



Lucara Diamond

WHERE BIGGER IS™

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## NEWS RELEASE

# LUCARA REPORTS STRONG Q2 PERFORMANCE AND UPDATES ON THE PLANT OPTIMIZATION PROJECT

**AUGUST 11, 2015 (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp.** (“Lucara” or the “Company”) is pleased to report revenues of \$38.1 million for the quarter and \$67.8 million of the first six months of 2015. Revenues totalled \$138.1 million for the year to date following the exceptional stone tender in July.

### HIGHLIGHTS

**Cash flows and Diamond Revenues:** The Company achieved revenues of \$38.1 million or \$412 per carat in the second quarter of 2015, excluding \$1.6 million of proceeds received after the quarter end. Revenues for the first six months totalled \$67.8 million or \$340 per carat which were 6.9% higher than the full year dollar per carat achieved in 2014 mainly due to the increase in the number of higher value single stones sold at the regular tender.

The Company’s first exceptional stone tender of 2015, which was held after the end of the second quarter achieved revenues of \$68.7 million from the sale of 1,674 carats. The two largest diamonds, totalling 610 carats, sold for a total of \$37.1 million or \$60,639 per carat. Including the exceptional stone tender revenues, year to date diamond sales have achieved an average price of \$662 per carat which is 2.8% higher than the full year 2014.

**Net cash position:** The Company’s second quarter end cash balance was \$74.0 million compared to \$82.1 million in the previous year and \$100.8 million at the end of 2014. The June cash balance excludes \$1.6 million of cash received after the quarter end for its June tender and revenue from the Company’s exceptional stone tender held in July. The Company currently has a cash and receivable position of \$130.2 million following its July exceptional stone tender.

**Adjusted Earnings per share:** Adjusted earnings per share was \$0.02 per share for the three month period ended June 30, 2015 and \$0.04 per share for the six month period ended June 30, 2015 (\$0.10 and \$0.13 earnings per share for the three and six months to June 30, 2014 respectively).

**Karowe and the Plant Optimization Project:** Mining has performed well with ore mined in line with forecast and waste mining ahead of schedule. The plant optimization circuits have now been commissioned and fully integrated into the process facility. The XRT machines have performed extremely well recovering many of the large and high value diamonds sold in the Company’s July exceptional stone tender. The Company is currently working on optimization of the dense medium separation circuit to maximize the recovery efficiency on the smaller, lower value diamonds processed through the plant.

**Botswana Prospecting Licenses:** In 2014, the Company was awarded two precious stone prospecting licenses located within a distance of 15 km and 30 km from Karowe respectively. The Company's construction of a bulk sampling plant is largely complete. Commissioning is on schedule for the third quarter with core drilling and bulk sampling activities to commence on receipt of the approved environmental management plan.

**Dividend Paid:** The Company paid its semi-annual dividend of CDN 2 cents per share on June 18, 2015.

**William Lamb, President and Chief Executive Officer commented** "We are pleased to have achieved strong operational results and cash flows during the year, highlighted by our exceptional stone tender which the market continues to recognize as offering very high quality diamonds. The Company is currently in a very strong financial position despite what has been a more difficult period for the diamond industry.

*The plant optimization project has been completed on schedule and within budget. The large diamond recovery is performing extremely well as evidenced by the recovery of large stones that contributed to the last exceptional stone tender. We are now working on optimizing the recovery of our smaller, lower value diamonds".*

## FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended		Six months ended	
	2015	June 30 2014	2015	June 30 2014
Revenues (*)	\$ 38.1	\$ 71.0	\$ 67.8	\$ 103.8
Average price per carat sold (\$/carat)	412	836	340	540
Operating expenses per carat sold (\$/carat)	160	132	132	124
Operating margin per carat sold (\$/carat)	252	704	208	416
Net income for the period	8.6	15.6	14.7	20.7
Earnings per share (basic and diluted)	0.02	0.04	0.04	0.05
Adjusted earnings per share	0.02	0.10	0.04	0.13
Cash on hand	74.0	82.1	74.0	82.1

