



LUCARA
DIAMOND

August 8, 2019

PRESS RELEASE

LUCARA ANNOUNCES Q2 2019 RESULTS

VANCOUVER, August 8, 2019 /CNW/ - (LUC - TSX, LUC - BSE, LUC - Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the quarter ended June 30, 2019.

HIGHLIGHTS FOR THE QUARTER ENDED JUNE 30, 2019

- A strong operating environment prevailed at the Karowe Mine in Q2 2019, having met or exceeded guidance with respect to all mining and processing activities including:
 - Ore and waste mined of 0.8 million tonnes and 1.8 million tonnes respectively
 - 0.71 million tonnes of ore processed
 - Carats recovered of 109,312 (including 8,172 carats recovered from re-processing historic recovery tailings from previous milling) achieving a recovered grade of 14.2 carats per hundred tonnes processed (direct milling carats)
 - 225 Specials were recovered from direct milling during the second quarter, representing 8.1% weight percentage of total recovered carats, in line with mine plan expectations
 - 10 diamonds were recovered greater than 100 carats in weight
- In May 2019, the Karowe Mine achieved a significant milestone, passing two years without a lost time injury.
- In April 2019, the largest diamond to be mined at Karowe to date was recovered, unbroken, weighing 1,758 carats. Subsequently named Sewelô following a contest open to citizens of Botswana, this near gem quality diamond is the largest diamond recovered in Botswana and one of the largest diamonds recovered in recorded history, superseding the spot held by the 1,109 carat Lesedi La Rona recovered from Karowe in 2015.
- During Q2 2019, revenue recognized totalled \$42.5 million (Q2 2018: \$64.5 million) or \$417 per carat (Q2 2018: \$856 per carat), consistent with management expectations and plan.
- Revenue of \$91.2 million for the six months ended June 30, 2019 (“H1 2019”) from two tenders surpassed revenue of \$89.9 million for the six months ended June 30, 2018 (“H1 2018”) in which two regular stone tenders and one exceptional stone tender was held.
- The operating cash cost⁽¹⁾ for the six months ended June 30, 2019 was \$31.16 per tonne processed (H1 2018: \$36.64 per tonne processed) compared to the full year forecast cash cost of \$32-\$37 per tonne processed. Operating cash cost per tonne processed was positively impacted by a reduction in waste mined and an increase in tonnes processed during the first half of the year.
- Continued excellent operational performance at Karowe has driven a strong 63% operating margin (H1 2018: 65%) and adjusted EBITDA⁽¹⁾ year to date of \$38.6 million (H1 2018: \$37.5 million). Operating expenses per carat sold have decreased from \$225 per carat in H1 2018 to \$171 per carat in H1 2019.



- As at June 30, 2019, the Company had cash and cash equivalents of \$7.1 million. Funds drawn on the credit facility were \$5.0 million utilized for working capital, leaving \$45 million available on the facility at June 30, 2019.
- The Company paid a quarterly dividend of CA\$0.025 per share on June 20, 2019.
- Rough diamonds with a value of \$2.9 million were sold through the Clara platform during H1 2019 and total revenues of \$3.5 million have been achieved since sales began in December of 2018. Clara's customer base has also grown from four to twenty during the first half of the year and sales continue to ramp up according to plan, with the aim of onboarding third-party production before year-end and continuing to grow our customer base concurrently with increasing demand.
- Changes in guidance: as a result of record plant processing performance over consecutive quarters, annual carat recoveries are expected to increase to 375,000 - 420,000 carats (previously 300,000 - 330,000 carats) and carats sold to 375,000 - 420,000 carats (previously 300,000 - 320,000 carats) in 2019. Greater asset availability and utilization together with an improved mine call factor are driving the change with most of the increases attributable to enhanced recoveries of small diamonds. Ore tonnes mined is increased to between 3.0 to 3.4 million tonnes (previously 2.5 to 2.8 million tonnes) as a result of resource gains that offset planned waste mining in Q1 2019. Cost and revenue guidance are on track.

