



LUCARA
DIAMOND

NEWS RELEASE

LUCARA ANNOUNCES THIRD QUARTER 2018 RESULTS

November 8, 2018 Vancouver, British Columbia (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the quarter ended September 30, 2018.

HIGHLIGHTS FOR THE THIRD QUARTER ENDED SEPTEMBER 30, 2018

(All amounts are presented in USD)

- Karowe’s overall performance with respect to ore and waste mined, ore processed and carats recovered was within forecast for the third quarter ended September 30, 2018:
 - Ore and waste mined was 1.2 million tonnes and 3.9 million tonnes respectively
 - Ore processed totaled 0.73 million tonnes with a record 0.26 million tonnes processed in the month of September 2018
 - 197 specials (single diamonds larger than 10.8 carats) were recovered during the third quarter, representing 4.7% weight percentage of total recovered carats, in line with expectations; 10 diamonds were recovered greater than 100 carats in weight
- Commercialization efforts at Clara are tracking according to budget and plan with inaugural sales expected to commence in November
- Quarterly sales revenue of \$45.7 million (Q3 2017: \$77.9 million) or \$450 per carat (Q3 2017: \$1,161 per carat) recognized during the quarter. This revenue includes proceeds of \$3.9 million received in July 2018 related to the Company’s June tender. Third quarter sales from 2017 included the sale of the Lesedi La Rona (“LLR”) for \$53 million (\$47,777 per carat), adjusting for the sale of the LLR, the Q3 2017 average sales price was \$389 per carat.
- The operating cash cost for the nine months ended September 30, 2018 was \$41.20 per tonne processed (2017: \$32.40 per tonne processed) compared to the full year forecast cash cost of \$38-\$42 per tonne processed. Year to date operating cash cost per tonne processed was impacted by higher than expected tonnes mined and processed, and an increase in the cost per tonne mined due to the mining contractor transition which commenced mid-year. Forecast costs for the 2018 fiscal year are still expected to be within guidance.
- Q3 2018 EBITDA of \$18.2 million (Q3 2017: \$49.8 million) reflects lower revenues attributable to a smaller volume and lower average price of exceptional stones sold, as compared to Q3 2017 which included the sale of the 1,109 carat LLR.
- Net income for the three months ended September 30, 2018 was \$5.1 million (\$0.01 per share) as compared to net income of \$32.9 million (\$0.09 per share) in the comparative quarter of 2017.
- As at September 30, 2018, the Company had cash and cash equivalents of \$31.1 million. The \$50 million credit facility remains undrawn on September 30, 2018.
- 2018 guidance has been increased for tonnes of ore mined and carats recovered; the remainder of the Company’s guidance remains unchanged for 2018.

Eira Thomas, President and CEO, commented: “Third quarter operational performance at Karowe exceeded expectations with respect to ore mined and carats produced, and reflects a seamless transition, three



months ahead of schedule, to our new mining contractor, Trollope Mining Services. In parallel, we saw higher asset availability and record utilization rates for the process plant, positively impacting carat recoveries.

Growth initiatives, focused on Clara and the Karowe underground expansion opportunity, also continued to pick up momentum during the quarter. Clara commercialization efforts are now complete, and we are pleased to be moving forward with our inaugural diamond sale later this month. Clara is the world's first secure, digital rough diamond sales platform to sell diamonds individually, based on a customer's specific demand, and is positioned to completely transform the diamond sales process, creating efficiencies and unlocking significant value for producers and manufacturers alike."

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended		Nine months ended	
	September 30		September 30	
	2018	2017	2018	2017
Revenues	\$ 45.7	\$ 77.9	\$ 135.6	\$ 183.6
Net income for the period	5.1	32.9	17.9	63.5
Earnings per share (basic and diluted)	0.01	0.09	0.05	0.17
Cash on hand	31.1	91.4	31.1	91.4
Average price per carat sold (\$/carat) ¹	450	1,161	564	960
Operating expenses per carat sold (\$/carat) ¹	185	229	208	231
Operating margin per carat sold (\$/carat) ¹	265	932	356	729

¹Average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures.

