



Lucara Diamond  
Corp.

Management's Discussion and Analysis  
And  
Condensed Interim Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2017  
(Unaudited)



**LUCARA DIAMOND CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2017**

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. (the "Company") and its subsidiaries performance and such factors that may affect its future performance. In order to better understand this MD&A, it should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2016 and unaudited condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2017, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements. All amounts are expressed in U.S. dollars unless otherwise indicated. The effective date of this MD&A is November 2, 2017.

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein.

Additional information about the Company and its business activities is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **FINANCIAL UPDATE**

**Revenues and operating margins:** The Company achieved revenue of \$77.9 million during the quarter (Q3 2016: \$38.1 million) including the sale of the Lesedi La Rona ("LLR") for \$53 million (\$47,777 per carat), a regular diamond tender of \$24.6 million and \$0.3 million of proceeds received from the Company's Q2 regular tender. The Q3 average price was \$389 per carat (excluding the sale of the LLR) compared to Q3 2016 average sales price of \$332 per carat, an increase of 17%. The Company has achieved strong year to date rough diamond prices at \$687 per carat excluding the sale of the LLR (year to date 2016: \$618 per carat excluding the sale of the 813 carat Constellation diamond). Year to date sales prices achieved an increase of 11% compared to the sales prices in the same period in 2016.

The value of the Karowe diamonds remain high as the south lobe continues to perform with 108 specials (single diamonds larger than 10.8 carats), including two poor quality stones in excess of 100 carats, equating to a 4.1% weight percentage of carats recovered during Q3.

Karowe sales remain strong compared to the diamond sector which is experiencing influx of new production, increasing weakness in the smaller and poorer quality stones as well as low colour brown diamonds. Average diamond prices, as reported by other diamond producers are estimated to have decreased by up to 8% compared to the prior year in certain size and quality fractions. This price decrease has been compounded by an increase in diamond production from new producers. The high quality south lobe and rarity of some of the Karowe diamonds has created strong demand for its diamonds leading to price increases. These strong prices and a continued focus on costs have resulted in a year to date operating margin of 80% (year to date operating margin of 67% excluding the sale of the LLR).

**Karowe's operating cash cost:** Karowe's total operating year to date cash cost (see page 8 Non-IFRS measures) is \$32 per tonne processed (2016: \$25.00 per tonne processed) and is expected to end the year within guidance of \$36-\$40 per tonne processed. The Company's expenditures remain well controlled with mining and processing cost per tonne and all site costs within forecast.

**Net cash position:** The Company's Q3 cash balance was \$91.4 million (Q3 2016: \$49.7 million and FY 2016 \$53.3 million). The increase in cash during the period is primarily due to the LLR sale, which was partially offset by the Company's capital expenditures of \$20.3 million and dividend payments of \$7.7 million. The Company's \$50 million credit facility remains undrawn.

**Earnings per share:** Earnings per share were \$0.09 for Q3 2017 (Q3 2016: \$0.01 loss per share) and \$0.17 for year to date September 30, 2017 (year to date September 30, 2016: \$0.16).

**Dividend:** In Q3 2017, the Company paid its quarterly dividend of CDN 2.5 cents per share or \$7.7 million on September 14, 2017 bringing the total dividend paid in 2017 to \$21.9 million.

## OPERATIONAL UPDATE

**Karowe operating performance:** Ore mined in Q3 2017 was 0.4 million tonnes and waste mined was 5.5 million tonnes. Processing volumes were largely on forecast for the quarter as the lower volume of ore mined was replaced with lower grade stockpile ore. The south lobe continued to perform as 108 specials (single diamonds larger than 10.8 carats), including two poor quality stones in excess of 100 carats, which equated to a 4.1% weight percentage of recovered carats were recovered during Q3.

The Company's two capital projects, the Mega Diamond Recovery ('MDR') and the Sub-middles XRT capital projects to improve diamond recovery and maintain design throughput were completed during the quarter, on schedule and within the forecasted budget of \$48 million.

**Botswana Prospecting Licenses:** During Q3 2017, the Company completed three large diameter drilling holes at AK11. Extension applications from the Ministry of Mines were received in Q4 for each of the Prospecting Licenses ("PL's") (PL367/2014 and PL371/2014). Work programs at AK11 and AK13 continue to progress. Microdiamond samples from AK13 are at the laboratory and positive results may lead to a further drilling program.

## FINANCIAL HIGHLIGHTS

| <b>Table 1:</b><br><i>In millions of U.S. dollars unless otherwise noted</i> | <b>Three months ended</b><br><b>September 30</b> |         | <b>Nine months ended</b><br><b>September 30</b> |          |
|--|--|---------|---|----------|
|  | <b>2017</b>                                      | 2016    | <b>2017</b>                                     | 2016     |
| Revenues *   | \$ 77.9  | \$ 38.1 | \$ 183.6  | \$ 229.4 |
| Average price per carat sold (\$/carat)**                                    | 1,161  | 332     | 960   | 850      |
| Operating expenses per carat sold (\$/carat)**                               | 229  | 149     | 231   | 143      |
| Operating margin per carat sold (\$/carat)**                                 | 932  | 183     | 729   | 707      |
| Net income (loss) for the period   | 32.9   | (3.8)   | 63.5  | 59.5     |
| Earnings (Loss) per share (basic and diluted)                                | 0.09   | (0.01)  | 0.17  | 0.16     |
| Cash on hand   | 91.4   | 49.7    | 91.4  | 49.7     |

(\*) Revenue is presented based on cash receipts received during the period and excludes tender proceeds received after each quarter end. See table 3: results of operations for reconciliation of revenue and total proceeds for tenders received for each quarter.

(\*\*) Average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures, see table 3: results of operations for reconciliations and page 8 for Non-IFRS measures.

## OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2017. These are "forward-looking statements" and are subject to the cautionary note regarding the risks associated with forward-looking statements.

### ***Karowe Mine, Botswana***

Operating guidance:

The Company has revised its revenue guidance to between \$165 million and \$175 million (previously \$200-\$220 million) for the year ending December 31, 2017, excluding the sale of the 1,109 carat Lesedi La Rona which sold for \$53 million. The Company has experienced a longer than anticipated ramp up of its new mining contractor, Aveng Moolman as well as contractor operating inefficiencies which are being addressed and improved. The contractor mining issues have led to a reduction in planned fresh south lobe ore being mined and processed during the year resulting in the substitution of lower grade stockpile being processed. The processing of lower grade stockpile has caused a decrease in carats recovered and forecast carats sold which are now between 260,000 and 270,000 carats compared to initial guidance of between 290,000 to 310,000 carats. The south lobe ore not mined during the year is planned to be mined and carats recovered in 2018.

The south lobe ore mined continues to meet expectations in terms of both grade and sales prices achieved. Year to date average sales price achieved is \$687 per carat (excluding the sale of the Lesedi La Rona). This compares to the same period in 2016 prices of \$618 per carat excluding the

sale of the 813 carat Constellation diamond, and full year prices of \$649, \$593 and \$644 per carat in 2016, 2015 and 2014 respectively. The increase in price reflects an increasing proportion of south lobe diamonds compared to prior years, the continued recovery of specials (+10.8 carats) at 5.0% weight percentage of total production in 2017 and the continued strong demand for Karowe's south lobe diamonds.

The Company continues to forecast tonnes processed at between 2.4 to 2.7 million tonnes and is forecasting carats recovered of between 260,000 and 265,000 carats from 265,000 and 285,000 forecast in Q2. Ore mined is forecast between 1.4 to 1.6 million tonnes, a decrease from the 1.8 to 2.0 forecast in Q2. Waste mining is forecast at between 15 to 17 million tonnes from 17 to 20 million tonnes forecast in Q2.

The two capital projects: MDR and Sub-middles XRT were completed during the quarter on schedule and within budget. This is expected to complete the Company's major capital expenditures to address comminution and diamond recovery at the mine and improve future cash flows. Sustaining capital is unchanged and forecast to be between \$7-\$9 million in 2017.