(1) Non IFRS measure

Eira Thomas, President & CEO commented: "The largest diamond to be unearthed in Botswana's 50+ year history and the second +1,000 carat diamond to be recovered at Karowe in just four years, Sewelô, the 1,758 carat near gem that was recovered undamaged in April, is a testament to Karowe's remarkable geological endowment and the strong operating environment that prevails at the mine. During the second quarter, Lucara continued to deliver safe, reliable, record diamond production. Having focused on operational improvements to drive performance, carat recoveries have significantly increased and costs have gone down. Overall average prices achieved for our diamonds during the first half of the year have settled at \$463 per carat and reflect a higher contribution of fine (smaller) diamonds, with continued strong recoveries of single diamonds larger than 10.8 carats that contribute to more than 70% of our revenues. Lucara continues to achieve high margins for its diamonds and is actively pursuing organic growth opportunities, including Clara, its proprietary, cloud based, digital, rough diamond marketplace that continues to ramp up and has now completed a total of 7 sales since December 2018."



FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats or otherwise noted</i>	Three months ended June 30		Six months ended June 30	
	2019	2018	2019	2018
Revenues	\$ 42.5	\$ 64.5	\$ 91.2	\$ 89.9
Net income for the period	0.7	19.7	8.1	12.7
Earnings per share (basic and diluted)	0.00	0.05	0.02	0.03
Cash on hand	7.1	49.6	7.1	49.6
Average price per carat sold (\$/carat)*	417	856	463	648
Operating expenses per carat sold (\$/carat)*	174	220	171	225
Operating margin per carat sold (\$/carat)*	243	636	292	423

(*) Average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures, see Non-IFRS measures.

The Company recognized revenue of \$91.2 million or \$463 per carat for its sales in the first half of 2019, yielding an operating margin of \$292 per carat (63%). In 2019, the Company held blended tenders in which diamonds recovered in the period December 2018 – April 2019 were sold in the same period, with the exception of the particularly rare stone recovered, Sewelô. The Company has completed an initial analysis of Sewelô and is considering how best to maximize value from this unique and rare diamond.

In H1 2019, a total of 196,989 carats were sold (H1 2018: 138,646 carats) achieving a year-to-date average price of \$463/carats (H1 2018: \$648/carats). The number of carats sold was 42% higher than in the comparative period which is being driven by better recoveries in the smaller, lower value sizes. While still profitable, the smaller goods impact the average price per carat sold when compared to the prior year. The significant increase in carats is also due to the continued strong performance in the plant which had record consecutive quarters of production, processing 1.48 million tonnes during H1 2019 (H1 2018: 1.3 million tonnes milled). An improved mine call factor also contributed to higher recoveries of diamonds in the smaller size classes.

Until September 2018, Lucara sold diamonds through both regular stone tenders (“RST”s) and exceptional stone tenders (“EST”s). In September 2018, the Company modified its sales tender to a blended sales tender, combining the sale of exceptional stones with the balance of run of mine production into one sale. This change was made to decrease the inventory time for large, high value diamonds and to generate a smoother revenue profile that better supports price guidance on a per sale basis. Q2 2018 represented the last quarter in which an exceptional stone tender was held, accounting for \$32.4 million of the \$64.5 million in revenue recognized during that quarter. Beginning in Q4 2018, certain stones from the Karowe production between 1 and 4 carats and of better qualities were set aside and subsequently offered for sale through the Clara platform. The first sale on the Clara platform took place in December 2018. A further five sales through Clara were completed in H1 2019, with \$2.9 million in value transacted through the platform and a total of \$3.5 million transacted since sales began. The frequency of sales is expected to increase during H2 2019, based on increasing demand from our growing customer base and, according to plan.



