



LUCARA
DIAMOND

May 9, 2019

PRESS RELEASE

LUCARA ANNOUNCES Q1 2019 RESULTS

VANCOUVER, May 9, 2019 /CNW/ - (LUC - TSX, LUC - BSE, LUC - Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the quarter ended March 31, 2019.

HIGHLIGHTS FOR THE QUARTER ENDED MARCH 31, 2019

- Q1 2019 was characterized by a continuation of the strong operating performance observed during the latter half of 2018, having met or exceeded guidance with respect to all mining and processing activities including:
 - A record 0.76 million tonnes of ore processed, the best quarter in Karowe’s history
 - Ore and waste mined of 1.0 million tonnes and 2.5 million tonnes respectively
 - Carats recovered of 132,336 (including 10,899 carats recovered from re-processing historic recovery tailings from previous milling) achieving a recovered grade of 15.9 carats per hundred tonnes processed (direct milling carats)
 - Recoveries of a 240 carat top white gem and a 223 carat high white gem
 - 170 Specials were recovered during the first quarter, representing 4.1% weight percentage of total recovered carats, in line with mine plan expectations; 7 diamonds were recovered greater than 100 carats in weight
- In April 2019, the largest diamond to be mined at Karowe to date, an unbroken 1,758 carat near gem quality diamond was recovered. This recovery is the largest diamond recovered in Botswana and one of the largest diamonds in recorded history, superseding the spot held by the 1,109 carat Lesedi La Rona recovered from Karowe in 2015
- Several large, high-value Specials (single diamonds larger than 10.8 carats) were sold in the Company’s first tender of 2019 which resulted in quarterly sales revenue of \$48.7 million (Q1 2018: \$25.4 million) or \$512 per carat (Q1 2018: \$401 per carat) recognized during the quarter, consistent with management expectations
- The operating cash cost⁽¹⁾ for the three months ended March 31, 2019 was \$30.52 per tonne processed (Q1 2018: \$39.97 per tonne processed) compared to the full year forecast cash cost of \$32-\$37 per tonne processed. Operating cash cost per tonne processed was positively impacted by a reduction in waste mined and an increase in tonnes processed during the first quarter
- Q1 2019 Adjusted EBITDA⁽¹⁾ of \$23.4 million (Q1 2018: \$1.4 million) reflects the move to a blended tender process. Goods sold include both regular stones and exceptional stones which previously may have been set aside for separate tender events

(1) Non IFRS measure



- Net income for the three months ended March 31, 2019 was \$7.4 million (\$0.02 per share) as compared to a net loss of \$7.0 million (\$0.02 loss per share) in the comparative quarter of 2018
- As at March 31, 2019, the Company had cash and cash equivalents of \$17.9 million. The funds drawn on the credit facility were repaid in full during Q1 2019, leaving the \$50 million facility fully available at March 31, 2019
- The Company accrued a quarterly dividend of CA\$0.025 per share on the record date of March 22, 2019 and paid the dividend on April 11, 2019
- Clara has continued to focus on building its customer base through the first quarter after its inaugural sale in Q4 2018. Two sales were completed during Q1 2019 with rough diamond sales of \$1.4 million transacted through the platform. Clara expects to continue to grow its supply and demand concurrently through 2019 by adding third-party production to the platform as well as increasing the number of manufacturers who are buying on the platform

Eira Thomas, President & CEO commented: “Lucara’s focus on operational excellence has delivered another strong quarter, having met or exceeded guidance with respect to ore mined and processed as well as carats produced. Costs were significantly down quarter over quarter and the first sale of the year delivered revenues in excess of US\$ 47 million, in line with expectations. In April, Lucara’s technologically advanced, XRT diamond recovery circuit delivered one of the largest diamonds in recorded history, the largest diamond recovered in Botswana, and the largest diamond to be mined at Karowe to date. The unbroken 1,758 carat diamond is a testament to the remarkable nature of the Karowe resource and the strong operating environment prevailing at the mine.”