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

## RESULTS OF OPERATIONS

### *Karowe Mine, Botswana*

	UNIT	YTD-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
<b>Sales</b>							
Revenues	US\$m	67.8	38.1	29.7	70.5	91.2	71.0
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	69.4	39.7	29.7	70.5	66.5	95.0
Sales proceeds received during the quarter	US\$m	67.8	38.1	29.7	70.5	91.2	71.0
Q2 2015 tender proceeds received post Q2 2015	US\$m	1.6	1.6	-	-	-	-
Q2 2014 tender proceeds received post Q2 2014	US\$m	-	-	-	-	(24.8)	24.8
Q1 2014 tender proceeds received post Q1 2014	US\$m	-	-	-	-	-	(0.8)
Carats sold for proceeds generated during the period	Carats	206,954	100,177	106,777	104,405	88,364	111,900
Carats sold for revenues recognized during the period	Carats	199,150	92,373	106,777	104,405	115,362	84,915
Average price per carat for proceeds generated during the period	US\$	335	396	278	675	753	849
Average price per carat for proceeds received during the period	US\$	340	412	278	675	791	836
<b>Production</b>							
Tonnes mined (ore)	Tonnes	1,284,142	722,855	561,287	757,672	1,003,312	677,882
Tonnes mined (waste)	Tonnes	7,521,977	4,278,605	3,243,372	2,477,687	2,624,067	3,166,644
Tonnes treated	Tonnes	1,110,507	506,538	603,969	566,681	509,283	664,812
Average grade processed	cpht <sup>(*)</sup>	15.8	16.9	14.9	20.1	20.8	14.9
Carats recovered	Carats	175,791	85,714	90,077	113,950	106,162	99,142
<b>Costs</b>							
Operating costs per carats sold	US\$	132	160	108	89	122	132
Capital expenditures (including capitalized waste)							
Plant Optimization	US\$m	11.6	2.2	9.4	16.6	12.8	4.5
Sustaining capital	US\$m	3.2	2.1	1.1	2.3	1.0	1.2
Bulk Sample Plant	US\$m	0.4	0.2	0.2	2.0	-	-
Capitalized waste	US\$m	9.3	4.2	5.1	1.8	0.4	4.0
Total	US\$m	24.5	8.7	15.8	22.7	14.2	9.7

(\*) carats per hundred tonnes

### *Karowe Mine and Plant Optimization Project, Botswana*

Karowe had no lost time injuries during the quarter resulting in a year to date Lost Time Injuries Frequency Rate ("LTIFR") of 0.65.

The plant optimization circuits have now been commissioned and fully integrated into the process facility. The XRT machines processing the larger sized material have performed extremely well with many of the large high value stones sold in the July exceptional stone tender being recovered post commissioning of the XRT machines. Recovery of special stones (+10.8 carats) remained strong during the quarter with a total of 146 special stones recovered at an average size of 34.16 carats per stone. The largest stone recovered during the quarter was a 342 carat stone from the south and centre lobe interface, which was sold in July for \$20.6 million.

The Company is focused on improving the recovery of its smaller, lower value diamonds. As part of this process the Company will be milling less ore in the medium term, which will slow the recovery of diamonds across all sizes. This deferral of diamond recovery enables these stones to be recovered and sold at a later date and potentially into a stronger diamond market.

## **REVIEW OF EXPLORATION AND MOTHAE**

### *Botswana Prospecting Licenses:*

The Company was awarded two precious stone prospecting licenses located within a distance of 15 km and 30 km from the Karowe Diamond mine in 2014. Ground geophysical surveys were conducted over known kimberlite occurrences within the prospecting licenses during Q4 2014 and Q1 2015. The geophysical results confirmed the kimberlite localities and have provided information that has been used to plan our core drilling and surface sampling programs for 2015. The Company's construction of a bulk sampling plant is largely complete. Commissioning is on schedule for the third quarter with core drilling and bulk sampling activities to commence on receipt of the approved environmental management plan.

### *Mothae Diamond Project, Lesotho*

Following the signing of a memorandum of understanding ('MOU') for the sale of the Mothae Diamond project to Paragon Diamonds Limited, a share purchase agreement was entered into effective July 2, 2015 which was subsequently amended. In consideration for the sale, the Company will receive \$6.5 million cash payment and 5% of profits earned from the sale of the polished stones and/or rough diamonds not selected for polishing from the first 6.75 million tonnes of ore processed at Mothae by Paragon. The completion of the share purchase agreement is subject to the approval of the Lesotho Government. If closing of the sale does not occur by September 30, 2015 or a later date as agreed to by both parties, the share purchase agreement shall terminate.