Operating expenses increased from \$31.2 million in H1 2018 to \$33.7 million in H1 2019 due to a combination of an increase in the average cost per tonne mined and lower volumes of total tonnes mined. Waste tonnes mined decreased as compared to the same period in 2018 as the significant waste stripping campaign (“Cut 2”) undertaken between 2017 and 2018 was substantially complete by the end of 2018. In addition, ore mining was stronger than expected in H1 2019 due to resource gains in the North Lobe that offset planned waste mining. Due to the higher volume of ore mined in H1 2019, no waste stripping costs were capitalized and the strip ratio was reduced to below the life of mine average of 2.46. No capitalized stripping is expected during 2019 (versus a strip ratio of 2.84 in 2019 Guidance). The increase in volumes processed led to a decrease in the operating expense per carat sold from \$225/carat in H1 2018 to \$171/carat in H1 2019.

Non-cash depletion and amortization expense increased from \$11.3 million in H1 2018 to \$23.7 million in H1 2019 due to the 42% higher volume of carats sold during the period. Depletion and amortization expense has increased significantly as compared to prior periods for several reasons: an increasing number of fine diamonds recovered following improvements to the processing circuit implemented in late 2017, a larger mineral property balance from the waste stripping campaign between 2017 and 2018, and a corresponding increase in the rate of unit of production depletion from an update to the reserve base of the mine plan in Q3 2018. This 110% increase in the non-cash depletion and amortization expense significantly impacts net income of \$8.1 million achieved in H1 2019 (H1 2018: \$12.7 million net income). Adjusted Earnings Before Interest, Tax, Depletion and Amortization (“Adjusted EBITDA”) for H1 2019 was \$38.6 million (H1 2018: \$37.5 million) (see page 10 Non-IFRS measures).

Q2 2019 performance was underpinned by a continued, strong, stable operating environment at the Karowe Mine. On the back of record production achieved during the first quarter of the year, operations continued to deliver strong performance, with 0.8 and 1.8 million tonnes of ore and waste mined respectively, and 0.71 million tonnes of ore processed. As a result, production yielded higher carat recoveries against plan and contributed to a sale of 101,931 carats during Q2 2019 which achieved an average price of \$417/carat compared to the sale of 75,329 carats at an average price of \$856/carat during Q2 2018. The difference in average price is due to the exceptional stone tender held in Q2 2018 for which there was no comparable sale in 2019, together with higher recoveries of small diamonds owing to plant processing improvements.

Net income and earnings per share performance were as expected for both the second quarter and year to date results and reflect the continued strength of production being realized at Karowe from the investments made over the past two years, as well as the transition to a blended sales tender in Q3 2018 creating a smoother revenue profile.



QUARTERLY RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q2-19	Q1-19	Q4-18	Q3-18	Q2-18
Sales						
Revenues	US\$M	42.5	48.7	40.6	45.7	64.5 ⁴
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$M	42.5	48.7	40.6	41.8	68.4 ⁴
Sales proceeds received during the quarter	US\$M	42.5	48.7	40.6	45.7	64.5
Q2 2018 tender proceeds received post Q2 2018	US\$M	-	-	-	(3.9)	3.9
Carats sold for proceeds generated during the period	Carats	101,931	95,057	110,553	89,461	87,467
Carats sold for revenues recognized during the period	Carats	101,931	95,057	110,553	101,600	75,329
Average price per carat for proceeds generated during the period	US\$	417	512	367	467	782 ⁴
Average price per carat for proceeds received during the period	US\$	417	512	367	450	856 ⁴
Production						
Tonnes mined (ore)	Tonnes	773,861	1,011,048	563,279	1,217,016	702,825
Tonnes mined (waste)	Tonnes	1,826,972	2,485,548	2,743,586	3,850,225	4,416,361
Tonnes processed	Tonnes	713,037	763,313	602,376	728,962	698,303
Average grade processed	cpht (*)	14.2 ¹	15.9 ²	13.3 ³	17.4	11.7
Carats recovered	Carats	109,312 ¹	132,336 ²	81,850 ³	127,031	81,507
Costs						
Operating costs per carats sold (see page 12 Non-IRFS measures)	US\$	174	169	233	185	220
Capital expenditures	US\$M	3.8	2.4	6.5	2.4	2.7