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats or otherwise noted</i>	Three months ended March 31	
	2019	2018
Revenues	\$ 48.7	\$ 25.4
Net (loss) income for the period	7.4	(7.0)
Earnings per share (basic and diluted)	0.02	(0.02)
Cash on hand	17.9	43.6
Average price per carat sold (\$/carat)*	512	401
Operating expenses per carat sold (\$/carat)*	169	231
Operating margin per carat sold (\$/carat)*	343	170

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

The Company achieved revenues of \$48.7 million or \$512 per carat for its sales in the first quarter, yielding an operating margin of \$343 per carat. In Q1 2019, the Company held a blended tender in which diamonds recovered in the period December 2018 – February 2019 were sold. The blended tender process decreases the inventory time to market of higher value diamonds. A total of 95,057 carats were sold (Q1 2018: 63,317 carats) achieving a strong first quarter average price of \$512 and with 50% more carats sold than Q1 2018.



Historically, Lucara has sold diamonds through both regular stone tenders (RSTs) and exceptional stone tenders (ESTs). In September 2018, the Company modified its tender sales to a blended tender process, combining the sale of exceptional stones with the balance of run of mine production into one sale. This change was made to decrease the inventory time for large, high value diamonds and to generate a smoother revenue profile that better supports price guidance on a per sale basis. Beginning in December 2018, certain stones from the Karowe production were offered for sale through the Clara platform.

As the number of carats increases from better recovery in the smaller, lower value sizes, the average sales price per carat is reduced accordingly. The significant increase in carats is due to continued strong performance in the plant which had a record quarter of production of 0.76 million tonnes and an improved mine call factor. The plant also achieved record high availability during Q1 2019. The increase in the number of carats available for sale in the Q1 2019 tender follows commissioning of the sub-middles circuit in Q3 2017 and increased efficiency in diamond recovery in the smaller sizes and improved mill throughput. The number of carats recovered in Q1 2019 (121,437 carats) processed from the mine was 60% higher than the number of carats recovered in Q1 2018 (75,698 carats).

Operating expenses increased from \$14.6 million in Q1 2018 to \$16.1 million in Q1 2019 due to a combination of higher volumes of ore mined and processed and an increase in the average cost per tonne mined.

Depletion and amortization expense increased from \$5.1 million in Q1 2018 to \$11.6 million in Q1 2019 due to the 50% higher volume of carats sold during the period. Depletion and amortization expense has increased significantly as compared to prior periods for several reasons: an increasing number of fine diamonds recovered following improvements to the processing circuit implemented in late 2017, a larger mineral property balance from the waste stripping campaign between 2017 and 2018, and a corresponding increase in the rate of unit of production depletion from an update to the reserve base of the mine plan in Q3 2018.

Net income and earnings per share performance were as expected and reflect the stronger carat recoveries being achieved due to the investments in the plant as well as the transition to a blended sales tender process in 2019 creating a smoother revenue profile.



QUARTERLY RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q1-19	Q4-18	Q3-18	Q2-18	Q1-18
Sales						
Revenues	US\$M	48.7	40.6	45.7	64.5 ³	25.4
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$M	48.7	40.6	41.8	68.4 ³	25.4
Sales proceeds received during the quarter	US\$M	48.7	40.6	45.7	64.5	25.4
Q2 2018 tender proceeds received post Q2 2018	US\$M	-	-	(3.9)	3.9	-
Carats sold for proceeds generated during the period	Carats	95,057	110,553	89,461	87,467	63,317
Carats sold for revenues recognized during the period	Carats	95,057	110,553	101,600	75,329	63,317
Average price per carat for proceeds generated during the period	US\$	512	367	467	782 ³	401
Average price per carat for proceeds received during the period	US\$	512	367	450	856 ³	401
Production						
Tonnes mined (ore)	Tonnes	1,011,048	563,279	1,217,016	702,825	630,242
Tonnes mined (waste)	Tonnes	2,485,548	2,743,586	3,850,225	4,416,361	3,991,648
Tonnes processed	Tonnes	763,313	602,376	728,962	698,303	599,407
Average grade processed	cpht (*)	15.9 ¹	13.3 ²	17.4	11.7	12.6
Carats recovered	Carats	132,336 ¹	81,850 ²	127,031	81,507	75,698
Costs						
Operating costs per carats sold (see page 12 Non-IRFS measures)	US\$	169	233	185	220	231
Capital expenditures	US\$M	2.4	6.5	2.4	2.7	3.9

(*) carats per hundred tonnes

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

FIRST QUARTER OVERVIEW – KAROWE MINE

Safety: Karowe had no lost time injuries during the three months ended March 31, 2019 resulting in a twelve-month rolling Lost Time Injuries Frequency Rate (“LTIFR”) of 0. As of April 30, 2019, the mine has achieved 713 days Lost Time Injury free.

