Lucara Diamond

Lucara Reports Excellent Year End 2012 Results and the Trend Continues Into 2013

VANCOUVER, BRITISH COLUMBIA--(Marketwire - March 21, 2013) - Lucara Diamond Corp. (TSX:LUC) (BOTSWANA:LUC)(NASDAQ OMX First North:LUC) ("Lucara" or the "Company") today reports its fourth quarter 2012 results.

William Lamb, President and Chief Executive Officer commented, "2012 was a transformational year for Lucara, having successfully built and commissioned the Karowe Diamond Mine in Botswana safely, on schedule and on budget. During the year, Karowe produced a total of 303,000 carats from 1.4 million tonnes of ore, exceeding guidance by 12%. Proceeds from the sale of nearly 216,000 carats totaled $55 million resulting in an average sales price of $253 per carat, which exceeded our mid-year expectations. In under eight months, Karowe has established itself as one of Botswana's premier diamond producers, having yielded a number of exceptional, high value stones including a 9.6 carat blue diamond that sold for $4.5 million in Q3 and more recently, a 239 carat white diamond that was recovered in early March, 2013. The latter stone represents one of the largest diamonds ever recovered in the prolific Orapa district.

With the successful sales and recovery of exceptional stones continuing in Q1 2013, significant cash proceeds of $32.5 million have been achieved, including the sale of Karowe's second blue diamond for $1.6 million or $341,416 per carat. This cash generation will allow the Company to readily make its first debenture payment instalment at the end of March. I look forward to 2013 being another outstanding year for Lucara."

2013 Corporate Update

- During the first quarter of 2013 the Company sold 144,712 carats of Karowe diamonds for gross proceeds of $32.5 million. The 2013 sales included six parcels totalling 18,233 carats, which were withheld from the December 2012 sale due to low volumes of competitive bidding. Excluding the December diamond inventory sold in January, the average sales price for full 2013 production sold was $243 per carat.
- The Company sold its second blue stone, a 4.77 carat diamond in its March sale for $1.6 million or $341,416 per carat.
- The Company recovered a 239.2 carat diamond from its Karowe mine in Botswana which will be sold on tender during May 2013. In addition to the recovery of this exceptional gem, two more large stones weighing 124.0 carats and 71.1 carats have also been recovered.
- Proceeds of $0.9 million were received in February 2013 from the sale of some 2,100 carats of diamond, which remained from Mothae's trial mining program.

(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-GAAP Measures" section in the MD&A for further details.

2012 OPERATIONAL PERFORMANCE SUMMARY

Karowe Mine - Botswana (formerly AK6 Diamond Project)

- The Company completed five sales during the year totalling 215,762 carats for proceeds of $54.6 at an average sales price of $253 per carat. Included in these results is the sale of a 9.46 carat blue diamond for $4.5 million or $477,272 per carat. A table reconciling sales proceeds and revenues reported in the Company's statement of operations can be found on page 4. Total sales forecast for 2013 is 400,000 carats.
- A total of 303,000 carats of diamond were recovered in 2012 against a forecast of 271,000 carats. Average grade processed during the fourth quarter of 2012 was 25.4 carats per hundred tonnes. The average grade processed for the year was 22.0 carats per hundred tonnes compared to a budget of 20.2 carats per hundred tonnes.
- Operating expenses per carat sold from the September, November and December sale was $92 per carat compared to a budget of $123 per carat.
- Cash operating earnings reported from the September, November and December sale (excluding depreciation, amortization and depletion) was $23.6 million or 56% of gross revenue.

Mothae Project - Lesotho

- In September, Mothae sold 4,657 carats produced during the test mining phase for proceeds of $1.5 million or an average price of $324 per carat.
- A final sale of Mothae diamonds recovered from the test mining phase was held in February 2013. A total of 2,102 carats

of diamond were sold for $918,828 for an average price of $437 per carat representing all unsold diamonds recovered from the Mothae test mining phase.
- The Company is currently reviewing a number of development options for Mothae following the completion of its trial mining program.

Corporate

- Cash on hand as at December 31, 2013 was $13.3 million, including a $4.5 million draw down from the Company's Scotiabank credit facility.