(*) carats per hundred tonnes

- (1) Carats recovered during the period included 8,172 carats recovered from re-processing historic recovery tailings from previous milling and are excluded from the average grade processed.
- (2) Carats recovered during the period included 10,899 carats recovered from re-processing historic recovery tailings from previous milling and are excluded from the average grade processed.
- (3) Carats recovered during the period included 1,505 carats recovered from re-processing historic recovery tailings from previous milling and are excluded from the average grade processed.
- (4) Q2 2018 includes one EST sale of \$32.4 million in addition to an RST during the quarter

Market Update: The market for both rough and polished diamonds remains challenging due to an excess supply of polished diamonds and reduced credit available in the mid-stream of the supply chain. Liquidity issues and concerns over manufacturers' profitability have resulted in weaker demand, while global trade disputes and unrest are also contributing factors, resulting in lower prices for rough diamonds. Weaker demand has been reported across all size classes and larger producers are withholding goods or allowing their customers to defer rough diamond allocations. Lucara's expected production of approximately 375,000 - 420,000 carats in 2019 accounts for a very small percentage of total global production, with a majority of value from the Karowe diamonds attributable to large, higher-quality diamonds. Lucara's rough diamond sales during the first six months of 2019 have been consistent with expectations and in line with 2019 revenue guidance of \$170 million to \$200 million. Interest in Clara, our online sales platform for rough diamonds, continues to increase as manufacturers look to purchase only the rough diamonds that they can use in their business, while at the same time assuring provenance of the rough diamonds purchased. While the current market remains



challenging, longer-term supply-demand fundamentals for rough diamonds are predicted to strengthen as a number of large, world class diamond mines mature and reach end of life.

SECOND QUARTER OVERVIEW – KAROWE MINE

Safety: Karowe had no lost time injuries during the three months ended June 30, 2019 resulting in a twelve-month rolling Lost Time Injuries Frequency Rate (“LTIFR”) of 0. In May 2019, Lucara Botswana and the Karowe Mine achieved a significant milestone, passing two years without a lost time injury.

Production: Ore and waste mined during the three months ended June 30, 2019 totaled 0.8 million tonnes and 1.8 million tonnes respectively (H1 2019: 1.8 million tonnes of ore; 4.3 million tonnes of waste). Tonnage processed was 0.71 million tonnes, with a total of 109,312 carats recovered (H1 2019: 1.5 million tonnes processed; 241,648 carats recovered). Included in total carats recovered of 109,312 were 8,172 carats recovered from the re-processing of material previously milled. During Q2 2019, ore processed was substantially from the South lobe, with some ore blended from the Central lobe. During Q2 2019, a total of 225 Specials were recovered including 10 diamonds greater than 100 carats in weight. Recovered Specials equated to 8.1% weight percentage of total recovered carats from direct milling during Q2 2019, in line with expectations.

Mine performance during the second quarter is consistent with the record plant performance achieved in the first quarter and is reflective of significant operational improvements executed in late 2018. The investments made in the plant during 2017 and 2018 are being realized through increasing recoveries and higher plant availability. Improvements to maintenance scheduling and equipment are expected to continue the strong production trend. Ore and waste mining are meeting or exceeding planned volumes following the mining contractor transition in mid-2018. Due to the higher volume of ore mined in Q1 2019 (due to ore gains on the waste contact), no waste stripping costs were capitalized during H1 2019. Ore mining is expected to be above guidance for the year due to the resource gains in the North and Centre pipes, previously categorized as waste. Total waste mining volumes are expected at the lower end of guidance for the year while total tonnes mined should remain within guidance.