Karowe's total cash operating costs are well controlled and remain unchanged and are expected to be between \$36.00 and \$40.00 per tonne. A budget of up to \$10.0 million remains unchanged to advance resource evaluation work on the AK06 kimberlite at Karowe Mine and the completion of a Preliminary Economic Assessment on the potential of an Underground Mine at Karowe as well as initial hydrogeological modeling to support a pre-feasibility level underground study.

The USD/Pula outlook foreign exchange rate is 10.3.

## **BUSINESS OVERVIEW**

The Company is a diamond mining company focused in Africa. The business of the Company consists of the acquisition, exploration, development and operation of diamond properties. The Company's head office is in Vancouver, BC, Canada and its common shares trade on the Toronto Stock Exchange, the Nasdaq Stockholm Exchange in Sweden and the Botswana Stock Exchange under the symbol "LUC". The principal assets of the Company and the focus of the Company's operations, development and exploration activities reside in Botswana.

The principal assets of the Company and the focus of the Company's operations, development and exploration activities reside in Botswana.

Table 2: Company's current land holdings:

| <b>Country</b> | <b>Name</b>                                      | <b>Interest Held</b> | <b>Area (km<sup>2</sup>)</b> |
|----------------|--|----------------------|------------------------------|
| Botswana       | Karowe Diamond License                           | 100%                 | 15.3                         |
| Botswana       | Prospecting License No. 371/2014 (AK11,12,13,14) | 100%                 | 55.4                         |
| Botswana       | Prospecting License No. 367/2014 (BK02)          | 100%                 | 1.1                          |

## RESULTS OF OPERATIONS

**Table 3: Karowe Mine, Botswana**

|  | UNIT                | YTD-17     | Q3-17     | Q2-17     | Q1-17   | Q4-16     | Q3-16     |
|--|---------------------|------------|-----------|-----------|---------|-----------|-----------|
| <b>Sales</b>   |                     |            |           |           |         |           |           |
| Revenues   | US\$M               | 183.6      | 77.9      | 79.6      | 26.1    | 66.0      | 38.1      |
| Proceeds generated from sales tenders conducted in the quarter are comprised of: | US\$M               | 183.6      | 77.6      | 79.9      | 26.1    | 66.0      | 29.8      |
| Sales proceeds received during the quarter                                       | US\$M               | 183.6      | 77.9      | 79.6      | 26.1    | 66.0      | 38.1      |
| Q2 2017 tender proceeds received post Q2 2017                                    | US\$M               | -          | (0.3)     | 0.3       | -       | -         | -         |
| Q2 2016 tender proceeds received post Q2 2016                                    | US\$M               | -          | -         | -         | -       | -         | (8.3)     |
| Carats sold for proceeds generated during the period                             | Carats              | 191,167    | 64,289    | 62,434    | 64,444  | 88,957    | 84,059    |
| Carats sold for revenues recognized during the period                            | Carats              | 191,167    | 67,125    | 59,598    | 64,444  | 88,957    | 114,659   |
| Average price per carat for proceeds generated during the period**               | US\$                | 960        | 1,207     | 1,280     | 405     | 743       | 355       |
| Average price per carat for proceeds received during the period***               | US\$                | 960        | 1,161     | 1,336     | 405     | 743       | 332       |
| <b>Production</b>  |                     |            |           |           |         |           |           |
| Tonnes mined (ore)   | Tonnes              | 950,303    | 386,906   | 432,017   | 131,380 | 582,169   | 650,290   |
| Tonnes mined (waste)   | Tonnes              | 11,119,512 | 5,540,139 | 4,992,196 | 587,177 | 2,728,915 | 3,092,110 |
| Tonnes processed   | Tonnes              | 1,703,773  | 591,196   | 513,643   | 598,934 | 630,471   | 650,646   |
| Average grade processed  | cpht <sup>(*)</sup> | 10.9       | 10.6      | 11.2      | 10.9    | 13.0      | 12.5      |
| Carats recovered   | Carats              | 185,290    | 62,425    | 57,624    | 65,241  | 82,272    | 81,423    |
| <b>Costs</b>   |                     |            |           |           |         |           |           |
| Operating costs per carats sold (see page 7 Non-IRFS measures)                   | US\$                | 231        | 229       | 247       | 217     | 197       | 149       |
| Capital expenditures   |                     |            |           |           |         |           |           |
| -8+4mm sub-middles XRT project   | US\$M               | 13.0       | 5.3       | 4.9       | 2.8     | 7.2       | -         |
| LDR and MDR circuit  | US\$M               | 7.0        | 3.6       | 1.8       | 1.6     | 0.8       | 2.3       |
| Sustaining capital   | US\$M               | 4.6        | 1.9       | 2.2       | 0.5     | 2.0       | 5.8       |
| <b>Total</b>   | US\$M               | 24.6       | 10.8      | 8.9       | 4.9     | 10.0      | 8.1       |

(\*) carats per hundred tonnes

(\*\*) Average price per carat for proceeds generated during the period includes all sales tendered during the period including proceeds received post the quarter end

(\*\*\*) Average price per carat for proceeds received during the period includes all sales proceeds collected during the period including proceeds received during the quarter

## OPERATIONS KAROWE MINE

Karowe had no lost time injuries during Q3 resulting in a twelve month rolling Lost Time Injuries Frequency Rate ("LTIFR") of 0.68.

The Company's mining contractor, Aveng Moolman, experienced equipment availability issues during the quarter that resulted in lower than planned south lobe ore being mined. To address this issue the contractor has delivered additional trucks, shovels, excavators and drill rigs to the mine. The contractor has also strengthened its site senior management team and is focussed on improving overall mining methods to achieve sustainable, long term operating efficiencies. Improved performance is now being realized and is expected to steadily improve during the next quarter.

Tonnes processed were largely on forecast as stockpile material provided plant feed. The Company continues to focus on waste mining to create additional options for ore availability and access to south lobe material in the future.

Karowe's total operating cash costs are at \$32 per tonne processed and is forecast to be between \$36-\$40 per tonne processed for the year. Year to date cash mining cost per tonne was \$2.45 compared to guidance of \$2.70 to \$2.90 per tonne and processing cost per tonne was \$11.50 compared to guidance of \$11.0 to \$12.0 per tonne.

The two capital projects: MDR project and Sub-middles XRT project to enhance diamond recovery and maintain design throughput were completed within the quarter with total expenditure during the past two years for both projects within forecast of \$48 million. The primary purpose of the MDR is to recover diamonds larger than 50mm prior to unit processes where the diamond may incur breakage resulting in a lower diamond value. The Sub-middles XRT circuit, which processes +4-8mm material has shown consistent recoveries when compared to those recorded when processing low yield material through a standard Dense Medium Separation circuit. An audit system which is designed to process ~20% of the coarse plant tailings above 4mm is expected to be commissioned in Q1/2018

and forms part of the budget for the Sub-middles project. These costs are forecast to be paid in 2018.

The Company's mine processing contract with Dowding Raynard & Associates's ("DRA") 100% subsidiary, Minopex Botswana (Proprietary) Limited has been transitioned to a new DRA Company which has increased capabilities on the operation of Karowe's new technology. The new subsidiary will also be focused on improving operating efficiencies, achieving cost reductions and increasing operational utilization.

The results of an Underground Preliminary Economic Assessment prepared in accordance with National Instrument 43-101 demonstrates the quality of the south lobe and the economic viability for the development of an underground mine at Karowe (see press release dated November 2, 2017). A NI43-101 Preliminary Economic Assessment was completed early in Q4 2017. A Pre-Feasibility Study is expected to be completed in H1 2018.

## **EXPLORATION AND RESOURCE UPGRADE**

### *Karowe Resource (AK06 kimberlite) Upgrade Drilling*

During the quarter specific sampling of drill core was completed for density, petrography, and microdiamond analysis. Limited additional infill sampling was initiated in early Q4 to compliment the existing data and provide additional data points at depth. Drilling was completed in Q1 2017 on a planned 10,000 metre drill program at the Karowe Mine to test the AK06 kimberlite at depth. A total of 12 drill holes (9,750 metres) were completed with approximately 2,770 linear metres within the south lobe of the AK06 kimberlite being drilled. The program is designed to increase confidence in the geological model for the south lobe of the AK06 kimberlite and provide sufficient data and material for an updated resource to be utilized in an underground option study for the Karowe mine. Mineral Services Canada has been contracted to assist in the development of the sampling program and internal geology updates that will be utilized for an updated resource estimate for the current inferred portion of the Karowe Mine and is expected to be completed in Q4 2017.