## **OUTLOOK**

These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

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

As the Company will be milling at a slower rate for the second half of the year, the forecast for 2015 has been revised. It is expected that Karowe will process between 2.2 to 2.3 million tonnes of ore (previous guidance 2.3-2.4 million tonnes) and to sell 350,000 to 400,000 carats of diamond in 2015 (previous guidance 400,000-420,000 carats). The Company's revenue forecast has been reduced to between \$200 and \$220 million (previous guidance \$230-\$240 million) reflective of volume and a weaker diamond market.

Ore mined is consistent with previous guidance at between 2.5-2.8 million tonnes and waste mined of between 12.0-12.5 million tonnes.

Karowe's operating cash costs for the year are still forecasted within guidance of between \$33 and \$36 per tonne of ore treated.

The Company is within its guidance of \$55 million for the plant optimization project and its sustaining capital expenditures of between \$4.5-\$5.5 million for the year. The Company is also in line with its guidance of \$5 million for the purchase and installation of a mill relining machine of which up to \$3 million is forecast to be spent in 2015.

The Company maintains its forecast to spend between \$7.0-\$8.0 million on exploration.

On behalf of the Board,

William Lamb  
President and CEO

For further information, please contact:

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### **About Lucara**

Lucara is a well positioned diamond producer. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company's assets include the Karowe Mine in Botswana, two Precious Stone Exploration Licenses in Botswana and the Mothae Project in Lesotho. The 100% owned Karowe Mine is in production. The 75% owned Mothae Project is currently being divested.

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

The information in this release is subject to the disclosure requirements of Lucara Diamond Corp. under the Swedish Securities Market Act and/or the Swedish Financial Instruments Trading Act. This information was publicly communicated on August 11, 2015 at 4:00 p.m. Pacific Time.

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

This press release contains forward-looking statements and information as defined in applicable securities laws including: the estimates of the Company's mineral reserve and resources; estimates of the Company's production and sales volumes, revenue for the Karowe Mine; exploration and development plans and objectives, production costs, exploration and development expenditures. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or achieved.

Forward-looking statements are based on the assumptions, 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 and uncertainties 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. In particular, such risks include general business and economic conditions, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations), cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters and other risks and uncertainties describe under Risks and Uncertainties disclosed under the heading "Risk Factors" in the Company's most recent Annual Information Form available at <http://www.sedar.com>.

Forward-looking statements and information 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.

Readers are cautioned not to place undue reliance on forward-looking statements and information.



Lucara Diamond  
Corp.

Condensed Interim Consolidated Financial Statements  
For the three and six months ended June 30, 2015  
(Unaudited)

**LUCARA DIAMOND CORP.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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 the MD&A, it should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the three and six months ended June 30, 2015, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in U.S. dollars unless otherwise indicated. The effective date of this MD&A is August 11, 2015.

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).

### **HIGHLIGHTS**

**Cash flows and Diamond Revenues:** The Company achieved revenues of \$38.1 million or \$412 per carat in the second quarter of 2015, excluding \$1.6 million of proceeds received after the quarter end. Revenues for the first six months totalled \$67.8 million or \$340 per carat which were 6.9% higher than the full year dollar per carat achieved in 2014 mainly due to the increase in the number of higher value single stones sold at the regular tenders.

The Company's first exceptional stone tender of 2015, which was held after the end of the second quarter achieved revenues of \$68.7 million from the sale of 1,674 carats. The two largest diamonds, totalling 610 carats sold for \$37.1 million or \$60,639 per carat. Including the exceptional stone tender revenues, year to date diamond sales have achieved an average price of \$662 per carat which is 2.8% higher than the full year 2014.

**Net cash position:** The Company's second quarter end cash balance was \$74.0 million compared to \$82.1 million in the previous year and \$100.8 million at the end of 2014. The June cash balance excludes \$1.6 million of cash received after the quarter end for its June tender and revenue from the Company's exceptional stone tender held in July. The Company currently has a cash and receivable position of \$130.2 million following its July exceptional stone tender.

**Adjusted Earnings per share:** Adjusted earnings per share (see pages 5 and 7 Non-IRFS measures) was \$0.02 per share for the three month period ended June 30, 2015 and \$0.04 per share for the six month period ended June 30, 2015 (\$0.10 and \$0.13 earnings per share for the three and six months to June 30, 2014 respectively).