Karowe’s operating cash cost: Karowe’s year to date operating cash cost (see page 10 Non-IFRS measures) was \$31.16 per tonne processed (2018: \$36.64 per tonne processed) compared to the full year forecast of \$32-\$37 per tonne processed. The decrease in cost per tonne processed compared to the three months ended June 30, 2018 reflects lower volumes of waste tonnes mined during the quarter as the significant stripping campaign undertaken between 2017 and 2018 was largely completed in 2018, as well as an increase in tonnes processed from ongoing plant improvements. Forecast costs for the 2019 fiscal year are expected to be within guidance and are trending to the lower end of that guidance.

Labour relations update: In April 2019, the Botswana Mine Workers Union and Lucara Botswana entered into a Memorandum of Agreement which governs the working relationship between the two parties. In May 2019, the parties successfully negotiated and signed a Salaries and Conditions of Service Agreement which covers the terms and conditions of employment, including wages, to March 31, 2021. In Botswana, a majority of currently operating mines are unionized.

Naming of the 1,758 carat diamond: the winning submission for the naming of the 1,758 carat diamond recovered in April 2019 was chosen from over 22,000 submissions in a contest open



to all citizens of Botswana. Meaning “rare find” in Setswana, the name Sewelô was selected for the unbroken, 1,758 carat stone which was mined from the EM/PK(S) unit of the South Lobe and was recovered through Lucara’s XRT circuit. Lucara is committed to ensuring that the Sewelô Diamond has a lasting and positive impact for Botswana and is proud to have once again invited and engaged with the people of Botswana to choose the name of such an iconic diamond recovered at the Karowe Mine.

KAROWE UNDERGROUND UPDATE

Karowe Underground Update

In 2018, the Company embarked on a technical program to support a Feasibility Level study for a potential underground operation at the Karowe Diamond Mine. This program included the completion of an updated mineral resource, geotechnical drilling of the country rock and AK06 kimberlite, hydrogeological drilling and modelling, and mining trade off studies to address risks and issues identified during the PEA. A total of \$21.0 million was spent in 2018 in support of this work, which resulted in significant de-risking of the key technical components associated with the potential underground development.

During H1 2019, \$8.4 million was spent to complete the geotechnical drilling program, geotechnical and geological logging, downhole geophysical survey, hyperspectral analysis of core, geotechnical modeling, hydrogeological drilling and studies, and mine planning activities in support of the ongoing feasibility study. Field programs were completed in late April 2019 and the results are being incorporated into the feasibility study with a planned completion date in Q4 2019.

2019 OUTLOOK

This section of the press release provides management’s production and cost estimates for 2019. These are “forward-looking statements” and subject to the cautionary note regarding the risks associated with forward-looking statements.

Due to an increase in recoveries of smaller-sized diamonds and overall improved mine call factor, we have increased the number of diamonds that are expected to be recovered and sold during 2019. While the increase in the number of carats recovered and expected to be sold in 2019 should have a positive economic impact, revenues for the year remained unchanged at \$170 million to \$200 million. A majority of the Company’s revenue comes from the sale of large, single stones in excess of 10.8 carats; the additional recoveries are in the smaller size classes. Following an increase in ore tonnes mined which had previously been classified as waste during Q1 2019, we have also increased guidance for total ore tonnes mined. No other changes have been made to the 2019 outlook previously provided.



Karowe Diamond Mine	Full Year - 2019
<i>In millions of U.S. dollars unless otherwise noted</i>	
Diamond revenue (millions)	\$170 to \$200
Diamond sales (thousands of carats)	375 to 420 (revised from 300 to 320)
Diamonds recovered (thousands of carats)	375 to 420 (revised from 300 to 330)
Ore tonnes mined (millions)	3.0 to 3.4 (revised from 2.5 to 2.8)
Waste tonnes mined (millions)	6.0 to 9.0
Ore tonnes processed (millions)	2.5 to 2.8
Total operating cash costs ⁽¹⁾ including waste mined ⁽²⁾ (per tonne processed)	\$32.00 to \$37.00
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% to 29%
Average exchange rate - USD/Pula	10.5

(1) Operating cash costs are a non-IFRS measure. See "Non-IFRS Measures".