The Company achieved revenues of \$45.7 million or \$450 per carat for its sales in the third quarter, yielding an operating margin of 59% during the period. Included in the Q3 2018 revenue are proceeds of \$3.9 million from the June RST which were received in July 2018. The third quarter of 2018 saw Lucara host its first blended tender process in which both regular and exceptional diamonds, recovered in the period May-August, were sold achieving an average price per carat of \$467 from the sale of 89,461 carats (Q3 2017: 64,289 carats), a 39% increase in the number of carats sold as compared to the same quarter last year. Overall lower revenues reflect natural variability in the number and quality of exceptional diamonds recovered in any quarter. Lucara sold the LLR during the third quarter of 2017 recognizing revenue of \$53 million (\$47,777 per carat). Adjusting for the sale of the LLR, the Q3 2017 average price per carat sold was \$389.

The increase in the number of carats available for sale in the September tender follows commissioning of the sub-middles circuit in Q3 2017 and increased efficiency in diamond recovery in the smaller sizes during 2018. The number of carats recovered in Q3 2018 (127,031 carats) was more than double the number of carats recovered in Q3 2017 (62,425 carats). In Q3, Lucara also began setting aside diamonds in the one to fifteen carat size range in the better colors and qualities, for sale on Clara, Lucara's secure digital rough diamond sales platform. The removal of these diamonds from traditional tender sales will have an impact on the overall achieved average sales price, however, these differences will be captured and reconciled in the results reported through Clara. The inaugural sale on Clara is planned and tracking on schedule to take place later in November, 2018.

Operating expenses increased from \$15.4 million in Q3 2017 to \$18.8 million in Q3 2018 due to a combination of higher volumes of ore mined and processed and an increase in the average cost per tonne mined resulting from the transition between mining contractors during the third quarter.



Revenue, EBITDA and earnings per share performance were as expected and reflect the overall timing of the Company's sales tenders and its transition to a blended sales tender process in September 2018. Proceeds of \$3.9 million from the June sale were received in July 2018. The Company expects its 2018 revenue to be between \$180 million and \$190 million (2018 guidance: \$170 million to \$200 million).

RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q3-18	Q2-18	Q1-18	Q4-17	Q3-17
Sales						
Revenues	US\$M	45.7	64.5	25.4	37.1	77.9
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$M	41.8	68.4	25.4	37.1	77.6
Sales proceeds received during the quarter	US\$M	45.7	64.5	25.4	37.1	77.9
Q2 2018 tender proceeds received post Q2 2018	US\$M	(3.9)	3.9	-	-	-
Q2 2017 tender proceeds received post Q2 2017	US\$M	-	-	-	-	(0.3)
Carats sold for proceeds generated during the period	Carats	89,461	87,467	63,317	69,358	64,289
Carats sold for revenues recognized during the period	Carats	101,600	75,329	63,317	69,358	67,125
Average price per carat for proceeds generated during the period**	US\$	467 ³	782 ²	401	535	1,207 ¹
Average price per carat for proceeds received during the period***	US\$	450 ³	856 ²	401	535	1,161 ¹
Production						
Tonnes mined (ore)	Tonnes	1,217,016	702,825	630,242	624,749	386,906
Tonnes mined (waste)	Tonnes	3,850,225	4,416,361	3,991,648	4,745,609	5,540,139
Tonnes processed	Tonnes	728,962	698,303	599,407	631,777	591,196
Average grade processed	cpht (*)	17.4	11.7	12.6	10.2	10.6
Carats recovered	Carats	127,031	81,507	75,698	64,477	62,425
Costs						
Operating costs per carats sold (a non-IRFS measure)	US\$	185	220	231	255	229
Capital expenditures	US\$M	2.2	3.0	4.0	9.6	10.8

(*) carats per hundred tonnes

(**) Average price per carat of \$467 includes all sales tendered during the quarter for proceeds of \$41.8 million

(***) Average price per carat of \$450 includes all sales proceeds collected during the quarter totalling \$45.7 million, of which \$3.9 million was received from sales generated in the second quarter

(1) This includes the sale of the 1,109 carat LLR for US\$53 million

(2) This includes one EST sale of \$32.4 million in addition to an RST during the quarter

(3) This includes the first blended sales tender in September 2018.