SUMMARY FINANCIAL RESULTS FOR THE FOURTH QUARTER AND FULL YEAR 2012 (1):

In millions of U.S. dollars unless otherwise noted	Three months ended December 31		Year ended December 31	
	2012	2011	2012	2011
Revenues	$ 29.1	$ -	$ 41.8	$ -
Cash operating earnings	17.7	-	23.6	-
EBITDA	12.9	(1.7)	(0.2)	(12.5)
Basic earnings (loss) per share	0.02	(0.01)	(0.02)	(0.05)
Cash flow from operations (before working capital adjustments)	15.1	(1.0)	3.8	(11.7)
Cash on hand	13.3	48.6	13.3	48.6

During 2012 the Company commenced production and declared commercial production at Karowe as at July 1, 2012. As a result, diamonds produced and sold post July 1, 2012 are recognized as revenue in the Company's consolidated statements of operations. The Company excluded Karowe's June, July and a portion of the September sales totalling 63,038 carats for proceeds of $12.8 million and related operating expenses and royalty expenses. These sales have not been included in the consolidated statement of operations and therefore gross margin and EBITDA for the year. The gross margin from these sales has been credited against capitalized plant and equipment. As a result, full year 2012 sales of $41.8 million are reported in the Company's accounts with total proceeds of $54.6 million being received.

OPERATIONAL RESULTS:

Karowe Mine - Botswana (formerly AK6 Diamond Project)

- There were no Lost Time Injuries ("LTI's") or reportable environmental incidents at Karowe during the year continuing its excellent safety, health and environment record. There have been over 2.9 million hours worked without any LTI's since March 2011, including 1.8 million hours since the beginning of 2012. Karowe's Lost Time Injuries Frequency Rate ("LTIFR") was zero for 2012. LTIFR is defined as the total number of work hours lost per 200,000 work hours.
- Commissioning and production ramp-up activities to achieve sustainable production were completed in the third quarter. Ramp-up to full production capacity, which commenced in April, was achieved by August.
- During the fourth quarter, the mine treated 545,354 tonnes compared to a forecast of 538,242 tonnes, producing 138,487 carats against a forecast of 108,981 carats. During 2012, the mine treated 1.4 million tonnes, 9% above the forecast of 1.27 million tonnes, producing 303,000 carats, which was 12% above the forecast of 271,000 carats. The average recovered grade during the fourth quarter was 25.4 carats per hundred tonnes. The average recovered grade for 2012 was 22.0 carats per hundred tonnes.

Mothae Project - Lesotho

- The trial mining program was completed in September with final processing of hard, unweathered kimberlite from the central resource domain of the south lobe of the Mothae kimberlite. This brings the total tonnage sampled from the Mothae kimberlite for economic evaluation purposes to 603,819 dry tonnes yielding an average sample grade of 3.88 carats per hundred tonnes ("cpht").
- In the fourth quarter of 2012, the x-ray recovery tailings audit of all recovery tailings was completed. The project is now fully transitioned to a small care and maintenance team.

FINANCIAL HIGHLIGHTS *(unaudited)*

Summary Financial Information:

In millions of U.S. dollars unless otherwise noted	Year ended December 31, 2012	2011	2010
Revenues	$ 41.8	$ -	$ -
Operating expenses	(14.0)	-	-
Royalty expenses	(4.2)	-	-
Cash operating earnings (1)	23.6	-	-
Exploration expenditures	(12.8)	(6.6)	(11.6)
Administration	(9.5)	(8.2)	(4.4)
Gain on sale of diamonds	-	2.3	-
Sales and marketing	(1.5)	-	-
EBITDA (2)	(0.2)	(12.5)	(16.0)
Depletion, amortization and accretion	(5.9)	-	-
Finance income (expenses)	(3.1)	(1.9)	0.4
Foreign exchange gain (loss)	1.7	(4.3)	-
Net loss for the year	(7.5)	(18.7)	(15.6)
Total equity	157.5	170.4	137.5
Cash flow from operations (before working capital adjustments)	3.8	(11.7)	(13.3)
Total assets	235.4	241.3	145.5
Cash on hand	13.3	48.6	32.9
Loss per share (basic and diluted)	(0.02)	(0.05)	(0.06)
Per carat sold			
Sales price	$ 274	$ -	-
Operating expenses	92	-	-
Average grade (carats per hundred tonnes)	22.0	-	-

(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.

Reconciliation of Revenues:

Karowe sales during the year	Carats	Proceeds (US$ million)	US$ per carat
Q2 2012	26,196	5.6	$ 214
Q3 2012	88,579	19.9	225
Q4 2012	100,987	29.1	288(3)
	215,762	54.6	253
Diamonds produced pre-commercial production and sold during the year			
Q2 2012	26,196	5.6	214
Q3 2012	36,842	7.2	195
Q4 2012	-	-	-
	63,038	12.8	203

Revenues reported	152,724	41.8	274

(3) Proceeds in the fourth quarter of 2012 included the sale of a 9.46 carat blue diamond for $4.5 million or $477,272 per carat.

Revenues

During the year the Company had five sales totalling 215,762 carats for gross proceeds of $54.6 million at an average price of $253 per carat. Included in these results is the sale of a 9.46 carat blue diamond for $4.5 million or $477,272 per carat. Gross revenues reported for the year were $41.8 million, which included post commercial production of 51,737 carats from the September sale and 100,987 carats from the November and December sale.