Production: Ore and waste mined during the three months ended March 31, 2019 totaled 1.0 million tonnes and 2.5 million tonnes respectively. Tonnage processed was a mine quarterly record at 0.76 million tonnes, with a total of 132,336 carats recovered. Included in the total 132,336 carats recovered were 10,899 carats recovered from the re-processing of material previously milled. During Q1 2019, ore processed was blended from the North, Central and South lobes. During Q1 2019, a total of 170 Specials were recovered including 7 diamonds greater than 100 carats in weight. Recovered Specials equated to 4.1% weight percentage of total recovered carats during the quarter, in line with expectations.

Mine performance during the first quarter is reflective of the significant operational improvements being executed at the mine following the transition to a new mining contractor, Trollope Mining Services Pty (“Trollope”), in Q3 2018. Plant performance is benefiting from an improving mine call factor and increased recoveries of fine diamonds. Ore mining was stronger



than expected in the first quarter due to resource gains in the North Lobe that offset planned waste mining in the North Lobe. Due to the higher volume of ore mined in Q1 2019, no waste stripping costs were capitalized during the first quarter. Total ore and waste mining volumes are expected to be within guidance for the year, with ore mined expected to be at the higher end of guidance. A higher than expected percentage of ore mining will likely reduce the strip ratio to near or below the life of mine average of 2.46. As a result, capitalized stripping is expected to be significantly lower in 2019 than previously expected.

Karowe's operating cash cost: Karowe's year to date operating cash cost (see page 10 Non-IFRS measures) was \$30.52 per tonne processed (2018: \$39.97 per tonne processed) compared to the full year forecast of \$32-\$37 per tonne processed. The decrease in cost per tonne processed compared to the three months ended March 31, 2018 reflects lower volumes of waste tonnes mined during the quarter as the significant stripping campaign undertaken between 2017 and 2018 was largely completed in 2018, as well as an increase in tonnes processed from ongoing plant improvements. Forecast costs for the 2019 fiscal year are expected to be within guidance.

Labour relations update: In April 2019, the Botswana Mine Workers Union and Lucara Botswana entered into a Memorandum of Agreement which governs the working relationship between the two parties. The parties have entered into a period of formal wage negotiations which should be concluded in 2019. In Botswana, a majority of currently operating mines are unionized.

MINERAL RESOURCE UPDATE AND BOTSWANA EXPLORATION

Karowe Resource (AK06 kimberlite) Update

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

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

During 2018, 33 core holes totaling 20,283 metres were drilled representing approximately 83% of the originally planned drilling. During Q1 2019, \$4.2 million was spent to complete the geotechnical drilling program, geotechnical and geological logging, downhole geophysical survey, hyperspectral analysis of core, geotechnical modeling, hydrogeological drilling and



studies, and mine planning activities in support of the ongoing feasibility study. Results of the Q1 2019 analyses will be incorporated into the feasibility study with a planned completion date in Q4 2019.

Sunbird Exploration Generative Project:

The Company's exploration program in 2019 is focused on the Sunbird generative project. During Q2 2018, an agreement was signed with a Botswana company, Sunbird, to focus on the discovery of new kimberlites within the country using a proprietary UAV magnetometer platform to identify targets. Data acquisition commenced during Q2 2018 and continued through Q4 2018 incorporating over 50,000 line kilometres of high resolution magnetics. During Q1 2019, geophysical data interpretation continued and a total of 1,933 line km of high resolution magnetics was flown, field season commencing in late March 2019. A total of 12 rotary air blast holes were drilled (613m) and no kimberlite was intersected. Sunbird will continue to focus on identifying new targets through 2019.

CORPORATE UPDATE

Annual General and Special Meeting

The Company's annual general and special meeting of shareholders will be held on Friday, May 10, 2019, at 2:00 p.m. Eastern Standard Time (11:00 am Pacific) at the offices of Blake, Cassels & Graydon, LLP, Suite 4000, 199 Bay Street, Toronto, Ontario, M5L 1A9.

2019 OUTLOOK

This section of the press release provides management's production and cost estimates for 2019. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. No changes have been made to our 2019 outlook previously provided.