### *Botswana Prospecting Licenses*

In 2014, the Company was awarded two precious stone prospecting licenses (PL367/2014 and PL371/2014) which are known to host kimberlites, BK02, AK11 and AK12, AK13 and AK14. The prospecting licenses are located within a distance of 15 km and 30 km from the Karowe Diamond mine. Extension applications were received from the Ministry of Mines in Q4 for prospecting licenses ("PL") (PL367/2014 and PL371/2014).

#### *AK11*

During Q3 2017, the Company completed all pilot holes and three of the planned eight large diameter drilling ("LDD") holes at the AK11 kimberlite. Material recovered from the LDD samples commenced processing at the Company's Bulk Sample Plant located at the Karowe Mine in early Q4 2017.

#### *AK13*

During Q3 2017 logging and sampling of AK13 was completed and microdiamond samples shipped for analysis. Results are expected during Q4 2017.

## SELECT FINANCIAL INFORMATION

Table 4:

|   | Three months ended<br>September 30 |                | Nine months ended<br>September 30 |               |
|---|------------------------------------|----------------|-----------------------------------|---------------|
|   | 2017                               | 2016           | 2017                              | 2016          |
| <i>In millions of U.S. dollars unless otherwise noted</i> |                                    |                |                                   |               |
| Revenues  | \$ 77.9                            | \$ 38.1        | \$ 183.6                          | \$ 229.4      |
| Operating expenses  | (15.4)                             | (17.1)         | (44.1)                            | (38.6)        |
| <b>Operating earnings <sup>(1)</sup></b>                  | <b>62.5</b>                        | <b>21.0</b>    | <b>139.5</b>                      | <b>190.8</b>  |
| Royalty expenses  | (7.8)                              | (3.8)          | (18.4)                            | (22.9)        |
| Administration  | (3.1)                              | (3.2)          | (9.2)                             | (8.4)         |
| Sales and marketing                                       | (0.5)                              | (0.4)          | (2.4)                             | (3.7)         |
| Exploration expenditures                                  | (1.3)                              | (1.2)          | (3.1)                             | (2.9)         |
| <b>EBITDA <sup>(2)</sup></b>                              | <b>49.8</b>                        | <b>12.4</b>    | <b>106.4</b>                      | <b>152.9</b>  |
| Depletion and amortization                                | (3.9)                              | (5.3)          | (10.9)                            | (12.7)        |
| Finance expense   | (0.5)                              | (0.3)          | (1.4)                             | (0.1)         |
| Foreign exchange gain (loss)                              | 0.8                                | (7.6)          | (2.4)                             | (10.7)        |
| Loss on disposal of Mothae                                | -                                  | -              | -                                 | (1.2)         |
| Current income tax expense                                | (7.1)                              | (9.3)          | (14.8)                            | (72.8)        |
| Deferred income tax recovery (expense)                    | (6.2)                              | 6.3            | (13.3)                            | 4.1           |
| <b>Net income (loss) for the period</b>                   | <b>32.9</b>                        | <b>(3.8)</b>   | <b>63.6</b>                       | <b>59.5</b>   |
| <b>Change in cash during the period</b>                   | <b>28.8</b>                        | <b>(161.2)</b> | <b>38.1</b>                       | <b>(85.1)</b> |
| <b>Cash on hand</b>                                       | <b>91.4</b>                        | <b>49.7</b>    | <b>91.4</b>                       | <b>49.7</b>   |
| <b>Earnings (Loss) per share (basic and diluted)</b>      | <b>0.09</b>                        | <b>(0.01)</b>  | <b>0.17</b>                       | <b>0.16</b>   |
| <b>Per carats sold</b>                                    |                                    |                |                                   |               |
| <b>Sales price</b>  | <b>\$ 1,161</b>                    | <b>\$ 332</b>  | <b>\$ 960</b>                     | <b>\$ 850</b> |
| <b>Operating expenses</b>                                 | <b>229</b>                         | <b>149</b>     | <b>231</b>                        | <b>143</b>    |
| <b>Average grade (carats per hundred tonnes)</b>          | <b>10.6</b>                        | <b>12.5</b>    | <b>10.9</b>                       | <b>13.7</b>   |

<sup>(1)</sup> Operating earnings is a non-IFRS measure defined as sales less operating expenses.

<sup>(2)</sup> EBITDA is a non-IFRS measure defined as earnings before interest, taxation, depreciation and amortization.

### Table 5: Cash operating cost per tonne ore processed reconciliation:

|   | Nine months ended<br>September 30, |              |
|---|------------------------------------|--------------|
|   | 2017                               | 2016         |
| <i>In millions of U.S. dollars with the exception of tonnes processed and cash operating cost per tonne processed</i> |                                    |              |
| Operating expenses  | \$ 44.1                            | \$ 38.6      |
| Capitalized production stripping costs <sup>(1)</sup>   | 17.6                               | 6.9          |
| Net change rough diamond inventory <sup>(2)</sup>   | (0.7)                              | 2.2          |
| Net change ore stockpile inventory <sup>(3)</sup>   | (5.8)                              | 1.9          |
| Total cash operating costs for ore processed  | 55.2                               | 49.6         |
| Tonnes processed  | 1,703,773                          | 1,982,746    |
| <b>Cash operating cost per tonne ore processed<sup>(4)</sup></b>  | <b>32.40</b>                       | <b>25.00</b> |

<sup>(1)</sup> Capitalized production stripping cost in investing activities in the Condensed interim consolidated statements of cash flows.

<sup>(2)</sup> Net change in rough diamond inventory for the 9 month period ended September 30, 2017 and September 30, 2016.

<sup>(3)</sup> Net change in ore stockpile inventory for the 9 month period ended September 30, 2017 and September 30, 2016.

<sup>(4)</sup> Cash operating cost per tonne processed for the period is a non-IFRS measure defined as the sum of operating expenses, capitalized production stripping costs, and net change in working capital items for rough diamond and stockpile inventory divided by the tonnes ore processed for the period.



### **Revenues**

During Q3, the Company completed one regular diamond tender totalling 63,180 carats and the sale of the 1,109 carat Lesedi La Rona diamond. The sales achieved gross proceeds of \$77.9 million including proceeds of \$0.3 million from the June 2017 regular diamond tender. Overall, during Q3, the Company recognized an average sales price of \$1,161 per carat (\$389 per carat excluding the sale of the Lesedi La Rona) compared to Q3 2016 average sales price of \$332 per carat.

### **Operating earnings**

Operating earnings before royalty payments for Q3 were \$62.5 million resulting in an operating margin (before royalties and depletion, amortization and accretion) of 80%. The year to date operating margin is 76% compared to prior year of 83%.

### **Income tax expense**

Total income tax expense was \$13.4 million during Q3 2017, which includes a current income tax charge of \$7.2 million and a deferred income tax charge of \$6.2 million. The current tax expense has been calculated at an annualized tax rate of approximately 22%, which reflects the current year forecast tax rate based on the Company's revenue guidance including the LLR sale. The Company is subject to a variable tax rate in Botswana that increases as profit, as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55%.

### **Earnings before interest, tax, depreciation and amortization (EBITDA)**

Q3 2017 EBITDA was \$49.8 million compared to \$12.4 million in Q3 2016. The increase in EBITDA as compared to the prior year was due to the sale of the LLR in Q3 2017.

EBITDA is a non-IFRS measure and is reconciled in the table 4.

### **Net Income**

The Company reported a net income of \$32.9 million in Q3 compared to a net loss of \$3.8 million in the prior year. This is due to the sale of the LLR sale and a regular tender in Q3 2017. The Company also reported a large foreign exchange loss in Q3 2016 compared to a minor foreign exchange gain in the current year.