THIRD QUARTER OVERVIEW – OPERATIONS – KAROWE MINE

Safety: Karowe had no lost time injuries during the three months ended September 30, 2018 resulting in a twelve-month rolling Lost Time Injuries Frequency Rate ("LTIFR") of 0.

Production: Ore and waste mined during the three months ended September 2018 totaled 1.2 million tonnes and 3.9 million tonnes respectively. Tonnage processed was within forecast at 0.73 million tonnes, with a total of 127,031 carats recovered. Ore processed was predominantly from the South lobe. During Q3, a total of 197 specials (single diamonds larger than 10.8 carats) were recovered including 10 diamonds greater than 100 carats in weight and two near-gem quality diamonds greater than 300 carats. Recovered specials equated to 4.7% weight percentage of total recovered carats during the quarter, in line with expectations.



During the quarter, Lucara worked cooperatively with Aveng Moolmans and Trollope Mining Services Pty (“Trollope”) to implement a transition of all mining services to Trollope. August was the first month in which Trollope was responsible for all waste and ore mining. Performance improved considerably through the third quarter and has continued. Given the improved performance realized during this period, waste mining is still expected to be within guidance (13.0 to 16.0 million tonnes) for the year. A change in the mine plan following the Mineral Resource update mid-year has resulted in a larger volume of ore mined than originally anticipated. The additional ore results from waste mining in the north lobe. This ore is lower-grade and has been stockpiled for processing at a later date.

Karowe’s operating cash cost: Karowe’s year to date operating cash cost (see page 11 Non-IFRS measures) was \$41.20 per tonne processed (2017: \$32.40 per tonne processed) compared to the full year forecast of \$38-\$42 per tonne processed. The increase in cost per tonne processed compared to the nine months ended September 30, 2017 reflects an increase in year-to-date tonnes mined (2018: 14,808,317 tonnes mined vs. 2017: 12,069,815 tonnes mined) and an increase in tonnes processed (2018: 2,026,672 tonnes processed vs. 2017: 1,703,773 tonnes processed), combined with an increase in the cost per tonne mined due to the mining contractor transition which commenced mid-year. Forecast costs for the 2018 fiscal year are still expected to be within guidance, albeit at the higher end.

Labour relations update: In July, the Botswana Mine Workers Union notified Karowe management that a sufficient number of eligible Karowe employees had been recruited to join the union, thereby requiring the employer to recognize the union pursuant to Section 48 of the Trade Unions & Employers’ Organizations’ Act in Botswana. In Botswana, a majority of currently operating mines are unionized. During the third quarter, a number of meetings and joint training between the union and Karowe management have taken place and an experienced facilitator was appointed. Next steps will include a Memorandum of Agreement which will govern the working relationship between the two parties, followed by negotiation of a collective agreement in 2019.

MINERAL RESOURCE UPDATE AND BOTSWANA EXPLORATION

Karowe Resource (AK06 kimberlite) Update

During Q2 2018, an updated mineral resource was announced for the AK06 kimberlite. The updated Mineral Resource Estimate was completed by Mineral Services Canada Inc. The estimate is based on historical evaluation data combined with new sampling results (microdiamond, bulk density and petrography) from recent deep core drilling and from historical drill cores. New delineation drill coverage and review of historical drill cores supported an update of the internal geological model. Production data (including a controlled production run from the Eastern magmatic/pyroclastic kimberlite (“EM/PK(S)”) unit) and recent sales / valuation results have been incorporated into the grade and value estimates, which have been made based on an updated model of process plant recovery efficiency. The updated Mineral Resource is reported based on the Canadian Institute of Mining Definition Standards for Mineral Resources and Reserves as incorporated by National Instrument 43-101 Standards of Disclosure for Mineral Projects.

The updated Mineral Resource, valid at the cut-off date of December 26, 2017, includes a recoverable Indicated Mineral Resource at a 1.25 mm bottom cut off size of 7.9 million carats hosted in 57.85 million tonnes at an average grade of 13.7 cpht with an average modeled diamond value of \$673 per carat. The new base of the Indicated Mineral Resource is 400 metres above sea level (“masl”) (600 metres below surface). The updated Mineral Resource also includes an Inferred Mineral Resource of approximately 1.17 million carats hosted in 5.84 million tonnes at an average grade of 20 cpht with an average modeled diamond value of \$716 per carat between 400 masl to 256 masl (base of current geological and resource model).