Karowe Diamond Mine	Full Year - 2019
<i>In millions of U.S. dollars unless otherwise noted</i>	
Diamond revenue (millions)	\$170 to \$200
Diamond sales (thousands of carats)	300 to 320
Diamonds recovered (thousands of carats)	300 to 330
Ore tonnes mined (millions)	2.5 to 2.8
Waste tonnes mined (millions)	6.0 to 9.0
Ore tonnes processed (millions)	2.5 to 2.8
Total operating cash costs ⁽¹⁾ including waste mined ⁽²⁾ (per tonne processed)	\$32.00 to \$37.00
Operating cash costs excluding waste mined (per tonne processed)	\$21.00 to \$24.00
Botswana general & administrative expenses including marketing costs (per tonne processed)	\$2.00 to \$3.00
Tax rate	22% to 29%
Average exchange rate - USD/Pula	10.5

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

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

Following the substantial completion of a significant waste stripping campaign in 2017 and 2018, total tonnes mined in 2019 are expected to be between 8.5 million and 11.8 million tonnes, of which the Company expects to mine between 2.5 million to 2.8 million tonnes of ore and between 6.0 and 9.0 million tonnes of waste. While guidance is unchanged, the average strip



ratio in 2019 is now expected to be lower than originally anticipated due to a higher percentage of ore mined during the first quarter of 2019.

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

In 2019, the Company forecasts revenues between \$170 million and \$200 million, consistent with the forecast for 2018. In 2019, diamonds recovered are expected to be between 300,000 carats and 330,000 carats and diamonds sold are expected to be between 300,000 carats and 320,000 carats. These projections include “Specials” which are diamonds that are 10.8 carats and larger but exclude the sale of any truly unique diamonds such as the 1,109 carat LLR (sold in 2017 for \$53 million) and the 813 carat Constellation (sold in 2016 for \$63.1 million). Specials are consistently recovered from the Karowe Diamond Mine and those Specials which are gem-quality contribute a significant percentage of the Company’s annual revenue.

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

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

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Friday, May 10, 2019 at 6:00 a.m. Pacific, 9:00 a.m. Eastern, 2:00 p.m. UK, 3:00 p.m. CET.

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

Conference ID:
69492463/ Lucara Diamond

Dial-In Numbers:
Toll-Free Participant Dial-In North America (+1) 888 390 0605
All International Participant Dial-In (+1) 778 383 7417

Webcast:
To view the live webcast presentation, please log on using this direct link:
<https://event.on24.com/wcc/r/1987289/4F20B3CEB1F05A4FC3D6731CF3397D5F>.



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

Conference Replay:

A replay of the telephone conference will be available two hours after the completion of the call until May 17, 2019.

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

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

The pass code for the replay is: 492463 #

On behalf of the Board,

Eira Thomas
President and Chief Executive Officer

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For further information, please contact:

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ABOUT LUCARA

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

ABOUT CLARA

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

The information in this release is accurate at the time of distribution but may be superseded or qualified by subsequent news releases.

This information is information that Lucara is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above on May 9, 2019 at 7:00 pm Pacific Time.



NON-IFRS MEASURES

This news release refers to certain financial measures, such as adjusted EBITDA, average price per carat sold, operating cost per carat sold, operating margin per carat sold and operating cost per tonne of ore processed which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position. Please refer to the Company's MD&A for the first quarter, 2019 for an explanation of non-IFRS measures used.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein and elsewhere constitute forward-looking statements as defined in applicable securities laws. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be accurate and such forward-looking information included herein should not be unduly relied upon. In particular, this release may contain forward looking information pertaining to the following: the estimates of the Company's mineral reserve and resources; estimates of the Company's production and sales volumes for the Karowe Mine; processing capabilities, recovery rates, cash flows and sales volumes for the Karowe Mine, including the potential effect of the development and integration of the proposed underground mine at Karowe on production, sales volumes and the expected life of mine; estimated costs to construct the proposed Karowe underground development and the timelines associated therewith; expected exploration and development expenditures and expected reclamation costs at the Karowe Mine including associated plans, objectives and economic estimates; expectation of diamond prices and changes to foreign currency exchange rate; expectations regarding the need to raise capital; possible impacts of disputes or litigation, the timing and ability of management to commercialize the Clara digital sales platform and other forward looking information.

There can be no assurance that such forward looking statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com>, as well as changes in general business and economic conditions, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of



mineral reserves and resources), and unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.