### **Cash operating cost per tonne ore processed**

The nine months ended September 30, 2017 cash operating cost per tonne processed was \$32.40 per tonne processed compared to \$25.00 per tonne processed in 2016. The higher cost compared to the prior year is largely due to the Company's increase in waste mining during 2017 as anticipated in the Company's forecast.

Cash operating cost per tonne processed is a non-IFRS measure and is reconciled in the table on table 5 to the most directly comparable measure calculated in accordance with IFRS, which is operating expenses.

### **Liquidity and Capital Resources**

As at September 30, 2017, the Company had cash of \$91.4 million compared to \$49.7 million at September 30, 2016 and \$53.3 million at December 31, 2016.

Cash increased by \$28.8 million during Q3. This increase is mainly due to the Company's LLR sale which partially offset the Company's third quarterly dividend to its shareholders of \$7.7 million and capital expenditure of \$20.3 million.

## SUMMARY OF QUARTERLY RESULTS

(All amounts expressed in thousands of U.S. dollars, except per share data).

Table 6: The following table provides highlights, extracted from the Company's financial statements, of quarterly results for the past eight quarters (unaudited):

| Three months ended                                  | Sept-17 | Jun-17  | Mar-17  | Dec-16  | Sept-16 | Jun-16  | Mar-16  | Dec-15  |
|---|---------|---------|---------|---------|---------|---------|---------|---------|
| A. Revenues   | 77,911  | 79,615  | 26,094  | 66,017  | 38,098  | 140,785 | 50,566  | 65,212  |
| B. Administration expenses                          | (3,163) | (2,975) | (3,025) | (6,429) | (3,226) | (2,678) | (2,448) | (5,214) |
| C. Net income (loss)                                | 32,903  | 32,174  | (1,531) | 11,204  | (3,804) | 46,116  | 17,141  | 18,958  |
| D. Earnings (loss) per share<br>(basic and diluted) | 0.09    | 0.08    | (-)     | 0.03    | (0.01)  | 0.12    | 0.05    | 0.05    |

## NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as Average price per carat sold, Operating costs per carat sold, Operating margin per carat sold, EBITDA, and Cash operating cost per tonne 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.

Average price per carat sold is the term the Company uses to describe the revenue generated by a single carat of diamond sold and it is calculated by the dividing revenue over number of carats sold in the same period. Operating costs per carat sold is the term the Company uses to describe the mining, processing and site administration costs to produce a single carat of diamond. This is calculated as operating costs per carat of diamond sold. Operating margin is the term the Company uses to describe the net profit generated after mining, processing and site administration costs generated by a single carat of diamond sold and it is calculated by subtracting the average price per carat sold by operating costs per carat sold.

EBITDA (see "Select Financial Information") is the term the Company uses as an approximate measure of the Company's pre-tax operating cash flow and is generally used to better measure performance and evaluate trends of individual assets. EBITDA comprises earnings before deducting interest and other financial charges, income taxes, depreciation and amortization and net loss attributable to non-controlling interests.

Operating costs per carats sold (see "Karowe Mine, Botswana") is the term the Company uses to describe the mining, processing and site administration costs to produce a single carat of diamond. This is calculated as operating costs per carat of diamond sold

Cash operating cost per tonne ore processed (see "Select Financial Information") is the term the Company uses to describe operating expenses per tonne processed on a cash basis. This is calculated as cash operating cost divided by tonnes of ore processed for the period. This ratio provides the user with the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS is operating expenses. A table reconciling the two measures is presented in table 5.

## RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2017, the Company donated \$0.2 million (2016 – \$0.2 million) to a charitable foundation directed by members of the Company's directors to carry out social programs on behalf of the Company.

## FINANCIAL INSTRUMENTS

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in

the consolidated statements of operations or consolidated statements of comprehensive loss. Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and other liabilities.

The fair value of the Company's available for sale financial instruments is derived from quoted prices in active markets for identical assets. The fair value of all other financial instruments of the Company approximates their carrying values because of the demand nature or short-term maturity of these instruments.

In the normal course of business, the Company is inherently exposed to currency and commodity price risk.

#### **OUTSTANDING SHARE DATA**

As at the date of this MD&A, the Company had 382,619,334 common shares outstanding and 3,738,337 stock options outstanding and 1,388,042 share units outstanding under its stock-based incentive plan.

#### **RISKS AND UNCERTAINTIES**

The operations of the Company are speculative due to the high risk nature of its business which includes acquisition, financing, exploration, development and operation of diamond properties. These risk factors could materially affect the Company's future operations and could cause actual events to differ materially from those described in forward-looking statements relating to the Company.

The risk factors which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set out in the Management's Discussion and Analysis for the year ended December 31, 2016.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

Other than in respect of operating lease arrangements for offices in Botswana, the Company is not party to any off-balance sheet arrangements.

#### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

The Audit Committee is responsible for reviewing the contents of this document along with the interim quarterly financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight. There have been no changes in the Company's disclosure controls and procedures during the three months ended September 30, 2017.

#### **INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS**

##### *Disclosure controls and procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation and include controls and procedures designed to ensure that information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted under securities legislation is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of December 31, 2016, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

### *Internal controls over financial reporting*

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2016, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer's Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required under Multilateral Instrument 52-109, management advises that there have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period, beginning July 1, 2017 and ending September 30, 2017, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain of the statements made and contained herein in the MD&A 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.

In particular, this MD&A may contain forward looking information pertaining to the following: the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Mine; estimated costs for capital expenditures related to 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 rates; expectations regarding the need to raise capital; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

Forward-looking statements are based on the opinions, assumptions 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. Such

assumptions include: the Company's ability to obtain necessary financing; the Company's expectations regarding the economy generally, results of operations and the extent of future growth and performance; and assumptions that the Company's activities will not be adversely disrupted or impeded by development, operating or regulatory risk. 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 in this MD&A should not be unduly relied upon.

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 "Risks and Uncertainties" in the Company's AIF, 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 and availability 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.

---

**LUCARA DIAMOND CORP.****CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)****(Unaudited)**

---

|  | <b>September 30, 2017</b> | <b>December 31, 2016</b> |
|--|---------------------------|--------------------------|
| <b>ASSETS</b>                          |                           |                          |
| Current assets                         |                           |                          |
| Cash and cash equivalents              | \$ 91,439                 | \$ 53,345                |
| VAT receivables and other              | 5,185                     | 7,967                    |
| Inventories (Note 4)                   | 34,695                    | 40,852                   |
|  | 131,319                   | 102,164                  |
| Investments                            | 3,214                     | 3,153                    |
| Plant and equipment (Note 5)           | 153,156                   | 131,505                  |
| Mineral properties (Note 6)            | 79,715                    | 62,158                   |
| Other non-current assets               | 4,161                     | 3,020                    |
| <b>TOTAL ASSETS</b>                    | <b>\$ 371,565</b>         | <b>\$ 302,000</b>        |
| <b>LIABILITIES</b>                     |                           |                          |
| Current liabilities                    |                           |                          |
| Trade payables and accrued liabilities | \$ 30,326                 | \$ 26,617                |
| Taxes payable                          | 8,425                     | 9,198                    |
|  | 38,751                    | 35,815                   |
| Restoration provisions                 | 17,226                    | 15,679                   |
| Deferred income taxes                  | 65,609                    | 50,516                   |
| <b>TOTAL LIABILITIES</b>               | <b>121,586</b>            | <b>102,010</b>           |
| <b>EQUITY</b>                          |                           |                          |
| Share capital                          | 290,846                   | 289,969                  |
| Contributed surplus                    | 7,450                     | 6,488                    |
| Retained earnings (Deficit)            | 2,880                     | (38,640)                 |
| Accumulated other comprehensive loss   | (51,197)                  | (57,827)                 |
| <b>TOTAL EQUITY</b>                    | <b>249,979</b>            | <b>199,990</b>           |
| <b>TOTAL LIABILITIES AND EQUITY</b>    | <b>\$ 371,565</b>         | <b>\$ 302,000</b>        |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

Approved on Behalf of the Board of Directors:

"Marie Inkster"  
Director

"William Lamb"  
Director

**LUCARA DIAMOND CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)

(Unaudited)

|   | Three months ended<br>September 30, |             | Nine months ended<br>September 30, |             |
|---|-------------------------------------|-------------|------------------------------------|-------------|
|   | 2017                                | 2016        | 2017                               | 2016        |
| <b>Revenues</b>                                   | \$ 77,911                           | \$ 38,098   | \$ 183,620                         | \$ 229,449  |
| <b>Cost of goods sold</b>                         |                                     |             |                                    |             |
| Operating expenses                                | 15,352                              | 17,119      | 44,103                             | 38,582      |
| Royalty expenses                                  | 7,791                               | 3,810       | 18,362                             | 22,945      |
| Depletion and amortization                        | 3,870                               | 5,274       | 10,896                             | 11,783      |
|   | 27,013                              | 26,203      | 73,361                             | 73,310      |
| <b>Income from mining operations</b>              | 50,898                              | 11,895      | 110,259                            | 156,139     |
| <b>Other expenses</b>                             |                                     |             |                                    |             |
| Administration (Note 8)                           | 3,163                               | 3,226       | 9,163                              | 8,439       |
| Exploration expenditures                          | 1,332                               | 1,167       | 3,130                              | 2,931       |
| Finance expenses                                  | 486                                 | 343         | 1,438                              | 966         |
| Foreign exchange (gain) loss                      | (839)                               | 7,604       | 2,372                              | 10,659      |
| Sales and marketing                               | 496                                 | 353         | 2,434                              | 3,689       |
| Loss on disposition of Mothae                     | -                                   | -           | -                                  | 1,196       |
|   | 4,638                               | 12,693      | 18,537                             | 27,880      |
| <b>Net income(loss) before tax</b>                | 46,260                              | (798)       | 91,722                             | 128,259     |
| <b>Income tax expense</b>                         |                                     |             |                                    |             |
| Current income tax                                | 7,168                               | 9,283       | 14,830                             | 72,880      |
| Deferred income tax                               | 6,189                               | (6,277)     | 13,346                             | (4,074)     |
|   | 13,357                              | 3,006       | 28,176                             | 68,806      |
| <b>Net income (loss) for the period</b>           | \$ 32,903                           | \$ (3,804)  | \$ 63,546                          | \$ 59,453   |
| <b>Earnings (loss) per common share</b>           |                                     |             |                                    |             |
| Basic   | \$ 0.09                             | \$ (0.01)   | \$ 0.17                            | \$ 0.16     |
| Diluted   | \$ 0.09                             | \$ (0.01)   | \$ 0.17                            | \$ 0.16     |
| <b>Weighted average common shares outstanding</b> |                                     |             |                                    |             |
| Basic   | 382,613,316                         | 381,729,698 | 382,458,562                        | 381,044,155 |
| Diluted   | 384,140,300                         | 383,998,319 | 384,105,176                        | 382,862,552 |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

---

**LUCARA DIAMOND CORP.****CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)****(Unaudited)**

---

|  | <b>Three months ended<br/>September 30,</b> |             | <b>Nine months ended<br/>September 30,</b> |             |
|--|---|-------------|--|-------------|
|  | <b>2017</b>                                 | <b>2016</b> | <b>2017</b>                                | <b>2016</b> |
| <b>Net income (loss) for the period</b>                          | \$ 32,903                                   | \$ (3,804)  | \$ 63,546                                  | \$ 59,453   |
| <b>Other comprehensive income</b>                                |   |             |  |             |
| <b>Items that may be subsequently reclassified to net income</b> |   |             |  |             |
| Change in fair value of available-for-sale securities            | (228)                                       | -           | (34)                                       | -           |
| Currency translation adjustment                                  | (3,211)                                     | 10,463      | 6,664                                      | 16,229      |
| <b>Item that was reclassified to net income</b>                  |   |             |  |             |
| Currency translation adjustment – Mothae disposition             | -   | -           | -  | 3,310       |
|  | (3,439)                                     | 10,463      | 6,630                                      | 19,539      |
| <b>Comprehensive income</b>                                      | \$ 29,464                                   | \$ 6,659    | \$ 70,176                                  | \$ 78,992   |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.



# LUCARA DIAMOND CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)

(Unaudited)

|  | Three months ended<br>September 30, |            | Nine months ended<br>September 30, |           |
|--|-------------------------------------|------------|------------------------------------|-----------|
|  | 2017                                | 2016       | 2017                               | 2016      |
| <b>Cash flows from (used in):</b>  |                                     |            |                                    |           |
| <b>Operating Activities</b>  |                                     |            |                                    |           |
| Net income (loss) for the period   | \$ 32,903                           | \$ (3,804) | \$ 63,546                          | \$ 59,453 |
| Items not involving cash and cash equivalents:                                     |                                     |            |                                    |           |
| Depletion and amortization   | 4,027                               | 5,370      | 11,365                             | 12,063    |
| Foreign exchange (gain) loss   | (839)                               | 6,252      | 2,372                              | 8,867     |
| Stock-based compensation   | 345                                 | 445        | 1,128                              | 1,299     |
| Deferred income taxes  | 6,189                               | (6,277)    | 13,346                             | (4,074)   |
| Finance costs  | 516                                 | 284        | 1,356                              | 1,079     |
| Loss on disposition of Mothae  | -                                   | -          | -                                  | 1,196     |
|  | 43,141                              | 2,270      | 93,113                             | 79,883    |
| Net changes in working capital items:  |                                     |            |                                    |           |
| VAT receivables and other current assets   | 151                                 | (3,085)    | 2,743                              | (3,849)   |
| Inventories  | 2,510                               | (279)      | 5,840                              | (7,382)   |
| Trade payables and other current liabilities                                       | 4,312                               | (203)      | 2,777                              | 529       |
| Taxes payable  | 6,671                               | (12,973)   | (859)                              | 9,282     |
|  | 56,785                              | (14,270)   | 103,614                            | 78,463    |
| <b>Financing Activities</b>  |                                     |            |                                    |           |
| Proceeds from exercise of stock options  | 88                                  | 56         | 632                                | 1,628     |
| Dividends paid   | (7,701)                             | (136,550)  | (21,947)                           | (145,369) |
|  | (7,613)                             | (136,494)  | (21,315)                           | (143,741) |
| <b>Investing Activities</b>  |                                     |            |                                    |           |
| Acquisition of plant and equipment   | (10,765)                            | (8,103)    | (24,615)                           | (13,278)  |
| Capitalized mineral property expenditure   | (204)                               | -          | (947)                              | -         |
| Capitalized production stripping costs   | (9,374)                             | (2,576)    | (17,602)                           | (6,920)   |
| Acquisition of other assets  | -                                   | -          | (1,247)                            | -         |
|  | (20,343)                            | (10,679)   | (44,411)                           | (20,198)  |
| <b>Effect of exchange rate change on cash and cash equivalents</b>                 |                                     |            |                                    |           |
|  | (63)                                | 287        | 206                                | 378       |
| <b>Increase (decrease) in cash and cash equivalents during the period</b>          |                                     |            |                                    |           |
|  | 28,766                              | (161,156)  | 38,094                             | (85,098)  |
| <b>Cash and cash equivalents, beginning of period</b>                              |                                     |            |                                    |           |
|  | 62,673                              | 210,834    | 53,345                             | 134,776   |
| <b>Cash and cash equivalents, end of period</b>                                    |                                     |            |                                    |           |
|  | \$ 91,439                           | \$ 49,678  | \$ 91,439                          | \$ 49,678 |
| <b>Supplemental Information</b>  |                                     |            |                                    |           |
| Interest received  | 138                                 | 189        | 240                                | 399       |
| Taxes paid   | (425)                               | (24,286)   | (15,857)                           | (64,683)  |
| Changes in accounts payable and accrued liabilities related to plant and equipment | 217                                 | (117)      | 692                                | (186)     |

