

Lucara Reports Strong Half Year Results and Increases Full Year Revenue Guidance To \$240-\$250 Million

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VANCOUVER, BRITISH COLUMBIA--(Marketwired - Aug 13, 2014) - **Lucara Diamond Corp.** (TSX:LUC)(BOTSWANA:LUC)(NASDAQ OMX:LUC) ("Lucara" or the "Company") today reported proceeds of \$128.6 million for the quarter and an increase in forecast 2014 revenues to between \$240-\$250 million.

HIGHLIGHTS

Safety: Karowe had one lost time injury during the quarter, resulting in a Lost Time Injury Frequency Rate ("LTIFR") of 0.15 for the 12 months to June 30.

Cash flows and operating margins: The Company achieved second quarter tender proceeds of \$95.0 million (\$849 per carat) from sales of 111,902 carats of diamond. This includes proceeds of \$24.7 million, which were received after the quarter. Total proceeds for the first half of the year were \$128.6 million (\$586 per carat) from the sale of 219,370 carats of diamond. Total Company proceeds for the half year of \$586 per carat at an operating cost of \$124 per carat resulted in a 79% operating margin of \$462 per carat.

Following the second quarter the Company concluded its second exceptional stone tender in July for proceeds of \$40.1 million, which results in full year to date proceeds of \$168.6 million at a sales price of \$764 per carat.

Net cash position: The Company's quarter-end cash balance was \$82.1 million compared to a net debt position of \$29.6 million in the previous year and \$49.4 million of cash at the end of 2013. The June cash balance of \$82.1 million excludes \$24.8 million of cash received after the quarter end.

Karowe operating performance: Karowe's operating performance exceeded plan during the period in terms of ore and waste mined and carats recovered. The Company recovered a record number of 252 special stones (+10.8 carats) during the period with an average size of 27.84 carats.

Adjusted Earnings per share: Adjusted earnings per share is \$0.10 per share for the three month period ended June 30, 2014 and \$0.13 per share for year to date.

Dividends paid: The Company paid its inaugural semi-annual dividend of 2 cents per share on June 19. The Company is forecast to pay its year-end and special dividend in December. The special dividend will be determined based on revenues generated from the exceptional stone tenders during the year, the Company's financial position and its expected cash requirements in future periods.

Outlook: The Company has increased its revenue forecast by approximately 60% for the year to between \$240-\$250 million based on year to date sales, current diamond inventory and its forecast production. The Company has maintained its overall cost outlook for the mine of between \$31-\$33 per tonne ore processed.

William Lamb, President and Chief Executive Officer commented "Lucara had a strong first half of the year and this has continued into the third quarter with our second exceptional stone tender in July, resulting in total year to date proceeds of \$169 million, achieving \$764 per carat. Following these results and our current diamond inventory we have increased our full year revenue guidance to \$240-\$250 million while maintaining our original carat production and operating cost guidance due to strong operational delivery at Karowe. To

the end of June, the mine sold 54 diamonds larger than 50 carats, including 11 diamonds larger than 100 carats and 30 diamonds selling for more than \$1 million. The sustainable recovery of special diamonds has enabled the addition of the third exceptional stones tender which will be held in the fourth quarter."

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended June 30		Six months ended June 30	
	2014	2013	2014	2013
Revenues (*)	\$ 71.0	\$ 47.2	\$ 103.8	\$ 79.7
Average price per carat sold (\$/ct)	836	527	540	345
Operating expenses per carat sold (\$/ct)	132	102	124	92
Operating margin per carat sold (\$/ct)	704	425	416	253
Net income for the period	15.6	22.7	20.7	28.8
Earnings per share (basic and diluted)	0.04	0.06	0.05	0.08
Adjusted earnings per share ⁽¹⁾	0.10	0.06	0.13	0.08
Cash on hand	82.1	28.5	82.1	28.5

(*) Revenue is presented based on cash receipts received during the period and excludes tender proceeds received after each quarter end. See below.

