the quarter combined with an increase in ore and waste mined. The average grade for the quarter was 15.6 carats per hundred tonnes, which was in line with budget and the mine plan.

Cash operating earnings is a non-GAAP measure and is reconciled in the table above.

Exploration and other mining costs

Exploration expenditures and other mining costs relating to the Mothae project were \$0.5 million during the second quarter of 2013 compared to \$2.8 million during the second quarter of 2012. The costs incurred during the quarter include the final expenses for Mothae's PEA study and ongoing care and maintenance costs.

Administration expenses

Administration expenses increased \$0.8 million during the quarter when compared to the previous three month period due largely to employee performance payments.

Earnings before interest, tax, depreciation and amortization (EBITDA)

EBITDA for the second quarter of 2013 was \$29.0 million compared to a loss of \$6.2 million in the second quarter of 2012. This was a result of cash operating earnings of \$33.3 million earned from Karowe and decreased exploration and other mining costs at Mothae.

EBITDA is a non-GAAP measure and is reconciled in the table above.

SUMMARY OF QUARTERLY RESULTS

(All amounts expressed in thousands of U.S. dollars, except per share data)

Three months ended	Jun-13	Mar-13	Dec-12	Sept-12	
Total revenues	47,224	32,504	29,172	12,658	
Exploration recovery (expenditures)	(557	) 374	(2,277	) (4,465)
Administration expenses	(2,761	) (1,946	) (1,798	) (2,980)
Net income (loss)	22,679	6,169	7,664	(3,413)
Earnings (loss) per share (basic and diluted)	0.06	0.02	0.02	(0.01)
Three months ended	Jun-12	Mar-12	Dec-11	Sept-11	
Total revenues	Nil	Nil	Nil	Nil	
Exploration recovery (expenditures)	(2,798	) (3,314	) 565	(3,116)
Administration expenses	(3,392	) (1,364	) (2,255	) (1,305)
Net income (loss)	(7,606	) (4,170	) (5,438	) (5,453)
Earnings (loss) per share (basic and diluted)	(0.02	) (0.01	) (0.01	) (0.01)

Operating expenses and net income (loss), quarter over quarter, vary in relation to the level of activities undertaken by the Company during the financial quarters reported. These activities include the volumes and timing of diamond sales, the net price

realized in such sales, cost of goods sold, corporate development initiatives and net exploration expenditures incurred.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2013, the Company had cash and cash equivalents of \$28.5 million compared to cash and cash equivalents of \$13.3 million at December 31, 2012.

Cash generated from operating activities before working capital movements for the six month period ended June 30, 2013 was an inflow of \$44.3 million. These proceeds were partially offset by the Company's \$8.3 million debenture payments at the end of March and June as well as repayment of the outstanding balance of the Company's revolving credit facility of \$4.5 million. In addition, the Company incurred capital expenditures of \$3.9 million, which includes payment of \$2.2 million for project retentions during the period, which had been accrued. The project has been completed at a total expenditure marginally below \$120 million.

In April 2012 the Company signed a definitive agreement with the Bank of Nova Scotia for a \$25 million revolving term credit facility with a maturity date of March 26, 2014, which may be extended if both parties agree.

The facility contains financial and non-financial covenants customary for a facility of this size and nature. As at June 30, 2013, the Company is in compliance with all financial and non-financial covenants. The applicable interest rate of any loan under the facility will be determined by the Company's leverage ratio at any given time. The Company has provided security on the two year facility by way of a charge over the Company's Karowe assets and a guarantee by the Company's subsidiaries, which hold the Karowe assets. As at June 30, 2013 the full amount under this facility was available.

The Company has entered into a series forward exchange contracts to fix the rate at which future anticipated cash flows in U.S. dollars are exchanged in Botswana Pula. Such contracts include forward sales of U.S. dollars from July to December 2013 at an average rate of Botswana Pula 7.9749 per \$1.00, in the aggregate amount of \$32.5 million.

FUTURE PLANS AND OUTLOOK

Boteti Karowe Mine, Botswana

Karowe is projected to process 2.5 million tonnes of ore and to sell 420,000 carats of diamond in 2013.

The Company anticipates holding three further regular run-of-mine diamonds and at least one sale of large and exceptional diamonds during the remainder of the year. The September sale is expected to be approximately 78,000 carats with the two sales in the fourth quarter averaging 53,000 carats of diamond each and there will be client viewings conducted in both Gaborone and Antwerp.

Karowe's operating cash costs are expected to be in the order of \$23 per tonne treated, in-line with previous guidance. Capital expenditures for 2013, excluding any final project retention payments are expected to be approximately \$5m, which is line with previous guidance.

Mothae Diamond Project, Lesotho

The Mothae project will remain on temporary care and maintenance pending a decision regarding potential development options for the project.

About Lucara

Lucara is a well positioned new diamond producer. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company's two key assets are the Karowe Mine in Botswana and the Mothae Project in Lesotho. The 100% owned Karowe Mine is in the production. The 75% owned Mothae Project has completed its trial mining program.

On Behalf of the Board,

William Lamb, President and CEO

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein in the press release constitute forward-looking statements as defined in applicable securities laws. Generally, these forward-looking statements include any statements with respect to predictions, expectations, beliefs, plans, projects, objectives, assumptions or future events or performance and often (but not always) 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. In particular, this press release contains 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.

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. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors that could cause actual events or results to materially differ from those reflected in the forward-looking statements including, without limitation, the following risks and uncertainties for the Company: general global financial and economic conditions; future market prices for diamonds; the supply and demand for rough diamonds; ability to access capital; fluctuations in interest rates and foreign currency exchange rates; inherent hazards and risks associated with mining operations; estimations of the Company's production and sales volume for the Karowe Mine; costs associated with the construction of the Karowe mine; operational costs, including costs of power and diesel; operational difficulties, including failure of plant, equipment or processes to operate in accordance with specifications or expectations; industrial job disturbances; environmental and other regulatory requirements, including changes in the same; the acts of the governments of the jurisdictions in which the Company's operations are located; obtaining governmental approvals and permits; estimation of mineral resources, including the continuity of grade of diamondiferous mineralization; risks related to property titles; the dependence on transportation facilities and infrastructure; the Company is required to carry uninsurable risks; the mining industry is competitive; risks associated with current and future legal proceedings; conflicts of interest; dependence on management and technical personnel; and risks associated with volatility in the securities market.

Certain of these risks are discussed under the heading "Risk Factors" in the Company's Annual Information Form dated March 22, 2012 available at <http://www.sedar.com>. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward looking statements due to these risks, uncertainties and other factors. Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements if circumstances or management's beliefs, expectations, or opinions should change, except as required by law.

<https://lucaradiamond.mediaroom.com/index.php?s=2429&item=122625>