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

# LUCARA DIAMOND CORP.

## CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)  
(Unaudited)

|   | Number of<br>shares<br>issued and<br>outstanding | Share capital     | Contributed<br>surplus | Surplus<br>(Deficit) | Accumulated<br>other<br>comprehensive<br>loss | Non-<br>controlling<br>interests | Total             |
|---|--|-------------------|------------------------|----------------------|---|----------------------------------|-------------------|
| <b>Balance, January 1, 2016</b>           | 379,979,413                                      | \$ 286,658        | \$ 5,270               | \$ 40,847            | \$ (76,103)                                   | 12                               | \$ 256,684        |
| Exercise of stock options                 | 1,771,665  | 2,267             | (639)                  | -                    | -   | -                                | 1,628             |
| Stock-based compensation                  | -  | -                 | 1,299                  | -                    | -   | -                                | 1,299             |
| Effect of foreign currency<br>translation | -  | -                 | -                      | -                    | 19,539  | -                                | 19,539            |
| Free-carried non-controlling<br>interests | -  | -                 | -                      | -                    | -   | (12)                             | (12)              |
| Dividends paid                            | -  | -                 | 451                    | (145,820)            | -   | -                                | (145,369)         |
| Net income for the period                 | -  | -                 | -                      | 59,453               | -   | -                                | 59,453            |
| <b>Balance, September 30, 2016</b>        | <b>381,751,078</b>                               | <b>\$ 288,925</b> | <b>\$ 6,381</b>        | <b>\$ (45,520)</b>   | <b>\$ (56,564)</b>                            | <b>-</b>                         | <b>\$ 193,222</b> |
| <b>Balance, January 1, 2017</b>           | 382,246,001                                      | \$ 289,969        | \$ 6,488               | \$ (38,640)          | \$ (57,827)                                   | -                                | \$ 199,990        |
| Exercise of stock options                 | 373,333  | 877               | (245)                  | -                    | -   | -                                | 632               |
| Stock-based compensation                  | -  | -                 | 1,128                  | -                    | -   | -                                | 1,128             |
| Unrealized gain on Investment             | -  | -                 | -                      | -                    | (34)  | -                                | (34)              |
| Effect of foreign currency<br>translation | -  | -                 | -                      | -                    | 6,664   | -                                | 6,664             |
| Dividends paid <sup>(1)</sup>             | -  | -                 | 79                     | (22,026)             | -   | -                                | (21,947)          |
| Net income for the period                 | -  | -                 | -                      | 63,546               | -   | -                                | 63,546            |
| <b>Balance, September 30, 2017</b>        | <b>382,619,334</b>                               | <b>\$ 290,846</b> | <b>\$ 7,450</b>        | <b>\$ 2,880</b>      | <b>\$ (51,197)</b>                            | <b>-</b>                         | <b>\$ 249,979</b> |

<sup>(1)</sup> The Company paid cash dividends of CA\$ 0.025 per share on March 31, 2017, June 15, 2017 and September 14, 2017.

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

---

# **LUCARA DIAMOND CORP.**

## **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

### **1. NATURE OF OPERATIONS**

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the "Company") is a diamond mining company focused on the development and operation of diamond properties in Africa. The Company holds a 100% interest in the Karowe Mine (previously named AK6 Diamond Project) located in Botswana.

The Company's common shares are listed on the TSX, NASDAQ Stockholm and Botswana Stock Exchanges. The Company was continued into the Province of British Columbia under the Business Corporations Act (British Columbia) in August 2004 and its registered office is located at Suite 2000 - 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

### **2. BASIS OF PRESENTATION**

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, *IAS 34: Interim Financial Statements*, and do not contain all of the information required for annual financial statements and should be read in conjunction with the most recent annual audited financial statements of the Company. These statements follow the same accounting policies and methods of application of the most recent annual audited financial statements.

These financial statements were approved by the Board of Directors for issue on November 2, 2017.

### **3. ADOPTION OF IFRS PRONOUNCEMENTS**

The IFRS pronouncements that have been issued but are not yet effective are listed below. The Company plans to apply the new standards or interpretations in the annual period for which it is first required.

#### IFRS 2 - Share-based payments

The amendment clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

The completed version of IFRS 2 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Based on the Company's assessment, the Company does not expect this standard to have a significant measurement impact on our financial statements.

---

# **LUCARA DIAMOND CORP.**

## **NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017**

**(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

### **3. ADOPTION OF NEW IFRS PRONOUNCEMENTS (continued)**

#### IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 requires financial assets to be classified into three measurement categories on initial recognition: those measured at fair value through profit and loss, those measured at fair value through other comprehensive income and those measured at amortized cost. Investments in equity instruments are required to be measured by default at fair value through profit or loss. However, there is an irrevocable option to present fair value changes in other comprehensive income. Measurement and classification of financial assets is dependent on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IFRS 9 introduces a new three-stage expected credit loss model for calculating impairment for financial assets. IFRS 9 no longer requires a triggering event to have occurred before credit losses are recognized. An entity is required to recognize expected credit losses when financial instruments are initially recognized and to update the amount of expected credit losses recognized at each reporting date to reflect changes in the credit risk of the financial instruments. In addition, IFRS 9 requires additional disclosure requirements about expected credit losses and credit risk.

The completed version of IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Based on the Company's assessment, the Company does not expect this standard to have a significant measurement and disclosure impact on our financial statements.

#### IFRS 15 - Revenue from Contracts with Customers

The new revenue standard introduces a single, principles based, five-step model for the recognition of revenue when control of a good or service is transferred to the customer. The five steps are: identify the contract(s) with the customer, identify the performance obligations in the contract, determine transaction price, allocate the transaction price and recognize revenue when a performance obligation is satisfied.

IFRS 15 also requires enhanced disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers and improves the comparability of revenue from contracts with customers.

IFRS 15 will be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Based on the Company's assessment, the Company does not expect this standard to have a significant measurement and disclosure impact on our financial statements.

#### IFRS 16 - Leases

The new Leases standard requires lessees to recognize leases traditionally recorded as operating leases in the same manner as financing leases. IFRS 16 will be effective for annual periods beginning on or after January 1, 2019, with early adoption permitted. The Company is currently assessing the effect of this standard on our financial statements.

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)

#### 4. INVENTORIES

|                    | September 30, 2017 |        | December 31, 2016 |        |
|--------------------|--------------------|--------|-------------------|--------|
| Rough diamonds     | \$                 | 13,398 | \$                | 14,116 |
| Ore stockpile      |                    | 11,329 |                   | 17,089 |
| Parts and supplies |                    | 9,968  |                   | 9,647  |
|                    | \$                 | 34,695 | \$                | 40,852 |

Inventory expensed during the nine months ended September 30, 2017 totaled \$44.1 million (2016 – \$38.6 million).

#### 5. PLANT AND EQUIPMENT

| Cost                               | Construction in progress | Mine and plant facilities | Vehicles | Furniture and office equipment | Total      |
|------------------------------------|--------------------------|---------------------------|----------|--------------------------------|------------|
| <b>Balance, January 1, 2016</b>    | \$ 2,930                 | \$ 136,615                | \$ 1,165 | \$ 3,249                       | \$ 143,959 |
| Additions                          | 22,037                   | 59                        | 2        | 260                            | 22,358     |
| Disposals and other                | -                        | -                         | -        | (29)                           | (29)       |
| Reclassification                   | (10,527)                 | 9,627                     | 125      | 775                            | -          |
| Translation differences            | 326                      | 6,550                     | 56       | 166                            | 7,098      |
| <b>Balance, December 31, 2016</b>  | 14,766                   | 152,851                   | 1,348    | 4,421                          | 173,386    |
| Additions                          | 25,137                   | -                         | 119      | 50                             | 25,306     |
| Disposals and other                | -                        | -                         | (22)     | (182)                          | (204)      |
| Reclassification                   | (33,773)                 | 33,773                    | -        | -                              | -          |
| Translation differences            | 526                      | 5,379                     | 50       | 164                            | 6,119      |
| <b>Balance, September 30, 2017</b> | \$ 6,656                 | \$ 192,003                | \$ 1,495 | \$ 4,453                       | \$ 204,607 |
| <b>Accumulated depreciation</b>    |                          |                           |          |                                |            |
| <b>Balance, January 1, 2016</b>    | \$ -                     | \$ 25,473                 | \$ 1,005 | \$ 1,791                       | \$ 28,269  |
| Depletion and amortization         | -                        | 11,564                    | 78       | 480                            | 12,122     |
| Disposals and other                | -                        | -                         | -        | (16)                           | (16)       |
| Translation differences            | -                        | 1,370                     | 48       | 88                             | 1,506      |
| <b>Balance, December 31, 2016</b>  | -                        | 38,407                    | 1,131    | 2,343                          | 41,881     |
| Depletion and amortization         | -                        | 7,560                     | 83       | 628                            | 8,271      |
| Disposals and other                | -                        | -                         | (22)     | (182)                          | (204)      |
| Translation differences            | -                        | 1,371                     | 41       | 91                             | 1,503      |
| <b>Balance, September 30, 2017</b> | \$ -                     | \$ 47,338                 | \$ 1,233 | \$ 2,880                       | \$ 51,451  |
| <b>Net book value</b>              |                          |                           |          |                                |            |
| <b>As at December 31, 2016</b>     | \$ 14,766                | \$ 114,444                | \$ 217   | \$ 2,078                       | \$ 131,505 |
| <b>As at September 30, 2017</b>    | \$ 6,656                 | \$ 144,665                | \$ 262   | \$ 1,573                       | \$ 153,156 |