**Karowe and the Plant Optimization Project:** Mining has performed well with ore mined in line with forecast and waste mining ahead of schedule. The plant optimization circuits have now been commissioned and fully integrated into the process facility. The XRT machines have performed extremely well recovering many of the large and high value diamonds sold in the Company's July exceptional stone tender. The Company is currently working on optimization of the dense medium separation circuit to maximize the recovery efficiency on the smaller, lower value diamonds processed through the plant.

**Botswana Prospecting Licenses:** In 2014, the Company was awarded two precious stone prospecting licenses located within a distance of 15 km and 30 km from Karowe respectively. The Company's construction of a bulk sampling plant is largely complete. Commissioning is on schedule for the third quarter with core drilling and bulk sampling activities to commence on receipt of the approved environmental management plan.



**Dividend Paid:** The Company paid its semi-annual dividend of CDN 2 cents per share on June 18, 2015.

## FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars unless otherwise noted</i>	Three months ended		Six months ended	
	2015	June 30 2014	2015	June 30 2014
Revenues (*)	\$ 38.1	\$ 71.0	\$ 67.8	\$ 103.8
Average price per carat sold (\$/carat)	412	836	340	540
Operating expenses per carat sold (\$/carat)	160	132	132	124
Operating margin per carat sold (\$/carat)	252	704	208	416
Net income for the period	8.6	15.6	14.6	20.7
Earnings per share (basic and diluted)	0.02	0.04	0.04	0.05
Adjusted earnings per share (see pages 5 and 7 Non-IRFS measures)	0.02	0.10	0.04	0.13
Cash on hand	74.0	82.1	74.0	82.1

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

## OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2015. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

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

As the Company will be milling at a slower rate for the second half of the year, the forecast for 2015 has been revised. It is expected that Karowe will process between 2.2 to 2.3 million tonnes of ore (previous guidance 2.3-2.4 million tonnes) and to sell 350,000 to 400,000 carats of diamond in 2015 (previous guidance 400,000-420,000 carats). The Company's revenue forecast has been reduced to between \$200 and \$220 million (previous guidance \$230-\$240 million) reflective of volume and a weaker diamond market. See section 'Karowe Mine and Plant Optimization Project, Botswana' page 3 for performance summary on Karowe operations and the plant optimization project for further detail.

Ore mined is consistent with previous guidance at between 2.5-2.8 million tonnes and waste mined of between 12.0-12.5 million tonnes.

Karowe's operating cash costs for the year (see page 7 Non-IRFS measures) are still forecasted within guidance of between \$33 and \$36 per tonne of ore treated.

The Company is within its guidance of \$55 million for the plant optimization project and its sustaining capital expenditures of between \$4.5-\$5.5 million for the year. The Company is also in line with its guidance of \$5 million for the purchase and installation of a mill relining machine of which up to \$3 million is forecast to be spent in 2015.

The Company maintains its forecast to spend between \$7.0-\$8.0 million on exploration.

## 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 OMX 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 Lesotho and Botswana.

The following summarizes the Company's current land holdings:

Country	Name	Interest Held	Area (km <sup>2</sup> )
Botswana	Karowe Diamond License	100%	15.3
Botswana	Prospecting License No. 371/2014	100%	55.4
Botswana	Prospecting License No. 367/2014	100%	1.1
Lesotho	Mothae Diamond Mining Lease	75%	20.0

## RESULTS OF OPERATIONS

### *Karowe Mine, Botswana*

	UNIT	YTD-15	Q2-15	Q1-15	Q4-14	Q3-14	Q2-14
<b>Sales</b>							
Revenues	US\$m	67.8	38.1	29.7	70.5	91.2	71.0
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US\$m	69.4	39.7	29.7	70.5	66.5	95.0
Sales proceeds received during the quarter	US\$m	67.8	38.1	29.7	70.5	91.2	71.0
Q2 2015 tender proceeds received post Q2 2015	US\$m	1.6	1.6	-	-	-	-
Q2 2014 tender proceeds received post Q2 2014	US\$m	-	-	-	-	(24.8)	24.8
Q1 2014 tender proceeds received post Q1 2014	US\$m	-	-	-	-	-	(0.8)
Carats sold for proceeds generated during the period	Carats	206,954	100,177	106,777	104,405	88,364	111,900
Carats sold for revenues recognized during the period	Carats	199,150	92,373	106,777	104,405	115,362	84,915
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Carats recovered	Carats	175,791	85,714	90,077	113,950	106,162	99,142
<b>Costs</b>							
Operating costs per carats sold (see page 7 Non-IRFS measures)	US\$	132	160	108	89	122	132
Capital expenditures (including capitalized waste)							
Plant Optimization	US\$m	11.6	2.2	9.4	16.6	12.8	4.5
Sustaining capital	US\$m	3.2	2.1	1.1	2.3	1.0	1.2
Bulk Sample Plant	US\$m	0.4	0.2	0.2	2.0	-	-
Capitalized waste	US\$m	9.3	4.2	5.1	1.8	0.4	4.0
Total	US\$m	24.5	8.7	15.8	22.7	14.2	9.7
(*) carats per hundred tonnes							