During Q3 2018, an updated Open Pit Mineral Reserve was declared and a National Instrument 43-101 Technical Report was filed on the SEDAR website (www.sedar.com). The in situ Mineral Reserve for AK06



with an effective date of May 25, 2018 is within the probable category containing 19.84 Million tonnes with a recoverable grade of 13.08 carats per hundred tonne for 2.60 Million carats with an average price per carat of \$ 624/ct. Life of Mine and Working stockpiles contribute an additional 5.56 Million tonnes with a recoverable grade of 6.7 carats per hundred tonne with an average price of \$625/ct. The recoverable grade is based on the updated Mineral Resource estimate as presented in the technical report (1.25 mm bottom cut off size - BCOS) at 70% of in situ carats at 1.00 mm bottom cut off size.

These new results are being used for mine planning and to support the preparation of current feasibility-level studies for the potential development of an underground mine, after the completion of the current open pit mine.

Botswana Prospecting Licenses:

In 2014, the Company was awarded two precious stone prospecting licenses (PL367/2014 and PL371/2014). The prospecting licenses are located within a distance of 15 km and 30 km from the Karowe Diamond mine. The BK02 license was relinquished in Q3 2018 and the AK11/24 license was reduced by 50% in area and extended for two periods until the third quarter of 2019.

AK11 & AK24

For AK11 during the third quarter, the Company completed processing of the large diameter drilling ("LDD") sample (estimated in-situ tonnage of 490 tonnes) at the Company's Bulk Sample Plant located at the Karowe Mine. No diamonds were recovered during processing and no further work will be conducted at AK11. At AK24, four holes were sampled for microdiamonds and samples were shipped to the Saskatchewan Research Council. Microdiamond results are expected in early Q4 2018.

Sunbird Exploration Generative Project:

During Q2 2018, an agreement was signed with a Botswana company to focus on new kimberlite discoveries within Botswana using a proprietary UAV magnetometer platform to identify potential targets. Data acquisition commenced during Q2 2018 and continued through Q3 2018 with the drilling of selected targets commencing in late Q3 2018. This work is being funded from the original exploration budget of \$6.0 million for fiscal 2018.

2018 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2018. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

The Company is increasing its 2018 forecast for ore mined from 2.5 – 2.8 million tonnes to 2.9 – 3.1 million tonnes. The 2018 mine plan was amended following the Mineral Reserve update mid-year and additional, lower-grade ore has been mined and stockpiled. The Company is also increasing the 2018 forecast for diamonds recovered and sold, from 270,000 – 290,000 carats to 325,000 – 350,000 carats. This increase is due to better plant performance resulting in a higher recovery of smaller diamonds, which do not contribute materially to the Company's revenue. Despite the increase in carats recovered, revenue is expected to be in the range of \$180 - \$190 million (2018 guidance: \$170 – \$200 million). The remainder of the Company's 2018 forecast remains unchanged as of September 30, 2018.



Karowe Mine	Full Year – 2018
<i>In millions of U.S. dollars unless otherwise noted</i>	
Diamond revenue (millions)	\$180 to \$190 (revised)
Diamond sales (thousands of carats)	325 to 350 (revised)
Diamonds recovered (thousands of carats)	325 to 350 (revised)
Ore tonnes mined (millions)	2.9 – 3.1 (revised)
Waste tonnes mined (millions)	13.0 to 16.0
Ore tonnes processed (millions)	2.4 to 2.7
Total operating cash costs ⁽¹⁾ including waste mined ⁽²⁾ (per tonne processed)	\$38.00 to \$42.00
Operating cash costs excluding waste mined (per tonne processed)	\$21.00 to \$24.00
Botswana general & administrative expenses including marketing costs (per tonne processed)	\$2.00 to \$3.00
Tax rate	22%
Average exchange rate – USD/Pula	9.8

(1) Operating cash costs are a non-IFRS measure.

(2) Includes ore and waste mined cash costs of \$2.90 to \$3.20; processing cash costs of \$13.75 to \$15.00 and mine-site departmental costs (security, technical services, mine planning, health & safety, geology) of \$4.50 to \$5.50 (all dollar figures in per tonne mined or processed).