---

**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

**6. MINERAL PROPERTIES**

| <b>Cost</b>                                   | <b>Capitalized<br/>Production<br/>stripping<br/>asset</b> | <b>Karowe<br/>Mine</b> | <b>Total</b> |
|---|---|------------------------|--------------|
| <b>Balance, January 1, 2016</b>               | \$ 16,254   | \$ 47,569              | \$ 63,823    |
| Additions                                     | 10,983  | 1,940                  | 12,923       |
| Revision in estimate of restoration provision | -   | (295)                  | (295)        |
| Translation differences                       | 946   | 2,270                  | 3,216        |
| <b>Balance, December 31, 2016</b>             | 28,183  | 51,484                 | 79,667       |
| Additions                                     | 17,602  | 947                    | 18,549       |
| Translation differences                       | 944   | 1,780                  | 2,724        |
| <b>Balance, September 30, 2017</b>            | \$ 46,729   | \$ 54,211              | \$ 100,940   |

**Accumulated depletion**

|                                    |          |           |           |
|------------------------------------|----------|-----------|-----------|
| <b>Balance, January 1, 2016</b>    | \$ 1,025 | \$ 11,120 | \$ 12,145 |
| Depletion                          | 1,724    | 2,990     | 4,714     |
| Translation differences            | 76       | 574       | 650       |
| <b>Balance, December 31, 2016</b>  | 2,825    | 14,684    | 17,509    |
| Depletion                          | 1,487    | 1,628     | 3,115     |
| Translation differences            | 95       | 506       | 601       |
| <b>Balance, September 30, 2017</b> | \$ 4,407 | \$ 16,818 | \$ 21,225 |

**Net book value**

|                                 |           |           |           |
|---------------------------------|-----------|-----------|-----------|
| <b>As at December 31, 2016</b>  | \$ 25,358 | \$ 36,800 | \$ 62,158 |
| <b>As at September 30, 2017</b> | \$ 42,322 | \$ 37,393 | \$ 79,715 |

*Karowe Mine*

A royalty of 10% of the sales value of diamonds sold from Karowe is payable to the government of Botswana.

---

**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

**7. SHARE BASED COMPENSATION**

## (i) Stock options

The Company's stock option plan (the 'Option Plan') was approved by the shareholders of the Company on May 13, 2015 and reserves 20,000,000 as the aggregate number of shares issuable upon the exercise of all Options granted under the Option Plan. The Option Plan is subject to the Board of Directors discretion, options granted may have a vesting period of up to three years, with 1/3 of the options vesting 12 months from the date of grant; 1/3 of the options vesting 24 months from the date of grant; and the remaining 1/3 vesting 36 months from the date of grant.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

|                                      | Number of shares issuable pursuant to stock options | Weighted average exercise price per share (CA\$) |
|--------------------------------------|---|--|
| <b>Balance at December 31, 2015</b>  | <b>3,191,669</b>                                    | <b>\$ 1.63</b>                                   |
| Granted                              | 2,160,000   | 2.53   |
| Exercised                            | (2,004,999)   | 1.33   |
| <b>Balance at December 31, 2016</b>  | <b>3,346,670</b>                                    | <b>2.39</b>                                      |
| Granted                              | 910,000   | 2.78   |
| Exercised <sup>(1)</sup>             | (373,333)   | 2.27   |
| Forfeited                            | (145,000)   | 2.75   |
| <b>Balance at September 30, 2017</b> | <b>3,738,337</b>                                    | <b>\$ 2.48</b>                                   |

(1) The weighted average share price on the exercise dates for the 2017 stock option exercises was CA\$2.97 (2016: CA\$3.32).

Options to acquire common shares have been granted and are outstanding and exercisable at September 30, 2017 as follows:

| Range of exercise prices CA\$ | Outstanding Options           |   |                                      | Exercisable Options           |   |                                      |
|-------------------------------|-------------------------------|---|--------------------------------------|-------------------------------|---|--------------------------------------|
|                               | Number of options outstanding | Weighted average remaining contractual life (years) | Weighted average exercise price CA\$ | Number of options exercisable | Weighted average remaining contractual life (years) | Weighted average exercise price CA\$ |
| \$1.00 - \$2.00               | 33,334                        | 1.89  | \$ 1.80                              | 16,667                        | 1.89  | \$ 1.80                              |
| \$2.01 - \$3.00               | 3,585,003                     | 2.43  | 2.44                                 | 1,070,009                     | 2.05  | 2.31                                 |
| \$3.01 - \$4.00               | 120,000                       | 2.62  | 3.94                                 | 40,000                        | 2.62  | 3.94                                 |
|                               | <b>3,738,337</b>              | <b>2.43</b>   | <b>\$ 2.48</b>                       | <b>1,126,676</b>              | <b>2.07</b>   | <b>\$ 2.36</b>                       |

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017

(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)

### 7. SHARE BASED COMPENSATION (continued)

During the nine months ended September 30, 2017, an amount of \$0.6 million (2016 – \$0.7 million) was charged to operations in recognition of stock-based compensation expense, based on the vesting schedule for the options granted.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

|   | 2017                         | 2016                         |
|---|------------------------------|------------------------------|
| Assumptions:  |                              |                              |
| Risk-free interest rate (%)                                 | 1.02                         | 0.80                         |
| Expected life (years)                                       | 3.63                         | 3.68                         |
| Expected volatility (%)                                     | 41.78                        | 47.46                        |
| Expected dividend   | CA\$0.025/share<br>quarterly | CA\$0.015/share<br>quarterly |
| Results:  |                              |                              |
| Weighted average fair value of options granted (per option) | CA\$ 0.69                    | CA\$ 0.78                    |

#### (ii) Share units

The Company has a share unit ("SU") plan that provides for the issuance of SUs. The value of a SU at the issuance date is equal to the closing value of one Lucara common share. The SU vests in three years and each SU entitles the recipient to receive one common share and the cumulative dividend equivalent SU earned during the SU's vesting period.

