Lucara Diamond

Lucara Diamond Corp. Reports Third Quarter Results

VANCOUVER, BRITISH COLUMBIA--(Marketwire - Nov. 9, 2012) - Lucara Diamond Corp. (TSX:LUC)(BOTSWANA:LUC)(NASDAQ OMX First North:LUC) ("Lucara" or the "Company") today reports its third quarter 2012 results.

Lucara completed two diamond sales at Karowe totalling 88,579 carats during the third quarter resulting in proceeds of $19.9 million. The company declared commercial production at Karowe as at July 1, 2012 and successfully achieved design throughput by August. At Mothae, a September sale of 4,657 carats resulted in proceeds of $1.5 million. The trial mining program was completed in September and work advanced on its preliminary economic assessment due to be completed during the first quarter of 2013.

William Lamb, President and Chief Executive Officer, commented, "We are pleased with performance during the past quarter, having successfully achieved design capacity at Karowe and completing two diamond sales at an average diamond sales price of $225 per carat. We are focussed on performance and cost control, which resulted in a cash operating margin of 46% for our September sale with operating expenses of $107 per carat. While the rough diamond market remains challenging, we are pleased with Karowe's pace and stage of development and we continue to improve production while maintaining our outstanding safety record with zero lost time injuries this year."

FINANCIAL RESULTS (1):

(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.

Karowe Mine - Botswana (formerly AK6 Diamond Project)

- Commercial Production was declared as of July 1, 2012. As a result, diamonds produced and sold post July 1, 2012 are recognized as revenue in the Company's condensed interim consolidated statements of operations. The July sale and 489 carats of diamond sold in the September sale included diamonds produced prior to July 1, 2012 and their earnings were netted against capitalized project costs in the condensed interim consolidated balance sheet.
- Completed two sales totalling 88,579 carats for proceeds of $19.9 million during the quarter in the months of July and September.
- Achieved an average sales price of $179 per carat for the July sale (with some high value lots withheld) and $257 per carat in the September sale, which included three lots of diamonds previously withheld.
- Operating expenses per carats sold in the September sale was $107 per carat.
- Cash operating earnings reported for the September sale (excluding depreciation, amortization and depletion) was $5.9 million or 46% of gross revenue.
- Average grade processed during the quarter was 15.4 carats per hundred tonnes. Year to date grade processed was 19.6 carats per hundred tonnes, which was marginally below forecast.

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.

Corporate

- Cash on hand was $11.1 million at September 30, 2012 including a $7 million drawdown from the Company's Scotiabank credit facility.
- In July, the Company renegotiated the terms of its $50 million debenture. Under the amended terms of the agreement each scheduled principal payment has been extended by six months resulting in payments commencing in March 31, 2013 and a final maturity date of June 30, 2014. All other terms and conditions of the debenture agreement remain unchanged with no penalties being incurred.

OPERATIONAL RESULTS:

Karowe Mine - Botswana (formerly AK6 Diamond Project)

- By August 2012, the mine ramped up to full process plant throughput with September running at 14% above design capacity. A total of 594,000 tonnes were milled producing 91,400 carats during the quarter.
- Progress was made in increasing water supply for operations. The equipping of additional boreholes,

increased return water from the slimes dam and improved operating efficiency, resulted in operations meeting and then exceeding design capacity during the quarter.

Mothae Project - Lesotho

- The trial mining program was completed in September with the 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").
- A small team will remain on site into the fourth quarter to reprocess x-ray recovery tailings as an audit of diamond recovery efficiencies. Otherwise, the project has been put on care and maintenance as work continues on completing a Preliminary Economic Assessment ("PEA") of the Mothae kimberlite. The PEA is expected to be completed during the first quarter of 2013.
- Work on the PEA during the quarter focused on finalizing the resource model, developing a preliminary mine plan, developing a preliminary infrastructure layout design and conducting detailed reviews of process plant design options.

Safety

- At Karowe there were no Lost Time Injuries ("LTI's") or reportable environmental incidents during the quarter continuing its excellent safety, health and environment record. There have been over 2.5 million hours worked without any LTI's since March 2011, including 1.3 million hours since the beginning of 2012. The Karowe Mine has achieved a lost time injury frequency rate ("LTIFR") of 0.07. Year to date 2012 LTIFR is zero.

QUARTERLY RESULTS REVIEW *(unaudited)*

Commissioning and testing at Karowe were completed during June 2012 and as a result the Company determined that the mine was ready for its intended use and as such commercial production was declared on July 1, 2012. As a result, diamonds produced prior to July 1, 2012 are credited against the capitalized costs of construction as they are sold, including those sold after July 1, 2012. Diamonds produced from July 1, 2012 are recognized in the condensed interim consolidated statement of operations upon sale. The July sale and 489 carats of diamond sold as part of the September sale included diamonds produced prior to July 1, 2012 and therefore these proceeds were credited against the capitalized costs in plant and equipment and are not included in the condensed interim consolidated statement of operations.