Cash operating earnings

Cash operating earnings for the year was $23.6 million. This reflects a $274 per carat price received for diamonds sold in September through December net of royalties of 10% and operating expenses of $92 per carat sold.

Cash operating earnings of $23.6 million result in a gross margin of 56% on sales. The average grade for the year was 22.0 carats per hundred tonnes.

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

Exploration expenditures

The exploration expenditures relate primarily to the on-going trial mining program, which commenced in May 2010 at Mothae, offset in part by the value of diamonds recovered and sold, based on management's best estimate of the value of the diamonds at the time of recovery. The difference between the carrying value and the subsequent proceeds from the sale of diamonds is treated as a gain or loss as it is a change in market conditions during the period.

Exploration expenditures were $12.9 million during the year compared to $6.6 million in 2011. The difference largely relates to decreased diamond recoveries during the year as harder material was processed at a slower rate, costs relating to work on Mothae's preliminary economic assessment and further costs for non-recurring care and maintenance activities.

The expenditures in 2012 have been partially mitigated by the earnings from Mothae's sale of 4,657 carats in September yielding gross proceeds of $1.5 million.

Administration expenses

The increase in administration expenses for the year ended December 31, 2012 compared to the prior year is largely due to the payment of performance incentive bonuses to key employees of the Company and other non-recurring costs.

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

EBITDA for the year was a loss of $0.2 million. EBITDA was impacted by:

- Exclusion of Karowe's June, July and a portion of the September sale totalling 63,038 carats for proceeds of $12.8 million and related operating expenses and royalty expenses. These sales have not been included in the consolidated statement of operations and therefore gross margin and EBITDA for the year. The gross margin from these sales has been credited against capitalized plant and equipment. As a result, full year 2012 sales of $41.8 million are reported in the Company's accounts with total proceeds of $54.6 million being received.
- Exploration expenditures of $12.9 million at Mothae were due to its trial mining program and costs incurred for its preliminary economic assessment. Mothae has now been placed on temporary care and maintenance with limited operating expenditure going forward as the Company reviews a number of development options for the asset.
- Higher administration costs during the period due to some non-recurring costs.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2012, the Company had cash and cash equivalents of $13.3 million compared to cash and cash equivalents of $48.6 million at December 31, 2011.

Cash generated from operating activities before working capital movements for the year ended December 31, 2012 was an inflow of $3.8 million. This includes Karowe sales from September to December with cash operating earnings of $23.6 million as well as Mothae's September sale for proceeds of $1.5 million. These proceeds were offset by Mothae's exploration costs to complete its trial mining program and work on the preliminary economic assessment as well as corporate costs. The June, July and a portion of the September sale with proceeds of $12.8 million have been included as part of investing activities and not operating cash flows as these sales included pre-commercial production and was reported net of costs in capitalized plant and equipment.

In April 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 December 31, 2012, 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 December 31, 2012 the Company had drawn $4.5 million of the credit facility.

Net cash from financing activities for the year ended December 31, 2012 included a $9.5 million drawdown and a $5 million repayment on the Scotiabank credit facility.

The Company has entered into foreign currency contracts totalling $8.0 million as at December 31, 2012 to help manage the uncertainty of foreign exchange fluctuations in the market. The contracts mature in March 2013 and May 2013. They are at an average rate of Botwana Pula 7.8244 per $1.00. Subsequent to December 31, 2012, the Company entered into a series of 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 at an average rate of 7.9581, in the aggregate amount of $43.3 million from February 2013 to December 2013. As a result, the Company's outstanding forward exchange contracts totalled $51.4 million at an average rate of 7.9369.

FUTURE PLANS AND OUTLOOK

Boteti Karowe Mine, Botswana

Karowe's 2013 budget is to mine and process 2.5 million tonnes of ore and to produce 400,000 carats of diamond for sale.

The Company anticipates holding eight sales (two per quarter) in 2013. The sales are anticipated to average 50,000 carats of diamond each and there will be client viewings conducted in both Gaborone and Antwerp.

Mothae Diamond Project, Lesotho

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

Other Matters

At a meeting of the Board of Directors of the Company (the "Board") held on March 21, 2013, the Board adopted an Advance Notice Policy (the "ANP"), which includes, among other things, a provision that requires advance notice be given to the Company in circumstances where nominations of persons for election to the Board are made by shareholders of the Company. In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 days nor more than 65 days prior to the date of the annual meeting. However, in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement. In the case of a special meeting of shareholders (which is not also an annual meeting) notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

Additionally, the ANP sets forth the information that a shareholder must include in the notice of the Company, and establishes the form in which the shareholder must submit the notice for that notice to be in proper written form. The full text of the ANP is available on the Company's website and on SEDAR.

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.