For the period ended September 30, 2017, the Company recognized a share-based payment charge against income of \$0.5 million (2016: \$0.5 million) for the SUs granted during the period.

|                                      | Number of shares issuable pursuant to share units | Weighted average fair value at date of grant per share (CA\$) |
|--------------------------------------|---|---|
| <b>Balance at January 1, 2016</b>    | <b>529,889</b>                                    | <b>\$ 2.07</b>  |
| February 26, 2016 grant              | 645,000   | 2.43  |
| March 31, 2016 dividend              | 6,380   | 2.76  |
| June 16, 2016 dividend               | 4,550   | 3.89  |
| September 15, 2016 dividend          | 137,847   | 4.00  |
| November 8, 2016 vesting             | (261,589)   | 2.44  |
| December 15, 2016 dividend           | 5,416   | 2.94  |
| <b>Balance at December 31, 2016</b>  | <b>1,067,493</b>                                  | <b>2.46</b>   |
| March 8, 2017 grant                  | 283,500   | 2.75  |
| March 30, 2017 dividend              | 10,924  | 3.09  |
| June 15, 2017 dividend               | 12,110  | 2.81  |
| September 14, 2017 dividend          | 14,015  | 2.45  |
| <b>Balance at September 30, 2017</b> | <b>1,388,042</b>                                  | <b>\$ 2.53</b>  |



---

**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

**8. ADMINISTRATION**

|  | <b>Three months ended</b> |             | <b>Nine months ended</b> |             |
|--|---------------------------|-------------|--------------------------|-------------|
|  | <b>September 30,</b>      |             | <b>September 30,</b>     |             |
|  | <b>2017</b>               | <b>2016</b> | <b>2017</b>              | <b>2016</b> |
| Salaries and benefits  | \$ 1,038                  | \$ 769      | \$ 2,691                 | \$ 2,526    |
| Office and general   | 268                       | 873         | 700                      | 1,496       |
| Professional fees  | 571                       | 108         | 1,371                    | 408         |
| Marketing  | 230                       | 117         | 740                      | 426         |
| Membership   | 270                       | 66          | 650                      | 196         |
| Share-based compensation (Note 7)                            | 345                       | 445         | 1,128                    | 1,299       |
| Stock exchange, transfer agent,<br>shareholder communication | 58                        | 61          | 335                      | 270         |
| Travel   | 112                       | 457         | 414                      | 723         |
| Depreciation   | 158                       | 95          | 469                      | 279         |
| Donation (Note 9b)   | 8                         | 113         | 362                      | 468         |
| Management fees  | 105                       | 122         | 303                      | 348         |
|  | \$ 3,163                  | \$ 3,226    | \$ 9,163                 | \$ 8,439    |

**9. RELATED PARTY TRANSACTIONS***a) Key management compensation*

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's executive officers, vice-presidents and members of its Board of Directors.

The remuneration of key management personnel was as follows:

|                          | <b>Nine months ended</b> |             |
|--------------------------|--------------------------|-------------|
|                          | <b>September 30,</b>     |             |
|                          | <b>2017</b>              | <b>2016</b> |
| Salaries and wages       | \$ 2,206                 | \$ 2,845    |
| Short term benefits      | 114                      | 80          |
| Stock-based compensation | 872                      | 1,008       |
|                          | \$ 3,192                 | \$ 3,931    |

*b) Other related parties*

For the nine months ended September 30, 2017, the Company donated \$0.2 million (2016 – 0.2 million) to a charitable foundation directed by members of the Company's directors to carry out social programs on behalf of the Company.

---

**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

**10. SEGMENT INFORMATION**

The Company's primary business activity is the development and operation of diamond properties in Africa. The Company has two operating segments: Karowe Mine and Corporate and other.

**Three months ended September 30, 2017**

|                                  | <b>Karowe Mine</b> | <b>Corporate<br/>and other</b> | <b>Total</b> |
|----------------------------------|--------------------|--------------------------------|--------------|
| Revenues                         | \$ 77,911          | \$ -                           | \$ 77,911    |
| Income from mining operations    | 50,928             | (30)                           | 50,898       |
| Exploration expenditures         | (1,332)            | -                              | (1,332)      |
| Finance income (expenses)        | (223)              | (263)                          | (486)        |
| Foreign exchange                 | 1,219              | (380)                          | 839          |
| Other expenses                   | (1,709)            | (1,950)                        | (3,659)      |
| Tax expenses                     | (13,022)           | (335)                          | (13,357)     |
| Net income (loss) for the period | 35,861             | (2,958)                        | 32,903       |
| Capital expenditures             | \$ 20,343          | \$ -                           | \$ 20,343    |

**Three months ended September 30, 2016**

|                                  | <b>Karowe Mine</b> | <b>Corporate<br/>and other</b> | <b>Total</b> |
|----------------------------------|--------------------|--------------------------------|--------------|
| Revenues                         | \$ 38,098          | \$ -                           | \$ 38,098    |
| Income from mining operations    | 11,644             | (53)                           | 11,591       |
| Exploration expenditures         | (1,167)            | -                              | (1,167)      |
| Finance income (expenses)        | 70                 | (109)                          | (39)         |
| Foreign exchange                 | (5,285)            | (2,319)                        | (7,604)      |
| Other expenses                   | (2,019)            | (1,561)                        | (3,579)      |
| Tax expenses                     | (3,006)            | -                              | (3,006)      |
| Net income (loss) for the period | 237                | (4,042)                        | (3,804)      |
| Capital expenditures             | \$ 10,679          | \$ -                           | \$ 10,679    |

---

**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

---

**10. SEGMENT INFORMATION (continued)**

| <b>Nine months ended September 30, 2017</b> |                    |                            |              |
|---|--------------------|----------------------------|--------------|
|   | <b>Karowe Mine</b> | <b>Corporate and other</b> | <b>Total</b> |
| Revenues                                    | \$ 183,620         | \$ -                       | \$ 183,620   |
| Income from mining operations               | 110,344            | (85)                       | 110,259      |
| Exploration expenditures                    | (3,130)            | -                          | (3,130)      |
| Finance income (expenses)                   | (831)              | (607)                      | (1,438)      |
| Foreign exchange                            | (1,783)            | (589)                      | (2,372)      |
| Other expenses                              | (4,854)            | (6,743)                    | (11,597)     |
| Tax expenses                                | (26,992)           | (1,184)                    | (28,176)     |
| Net income (loss) for the period            | 72,754             | (9,208)                    | 63,546       |
| Capital expenditures                        | 44,411             | -                          | 44,411       |
| Total assets                                | \$ 363,380         | \$ 8,185                   | \$ 371,565   |

| <b>Nine months ended September 30, 2016</b> |                    |                            |              |
|---|--------------------|----------------------------|--------------|
|   | <b>Karowe Mine</b> | <b>Corporate and other</b> | <b>Total</b> |
| Revenues                                    | \$ 229,449         | \$ -                       | \$ 229,449   |
| Income from mining operations               | 155,381            | (123)                      | 155,258      |
| Exploration expenditures                    | (2,931)            | -                          | (2,931)      |
| Finance income (expenses)                   | 278                | (363)                      | (85)         |
| Foreign exchange                            | (8,050)            | (2,609)                    | (10,659)     |
| Other expenses                              | (5,936)            | (7,388)                    | (13,324)     |
| Tax expenses                                | (59,830)           | (8,976)                    | (68,806)     |
| Net income (loss) for the period            | 78,912             | (19,459)                   | 59,453       |
| Capital expenditures                        | 20,198             | -                          | 20,198       |
| Total assets                                | \$ 271,272         | \$ 17,913                  | \$ 289,185   |

**11. FINANCIAL INSTRUMENTS***Measurement categories and fair values*

Financial assets and liabilities have been classified into categories that determine their basis of measurement and, for items measured at fair value, whether changes in fair value are recognized in the consolidated statements of operations or consolidated statements of comprehensive income (loss). Those categories are: fair value through profit or loss; loans and receivables; available for sale assets; and, other liabilities, amortized cost.

The fair value of the Company's available for sale financial instruments is derived from quoted prices in active markets for identical assets. The fair value of all other financial instruments of the Company approximates their carrying values because of the demand nature or short-term maturity of these instruments.



# Lucara Diamond Corp.

Vancouver Corporate Office:

Suite 2000

885 West Georgia Street

Vancouver, BC

Canada V6C 3E8

[lucaradiamond.com](http://lucaradiamond.com)

T: 604 689 7842

F: 604 689 4250

E: [michelle.fyfe@lucaradiamond.com](mailto:michelle.fyfe@lucaradiamond.com)

Contact: Michelle Fyfe, Investor Relations Manager

E: [reriksson@rive6.ch](mailto:reriksson@rive6.ch)

Contact: Robert Eriksson, Investor Relations

E: [louise.mason@citigatedewerogerson.com](mailto:louise.mason@citigatedewerogerson.com)

Contact: Louise Mason, Citigate Dewe Rogerson