(2) Includes ore and waste mined cash costs of \$4.00 to \$4.50; processing cash costs of \$12.00 to \$13.00 and mine-site departmental costs (security, technical services, mine planning, health & safety, geology) of \$5.00 to \$6.00 (all dollar figures in per tonne mined or processed).

As a result of the increase in ore tonnes mined, the average strip ratio in 2019 is now expected to be lower than originally anticipated. No waste capitalization is expected in 2019.

The 2019 estimated cash cost per tonne of ore processed is expected to be between \$32.00 and \$37.00 (2018: \$38.00 to \$42.00) while estimated operating cash costs, excluding waste mining, are expected to be between \$21.00 and \$24.00 per tonne processed. The cost per tonne mined is expected to be between \$4.00 and \$4.50 and the estimated processing cost per tonne processed is expected to be between \$12.00 and \$13.00, mostly offsetting the increase in cost per tonne mined which results from higher rates from the mining contractor appointed in mid-2018.

In 2019, the Company forecasts revenues between \$170 million and \$200 million, consistent with the forecast for 2018. With increasing recoveries in the smaller sizes and reprocessing of previously milled material, diamonds recovered are expected to be between 375,000 carats and 420,000 carats, an increase from initial guidance of 300,000 and 330,000 carats, and diamonds sold are expected to be between 375,000 carats and 420,000 carats, an increase from 300,000 carats and 320,000 carats. While the number of carats recovered and sold is expected to exceed our original guidance for 2019, this increase is not expected to change the revenue guidance as the Company's revenue is weighted to the larger stones, or "Specials", which are individual diamonds greater than 10.8 carats. The 2019 revenue projection includes "Specials" but excludes the sale of any truly unique diamonds such as the 1,109 carat LLR (sold in 2017 for \$53 million) and the 813 carat Constellation (sold in 2016 for \$63.1 million). Specials are consistently recovered from the Karowe Diamond Mine and those Specials which are gem-quality contribute a significant percentage of the Company's annual revenue.

Sustaining capital and project expenditures are expected to be up to \$14.0 million in 2019, including expenditures associated with the construction of an additional slimes dam, improvements related to the XRT recovery circuit, and a provision for the implementation of body scanning technology to enhance security. This does not include investments being made on the underground development study noted below.



A budget of \$14.8 million was approved to complete a feasibility study that was initiated in 2018, evaluating the potential for an underground mining operation at Karowe. In 2019, efforts have focused on follow up geotechnical and hydrogeological drilling and related studies. Exploration expenditures are estimated to be up to \$3.0 million for use of the Sunbird remote mapping technology, drilling of prospective targets identified by the technology and work on Lucara Botswana Prospecting License. Please see “Karowe Underground Update” above.

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Friday, August 9, 2019 at 7:00 a.m. Pacific, 10:00 a.m. Eastern, 3:00 p.m. UK, 4:00 p.m. CET.

CONFERENCE CALL:

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:

46960261 / Lucara Diamond

Dial-In Numbers:

Toll-Free Participant Dial-In North America
All International Participant Dial-In

(+1) 888 390 0605
(+1) 778 383 7417

Webcast:

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

<https://event.on24.com/wcc/r/2049447/0F2C79B4AD2C9CFC526560E05E7A7615>

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

Conference Replay:

A replay of the telephone conference will be available two hours after the completion of the call until August 16, 2019.

Replay number (Toll Free North America)
Replay number (International)

(+1) 888 390 0541
(+1) 416 764 8677

The pass code for the replay is: 960261#

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.

This information is information that Lucara is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above on August 8, 2019 at 3:30 pm Pacific Time.

NON-IFRS MEASURES

This news release refers to certain financial measures, such as adjusted 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 MD&A for the second quarter, 2019 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 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.