### *Karowe Mine and Plant Optimization Project, Botswana*

Karowe had no lost time injuries during the quarter resulting in a year to date Lost Time Injuries Frequency Rate ("LTIFR") of 0.65.

The plant optimization circuits have now been commissioned and fully integrated into the process facility. The XRT machines processing the larger sized material have performed extremely well with many of the large high value stones sold in the July exceptional stone tender being recovered post commissioning of the XRT machines. Recovery of special stones (+10.8 carats) remained strong during the quarter with a total of 146 special stones recovered at an average size of 34.16 carats per stone. The largest stone recovered during the quarter was a 342 carat stone from the south and centre lobe interface, which was sold in July for \$20.6 million.

The Company is focused on improving the recovery of its smaller, lower value diamonds. As part of this process the Company will be milling less ore in the medium term, which will slow the recovery of diamonds across all sizes. This deferral of diamond recovery enables these stones to be recovered and sold at a later date and potentially into a stronger diamond market.

## **REVIEW OF EXPLORATION AND MOTHAE**

### *Botswana Prospecting Licenses:*

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### *Mothae Diamond Project, Lesotho*

Following the signing of a MOU for the sale of the Mothae Diamond project to Paragon Diamonds Limited, a share purchase agreement was entered into effective July 2, 2015 which was subsequently amended. In consideration for the sale, the Company will receive \$6.5 million cash payment and 5% of profits earned from the sale of the polished stones and/or rough diamonds not selected for polishing from the first 6.75 million tonnes of ore processed at Mothae by Paragon. The completion of the Share Purchase Agreement is subject to the approval of the Lesotho Government. If closing of the sale does not occur by September 30, 2015 or a later date as agreed to by both parties, the share purchase agreement shall terminate.

## SELECT FINANCIAL INFORMATION

	Three months ended		Six months ended	
	June 30		June 30	
<i>In millions of U.S. dollars unless otherwise noted</i>	2015	2014	2015	2014
Revenues	\$ 38.1	\$ 71.0	\$ 67.8	\$ 103.8
Operating expenses	(14.8)	(11.2)	(26.3)	(23.8)
Royalty expenses	(3.8)	(7.1)	(6.8)	(10.4)
<b>Operating earnings <sup>(1)</sup></b>	<b>19.5</b>	<b>52.7</b>	<b>34.7</b>	<b>69.6</b>
Administration	(2.4)	(3.8)	(4.8)	(5.9)
Care and maintenance	(0.1)	(0.1)	(0.2)	(0.6)
Sales and marketing	(0.5)	(0.9)	(1.2)	(1.8)
Exploration expenditures	(0.1)	-	(0.1)	-
<b>EBITDA <sup>(2)</sup></b>	<b>16.4</b>	<b>47.9</b>	<b>28.4</b>	<b>61.3</b>
Depletion, amortization and accretion	(3.4)	(3.2)	(7.4)	(6.8)
Finance income	0.4	-	1.0	-
Foreign exchange gain (loss)	0.7	(8.6)	2.3	(10.6)
Current income tax expense	(3.3)	(5.6)	(4.0)	(5.5)
Deferred income tax expense	(2.2)	(14.9)	(5.7)	(17.4)
<b>Net income for the period</b>	<b>8.6</b>	<b>15.6</b>	<b>14.6</b>	<b>20.7</b>
Add back: Foreign exchange loss related to intercompany loan repayment <sup>(3)</sup>	-	8.6	-	10.6
Adjusted net income for the period <sup>(4)</sup>	8.6	24.2	14.6	31.3
<b>Change in cash during the period</b>	<b>(13.5)</b>	<b>25.3</b>	<b>(26.8)</b>	<b>32.8</b>
<b>Cash on hand</b>	<b>74.0</b>	<b>82.1</b>	<b>74.0</b>	<b>82.1</b>
<b>Earnings per share (basic and diluted)</b>	<b>0.02</b>	<b>0.04</b>	<b>0.04</b>	<b>0.05</b>
<b>Adjusted earnings per share (basic and diluted) <sup>(5)</sup></b>	<b>0.02</b>	<b>0.10</b>	<b>0.04</b>	<b>0.13</b>
<b>Per carats sold</b>				
<b>Sales price</b>	<b>\$ 412</b>	<b>\$ 836</b>	<b>\$ 340</b>	<b>\$ 540</b>
<b>Operating expenses</b>	<b>160</b>	<b>132</b>	<b>132</b>	<b>124</b>
<b>Average grade (carats per hundred tonnes)</b>	<b>16.9</b>	<b>14.9</b>	<b>15.8</b>	<b>15.6</b>