Summary Financial Information:

	Three months ended September 30		Nine months ended September 30	
In millions of U.S. dollars unless otherwise noted	2012	2011	2012	2011
Revenues	$ 12.7	$ -	$ 12.7	$ -
Operating expenses	(5.5)	-	(5.5)	-
Royalty expenses	(1.3)	-	(1.3)	-
Cash operating earnings(1)	5.9	-	5.9	-
Exploration expenditures	(4.5)	(3.1)	(10.6)	(7.2)
Administration	(3.0)	(1.3)	(7.7)	(5.9)
Gain on sale of diamonds	-	-	-	2.3
Sales and marketing	(0.7)	-	(0.7)	-
EBITDA(2)	(2.3)	(4.4)	(13.1)	(10.8)
Depletion, amortization and accretion	(2.2)	-	(2.1)	-
Finance income (expenses)	(1.2)	0.3	(1.7)	(0.2)
Foreign exchange gain (loss)	2.3	(1.4)	1.8	(2.2)
Net loss for the period	(3.4)	(5.5)	(15.1)	(13.2)
Total equity	151.5	175.2	151.5	175.2
Cash flow from operations (before working capital adjustments)	(2.5)	(4.4)	(11.3)	(10.7)
Total assets	231.9	227.2	231.9	227.2
Cash on hand	11.1	70.7	11.1	70.7

Loss per share (basic and diluted)	(0.01)	(0.01)	(0.04)	(0.04)
Per carats sold				
Sales price	$ 245	$ -	$ 245	$ -
Operating expenses	107	-	107	-
Average grade (carats per hundred tonnes)	15.4	-	19.6	-

(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 third quarter	Carats	Proceeds (US$ million)	US$ per carat
July sale	36,353	$ 6.5	$ 179
September sale	52,226	13.4	257
	88,579	19.9	225
Diamonds produced pre-commercial production and sold during the third quarter			
July sale	36,353	6.5	179
September sale	489	0.7	1,431
	36,842	7.2	195
Revenues reported	51,737	12.7	245

Revenues

During the third quarter the Company had two sales totalling 88,579 carats for gross proceeds of $19.9 million at an average sales price of $225 per carat. The Company's sale in July resulted in an average price of $179 per carat including withholding some high value lots sold in the September sale. The September sale achieved an average price of $257 per carat or $245 per carat excluding the high value lots withheld from the July sale.

The Company's revenues for the third quarter do not include the July sale or the 489 carats of diamond sold in the September sale as these diamonds were produced pre-commercial production and under IFRS are reported as part of plant and equipment. Therefore third quarter gross revenues of $12.7 million include only the September sale of 51,737 carats, which is net of the 489 carats produced in the pre-commercial production period.

Cash operating earnings

Third quarter cash operating earnings was $5.9 million during the period. This reflects a $245 per carat price received for goods sold in September net of royalties of 10% and at operating expenses per carats sold of $107 per carat.

Cash operating earnings of $5.9 million result in a gross margin of 46% on September sales. Average grade for the quarter was 15.4 carats per hundred tonnes.

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

Exploration expenditures

Exploration expenditures were $4.5 million during the quarter largely relating to Mothae's trial mining program, which commenced in May 2010. Mothae exploration costs include work on Mothae's preliminary economic assessment and further non-recurring care and maintenance costs.

These expenditures 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 to date period ended September 30, 2012 compared to the prior year is largely to the accrual 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 quarter was a loss of $2.3 million. EBITDA was impacted by:

- Exclusion of Karowe's July sale of 36,353 carats for proceeds of $6.5 million and related operating expenses and royalty expenses. This sale has not been included in the condensed interim consolidated statement of operations and therefore gross margin and EBITDA for the third quarter. The gross margin from this sale has been credited against capitalized plant and equipment.
- Exploration expenditures of $4.5 million at Mothae were due to its trial mining program and costs incurred for its preliminary economic assessment. Mothae has now been placed on care and maintenance with limited operating expenditure going forward.
- Higher administration costs during the period due to some non-recurring costs.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had cash and cash equivalents of $11.1 million compared to cash and cash equivalents of $48.6 million at December 31, 2011.

Cash used in operating activities before working capital movements for the quarter ended September 30, 2012 was an outflow of $2.5 million. This includes the September Karowe sale with operating earnings of $5.9 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 July sale with proceeds of $6.5 million has been included as part of investing activities and not operating cash flows as this sale included pre-commercial production and was reported net of costs in capitalized plant and equipment.

Net cash from financing activities for the nine months ended September 30, 2012 included a $7 million drawdown on the Scotiabank credit facility.

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. As at September 30, 2012 the Company had drawn down $7 million of the credit facility.

The facility contains financial and non-financial covenants customary for a facility of this size and nature. 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 will provide 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.

The Company intends to use the facility to meet periodic working capital requirements as required.

FUTURE PLANS AND OUTLOOK

Karowe Mine, Botswana

Karowe will continue to mine and process ore in 2012 to achieve a targeted production of 270,000 carats and sales of approximately 230,000 carats. Detailed production plans and budget for 2013 will be presented to the Board for approval in the fourth quarter.

The Company anticipates holding two further diamond sales in late November and mid December 2012 with viewings being conducted in both Gaborone and Antwerp.

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 is currently in the trial mining stage.

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.