⁽¹⁾ Non-IFRS measure

RESULTS OF OPERATIONS

Karowe Mine, Botswana

	UNIT	YTD-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13
Sales							
Revenues	US\$m	103.8	71.0	32.8	58.7	42.1	47.2
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	128.6	95.0	33.6	47.8	50.9	49.3
Sales proceeds received during the quarter	US\$m	103.8	71.0	32.8	58.7	42.1	47.2
Q2 2014 tender proceeds received post Q2 2014	US\$m	24.8	24.8	-	-	-	-
Q1 2014 tender proceeds received post Q1 2014	US\$m	-	(0.8)	0.8	-	-	-
Q3 2013 tender proceeds received post Q3 2013	US\$m	-	-	-	(10.9)	10.9	-
Q2 2013 tender proceeds received post Q2 2013	US\$m	-	-	-	-	(2.1)	2.1
Carats sold for proceeds generated during the period	Carats	219,370	111,900	107,470	110,635	80,918	102,400
Carats sold for revenues recognized during the period	Carats	192,369	84,915	107,454	127,804	76,582	89,600
Average price per carat for proceeds generated during the period	US\$	586	849	312	433	625	440
Production							
Tonnes mined (ore)	Tonnes	1,566,770	677,882	888,888	918,765	898,501	1,157,700
Tonnes mined (waste)	Tonnes	5,168,966	3,166,644	2,002,322	1,694,134	1,430,105	1,259,400
Tonnes milled	Tonnes	1,345,542	664,812	680,730	613,064	647,304	560,900
Average grade processed	cpht (*)	15.6	14.9	16.3	18.9	17.6	15.6
Carats recovered	Carats	210,179	99,142	111,037	116,061	113,882	87,500
Costs							
Operating costs per carats sold ⁽¹⁾	US\$	124	132	118	109	110	110
Operating costs per tonne processed	US\$/tonne	17.7	16.8	18.6	22.7	13.0	16.0
Capital expenditures	US\$m	11.5	9.7	1.9	1.5	2.4	1.5

(*) carats per hundred tonnes

⁽¹⁾ Non-IFRS measure

The Karowe mine performed well during the second quarter of 2014. Tonnes of ore mined exceeded plan during the period. Waste mined for the push back to open up access to the south lobe accelerated during the period, recovering the first quarter deficit and is back on track for the year to date planned volumes.

The process plant performed well during the quarter with mill throughput and carats produced in excess of plan. Carats produced were lower than the prior period due to mining a lower grade area in accordance with the mine plan. A total of 252 special stones (+10.8 carats) were recovered during the quarter at an average

size of 27.84 carats. This represents a record quarter both in frequency and average size of specials recovered.

REVIEW OF PROJECTS

Mothae Diamond Project, Lesotho

The Mothae project is located in northeast Lesotho and is a large low grade kimberlite containing a population of large, high value Type Ila diamonds.

The Company is currently reviewing a number of development options for Mothae.

Karowe, Plant Optimization Project

The Plant Optimization progressed well during the period. The Company has spent approximately \$8 million and committed a further \$27 million of expenditure to date. At the end of the second quarter, project progress was on schedule and within plan. The impact of industrial action within the steel industry in South Africa, who was on strike between July 1 and July 28, is still being assessed. The project is now forecast to be complete during Q2 2015 and is not expected to impact on 2015 production.

Karowe Mine, Botswana

Revenue is forecast between \$240-\$250 million based on the sale of between 400,000 to 420,000 carats.

Karowe is still forecast to process between 2.2 - 2.4 million tonnes.

Forecast for ore mined remains at between 3.0 - 3.5 million tonnes and waste mined between 10.0 - 11.0 million tonnes.

Karowe's operating cash costs (Non-IRFS measures) are expected to remain between \$31 - \$33 per tonne ore treated.

The Company is forecasting that the plant optimization project will cost up to \$55 million, an increase from the \$45-\$50 million in previous guidance. The additional cost includes the purchase of an additional XRT diamond sorting machine which will be installed early, in the capacity of a large diamond recovery unit. Once the optimization project has been completed, this unit will be used as an audit machine as well as for future development work. The XRT machine may also be used for future new development work. The Company has also included costs to mitigate the impact of industrial action in the steel industry in South Africa, which commenced on July 1 and ended July 28. The Company is forecasting a Q2 2015 completion date for the plant optimization project and this timeline is not expected to affect 2015 production. Sustaining capital expenditures remains at \$3.5 million.

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 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 correct and such forward-looking information included herein should not be unduly relied upon. In particular, this MD&A 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; 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; possible impacts of disputes or litigation and other risks and uncertainties describe under Risks and Uncertainties disclosed in the Company's Annual Information Form.

There can be no assurance that such 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 "Risk Factors" in the Company's Annual Information Form dated March 20, 2014 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), 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.

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