

Lucara Diamond Corp. Announces Strong Q3 2020 Sales and Operational Results

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VANCOUVER, Nov. 10, 2020 - [Lucara Diamond Corp.](#) ("Lucara" or the "Company") (TSX: LUC) (BSE: LUC) (Nasdaq Stockholm: LUC) today reports its results for the quarter ended September 30, 2020. [View PDF version](#)

HIGHLIGHTS:

- Recognized \$41.3 million in revenue during Q3 2020 or \$365 per carat. This includes diamonds sold through a combination of regular tenders and Clara as well as 5,633 carats sold through HB Antwerp ("HB") under the supply agreement announced in July 2020.
- Operating cash cost⁽¹⁾ of \$26.92 per tonne of ore processed, due to a combination of cost optimization efforts and depreciation of the Botswana Pula against the U.S. dollar.
- EBITDA⁽¹⁾ of \$9.9 million earned in Q3 2020 marks a return to a strong operating margin of 47%.
- Lucara continues to have a strong availability of working capital, including \$10.1 million in cash at the end of Q3 and \$30.0 million available from a revolving term credit facility.
- Clara's customer base doubled during Q3 2020, from 35 to 71 customers. The platform began selling stones on behalf of third party sellers, meeting a significant objective for 2020.
- An agreement was announced on November 4, 2020 between Lucara, Louis Vuitton and HB to collaborate on the planning, cutting and polishing of the exceptional, 549 carat white gem diamond referred to as "Sethunya" meaning "Flower" in Setswana recovered from the Karowe Mine in February 2020 (Press Release November 4, 2020).

(1) See Non-IFRS measures

Eira Thomas, President & CEO commented: "Moving into Q3, Lucara was pleased to see a stabilization of the rough diamond market and an improvement in consumer demand for polished diamonds in both Asia and the U.S. markets. Karowe continued to perform well, delivering safe, reliable production in line with plan. In Q3 we began recognizing revenue from our new sales agreement with HB Antwerp, and though it is still in its infancy, Lucara is now receiving regular, predictable revenue for its +10.8 carat diamonds using a superior pricing mechanism based on estimated polished outcomes less a commission and the cost of polishing. For diamonds -10.8 carats in size, Clara continues to deliver strong results, growing its customer base to more than 70 clients during this period and completing its first sales of third party goods through the platform. Clara continues to resonate strongly with manufacturers that are restricted from traveling to purchase diamonds in traditional venues and we are expecting to expand trials with third party goods in Q4 and into 2021.

Finally, we are delighted to have entered into a second, strategic collaboration with Louis Vuitton, the world's leading luxury brand, and HB Antwerp for the planning and polishing of the exceptional, 549 carat white gem diamond referred to as "Sethunya" meaning "Flower" in Setswana and recovered from the Karowe Mine in February 2020. Sethunya is one of the highest quality exceptional diamonds ever recovered at Karowe and we believe this partnership is a unique opportunity to showcase it to the world and ultimately transform it into an extraordinary, bespoke, polished diamond collection, catering exclusively to Louis Vuitton's global customer base."

REVIEW FOR THE QUARTER AND NINE MONTHS ENDED SEPTEMBER 30, 2020

- The Karowe Mine continued to deliver strong, safe, reliable production results in the third quarter with the process plant continuing to operate at full capacity.
- Operational highlights from Q3 2020 were as follows:

- ● Ore and waste mined of 0.7 million tonnes and 0.4 million tonnes, respectively
- 0.65 million tonnes of ore processed resulting in 88,909 carats recovered, achieving a recovered grade of 13.8 carats per hundred tonnes
- 193 Specials (+10.8 carats) recovered from direct milling during the third quarter, representing 6.5% weight percentage of total direct milling recovered carats, in line with mine plan expectations
- 8 diamonds were recovered greater than 100 carats in weight, including 3 stones > 200 carats in weight
- No lost time injuries, resulting in a rolling twelve-month Long Term Injury Frequency Rate of zero.
- The Company recorded a net loss of \$5.4 million for Q3 2020 (Q3 2019 - \$4.0 million net loss) resulting in a \$0.01 loss per share (Q3 2019 – loss of \$0.01) for the quarter.
- Lucara recognized revenue of \$82.9 million for the nine months ended September 30, 2020 from the sale of 268,101 carats or \$309 per carat. This represents a decrease from revenue of \$136.5 million recognized for the nine months ended September 30, 2019 (313,189 carats sold at an average price of \$436 per carat). The reduction in revenue results from a combination of a 15% decrease in the number of carats sold and a deliberate decision not to sell any diamonds +10.8 carats in favour of entering into a committed supply agreement for these diamonds for the remainder of the year. All +10.8 carat diamonds produced since the second quarter sales cut off in March 2020 are now being sold to HB at regular intervals, approximately twice a month. As a result, revenue for stones ordinarily part of the Q2 and Q3 tenders will continue to be recognized in Q4 2020.
- Capital allocated for the underground expansion program has been reduced to \$22 million (from the original \$53 million budget) and the 2020 program objectives have been re-scoped to focus on long lead time critical-path items, detailed engineering and design, and limited site activity focused on earth works and geotechnical studies. During the nine months ended September 30, 2020, \$10.4 million was spent on these project execution activities.

(1) See Non-IFRS measures

SUPPLY AGREEMENT FOR +10.8 CARAT DIAMOND PRODUCTION FROM KAROWE

Karowe's large, high value diamonds have historically accounted for approximately 60% to 70% of Lucara's annual revenues. Though the mine has remained fully operational throughout the COVID-19 pandemic, Lucara made a deliberate decision not to tender any of its +10.8 carat production after early March 2020 amidst the uncertainty caused by the global crisis and the significant weakness observed in the rough diamond market. The polished diamond market performed much better through this period and subsequently, in July 2020, Lucara announced a ground breaking partnership agreement with HB, entering into a definitive supply agreement for the remainder of 2020, for all of the diamonds produced in excess of +10.8 carats from our 100% owned Karowe Diamond mine in Botswana.

Under the supply agreement with HB, Lucara's +10.8 carat production is being sold at prices based on the estimated polished outcome of each diamond, determined through state of the art scanning and planning technology, with a true up amount payable to Lucara on actual achieved polished sales in excess of the initial estimated polished price, less a fee and the cost of manufacturing. The +10.8ct diamonds of poorer quality (clivage low, rejection goods) are sold as rough parcels and do not enter the polishing pipeline at HB. This unique pricing mechanism is expected to deliver regular cash flow at superior prices for this important segment of our production profile. The decision to enter into the supply agreement with HB for the remainder of 2020 followed a trial period during Q2 2020 where approximately 3,100 carats of +10.8 carat rough diamonds were placed into manufacturing ("Shipment 1"). Lucara will receive payment for the polished diamonds from Shipment 1 once those diamonds are sold by HB to an end customer, less a fee and the cost of manufacturing.

Beginning in Q3 2020, the Company recognized revenue of \$25.9 million from these sales agreements. The \$13.5 million deposit received in June as partial payment for +10.8 carat goods delivered under the HB sales agreement has been fully allocated and reduced to \$nil as of September 30, 2020. Revenue for +10.8 carat stones ordinarily part of the Q2 and Q3 tenders, as well as sales from Shipment 1, will continue to be recognized in Q4 2020.

CLARA

With global restrictions impeding travel for many diamantaires, the interest from buyers in Clara doubled during the third quarter, increasing from 35 to 71 buyers. During Q3 2020, Clara began selling stones on behalf of third party sellers, which was a significant objective for 2020. Seven sales occurred on Clara during

the third quarter of 2020, with total transaction volumes of \$3.2 million. As Clara becomes the online marketplace of choice for rough buyers, discussions are underway with several producers to begin trials for the sale of their diamonds on Clara.