During 2018, efforts to fully gain access to the Cut 2 South lobe ore require a large volume of waste to be mined which impacts operating cash costs. The strip ratio is forecast to be approximately 5.0-6.0 in 2018; the average strip ratio during the nine months ended September 30, 2018 was 4.81 and capitalized production stripping costs totaled \$16.7 million.

Sustaining capital expenditures in 2018 are forecast to be up to \$11 million, which includes final expenditures for the sub-middles XRT project audit facility (completed during the three months ending March 31, 2018). As of September 30, 2018, a total of \$9.2 million had been incurred.

A budget of up to \$3.0 million was approved for the completion of a pre-feasibility level study (“PFS”) of the Karowe AK06 underground development. In support of this study, geotechnical and hydrogeological drilling under a budget of \$26 million was initiated and as of September 30, 2018, a total of \$15.6 million had been incurred. In addition, the Company completed and reported an updated mineral resource estimate on June 26, 2018, re-classifying Inferred Resources within the AK06 kimberlite from 600 to 400 masl to Indicated Resources. It was subsequently determined that the updated 2018 resource in conjunction with the currently budgeted work programs are sufficiently detailed to support conversion of the PFS to a feasibility study (“FS”), which is now underway and expected to complete in H2 2019. The geotechnical drilling program is 66% complete with approximately 15,000 metres of drilling undertaken to the end of Q3 2018. Detailed geotechnical and geological logging and sampling is continuing and an update on progress and results will be reported before the end of the year.

The Company also budgeted \$6.0 million for advanced exploration work on the Company’s prospecting licenses in Botswana, of which \$2.6 million had been incurred as of September 30, 2018. Please see “Mineral Resource Update and Botswana Exploration” above.



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CONFERENCE CALL

The Company will host a conference call and webcast to discuss the third quarter results on Friday, November 9, 2018, at 6:00 a.m. Pacific, 9:00 a.m. Eastern, 2:00 p.m. UK, 3:00 p.m. CET.

Please call in 10 minutes before the conference call starts and stay on the line (an operator will be available to assist you).

Conference ID:

4657837 / Lucara Diamond

Dial-In Numbers:

Toll-Free Participant Dial-In North America: +1-844-892-6587

All International Participant Dial-In: +1-661-378-9938

Webcast

To view the live webcast presentation, please log on using this direct link:

<https://edge.media-server.com/m6/p/5ywtvjo>

The presentation slideshow will also be available in PDF format for download from the Lucara website www.lucaradiamond.com shortly prior to the conference call.

On behalf of the Board,

Eira Thomas

President and Chief Executive Officer

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ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type IIa diamonds from its 100% owned Karowe Mine in Botswana. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company operates transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment and community relations.

ABOUT CLARA

Clara Diamond Solutions (Clara), wholly owned by Lucara Diamond Corp, is a secure, digital sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies, unlocking value and ensuring diamond provenance from mine to finger.

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 the Company under the EU Market Abuse Regulation. This information was publicly communicated on November 8, 2018 at 3:30pm Pacific Time.

NON-IFRS MEASURES

This news release refers to certain financial measures, such as EBITDA, average price per carat sold, operating cost per carat sold, operating margin per carat sold and operating cost per tonne of ore processed which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position. Please refer to the Company's interim MD&A for the third quarter, 2018 for an explanation of non-IFRS measures used.

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 be 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 accurate 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 reserve and resources; estimates of the Company's production and sales volumes for the Karowe Mine; processing capabilities, recovery rates, cash flows and sales volumes for the Karowe Mine, including the potential effect of the development and integration of the proposed underground mine at Karowe on production, sales volumes and the expected life of mine; estimated costs to construct the proposed Karowe underground development and the timelines associated therewith; expected exploration and development expenditures and expected reclamation costs at the Karowe Mine including associated plans, objectives and economic estimates; expectation of diamond prices and changes to foreign currency exchange rate; expectations regarding the need to raise capital; possible impacts of disputes or litigation, the timing and ability of management to commercialize the Clara digital sales platform and other forward looking information.

There can be no assurance that such forward looking 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 "Risks 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 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



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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.