FINANCIAL HIGHLIGHTS

	Three months ended				Nine months ended			
	September 30		September 30		September 30		September 30	
	2020	2019	2020	2019	2020	2019	2020	2019
In millions of U.S. dollars, except carats or otherwise noted								
Revenues	\$ 41.3	\$ 45.3	\$ 82.9	\$ 136.5				
Net income (loss) for the period	(5.4)	(4.0)	(22.4)	4.1				
Earnings (loss) per share (basic and diluted)	(0.01)	(0.01)	(0.06)	0.01				
Operating cash flow per share*	0.03	0.02	0.03	0.10				
Cash on hand	10.1	4.8	10.1	4.8				
Amounts drawn on the working capital facility	20.0	-	20.0	-				
Average price per carat sold (\$/carat)*	365	390	309	436				
Operating expenses per carat sold (\$/carat)*	192	201	190	182				
Operating margin per carat sold (\$/carat)*	173	189	119	254				
Carats sold	112,943	116,200	268,101	313,189				

(*) Operating cash flow per share, average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures.

QUARTERLY RESULTS OF OPERATIONS &#8211; KAROWE MINE, BOTSWANA

	UNIT	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19
Sales						
Revenues generated from the sale of Karowe diamonds in the quarter	US\$M	41.2	7.3	33.8	56.0	45.3
Carats recovered from Karowe sold for revenues recognized during the quarter	Carats	112,741	68,861	86,010	98,394	116,200
Average price per carat for proceeds received during the quarter	US\$	366	107	393	568	390
Production						
Tonnes mined (ore)	Tonnes	678,110	683,282	878,087	694,591	823,875
Tonnes mined (waste)	Tonnes	436,781	591,804	1,199,660	740,593	1,489,668
Tonnes processed	Tonnes	646,447	705,421	639,430	647,502	680,665
Average grade processed	cpht (*)	13.8	14.3	14.3	13.3 ¹	13.9 ²
Carats recovered	Carats	88,909	101,203	91,536	86,422 ¹	104,990 ²
Costs						
Operating costs per carats sold (see Non-IFRS measures)	US\$	192	174	201	209	201
Sustaining capital expenditures	US\$M	4.7	3.7	2.4	13.0	0.7
Underground expansion project	US\$M	4.8	3.9	1.7	-	-

(*) carats per hundred tonnes

(1) Carats recovered during the period included 273 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 10,646 carats recovered from re-processing historic recovery tailings from previous milling and are excluded from the average grade processed.

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Wednesday, November 11, 2020 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:
54473288 / Lucara Diamond

Dial-In Numbers:

Toll-Free Participant Dial-In North America (+1) 888 390 0546

All International Participant Dial-In (+1) 778 383 7413

Webcast:

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

https://produceredition.webcasts.com/starthere.jsp?ei=1389639&tp_key=fd95686472

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 November 18, 2020.

Replay number (Toll Free North America) (+1) 888 390 0541

Replay number (International) (+1) 416 764 8677

The pass code for the replay is: 473288#

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 and owns a 100% interest in Clara Diamond Solutions, a secure, digital sales platform positioned to modernize the existing diamond supply chain and ensure diamond provenance from mine to finger. 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 Limited Partnership (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 is information that Lucara is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. This information was submitted for publication, through the agency of the contact person set out above, on November 10, 2020 at 2:15pm Pacific Time.

NON-IFRS MEASURES

This news release refers to certain financial measures, such as operating cash flow per share, 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 third quarter, 2020 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 impact of COVID-19 on the Company's cash flows and operations and its plans with respect to the Karowe underground expansion project; the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Diamond Mine; estimated costs for capital expenditures related to the Karowe Diamond Mine; production costs; exploration and development expenditures and reclamation costs; expectation of diamond prices and the potential for the supply agreement with HB to achieve both higher prices from the sale of polished diamonds and to provide more regular cash flow than in previous periods; changes to foreign currency exchange rates; assumptions and expectations related to the possible development of an underground mining operation at Karowe including associated capital costs, financing strategies and timing; expectations in respect of the development and functionality of the technology related to the Clara platform, the intended benefits and performance of the Clara platform, including ability to complete sales without viewing diamonds, the growth of the Clara platform, the timing and frequency of sales on the Clara Platform, and the quantum and timing of participation of third parties on the Clara platform; expectations regarding the need to raise capital and its availability; possible impacts of disputes or litigation 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 "COVID-19 Global Pandemic" in the Company's most recent MD&A and under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form, both available at <http://www.sedar.com>, as well as changes in general business and economic conditions, the ability to continue as a going concern, 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 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.

SOURCE [Lucara Diamond Corp.](#)

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