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

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

<sup>(3)</sup> Foreign exchange loss related to an intercompany loan repayment between Corporate and Karowe (see page 6)

<sup>(4)</sup> Adjusted net income for the period is a non-IFRS measure defined as earnings before non-cash foreign exchange loss related to an intercompany loan repayment.

<sup>(5)</sup> Adjusted earnings per share for the period is a non-IFRS measure defined as adjusted net income<sup>(4)</sup> divided by the number of shares outstanding at the end of the period on both a basic and fully diluted basis.

### Cash operating cost per tonne ore milled:

	Six months ended	
	June 30,	
<i>In millions of U.S. dollars with the exception of tonnes milled and cash operating cost per tonne milled</i>	2015	2014
Operating expenses	\$ 26.3	\$ 23.8
Capitalized production stripping costs <sup>(1)</sup>	9.3	4.0
Net change rough diamond inventory <sup>(2)</sup>	(2.2)	2.6
Net change ore stockpile inventory <sup>(3)</sup>	(0.6)	1.1
Total cash operating costs for ore milled	32.8	31.5
Tonnes milled	1,110,507	1,345,542
<b>Cash operating cost per tonne ore milled<sup>(4)</sup></b>	<b>29.54</b>	<b>23.41</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 6 month period ended June 30, 2015 and June 30, 2014.

<sup>(3)</sup> Net change in rough diamond inventory for the 6 month period ended June 30, 2015 and June 30, 2014.

<sup>(4)</sup> Cash operating cost per tonne milled 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 diamond inventories divided by the tonnes ore milled for the period.

## ***Revenues***

During the three months ended June 30, 2015, the Company completed two diamond tenders totalling 100,177 carats. The tenders achieved gross proceeds of \$39.7 million including proceeds of \$1.6 million from the June 2015 regular diamond tender, which were received post the end of the second quarter and are reported as revenue in the third quarter. The \$1.6 million of sales were for large volume low value diamonds. The Company completed its first exceptional stone tender for 2015 in July for proceeds of \$68.7 million from the sale of 1,674 carats, which will be reported as revenue in the Company's third quarter results.

## ***Operating earnings***

Operating earnings before royalty payments for the three months ended June 30, 2015 were \$23.3 million resulting in an operating margin (before royalties and depletion, amortization and accretion) of 61%. The margin decreased compared to prior year's second quarter margins of 84% due to the timing of the Company's exceptional stone tender in 2015 which occurred during the third quarter compared to the prior year when the Company received \$49 million for its exceptional stone tender in June 2014. Operating expenses during the quarter and excluding the costs related to the diamonds received after the quarter were \$160 per carat, which resulted in an operating margin of \$252 per carat.

## ***Income Tax expense***

Total income tax expense was \$5.5 million during the three month period ended June 30, 2015, which includes a current income tax charge of \$3.3 million and a deferred income tax charge of \$2.2 million. The current tax expense has been calculated at an annualized tax rate of approximately 33.4%, which reflects the initial forecast current year tax rate based on the Company's outlook revenue guidance. The Company is subject to a variable tax rate in Botswana that increases as profit as a percentage of revenue increases.

The Company commenced its quarterly tax instalments to the Botswana government in 2015. The tax instalments are based on projected annual revenue and reflect the Company's current level of profitability and are to be paid in four instalments of \$6.8 million.

## ***Foreign exchange loss related to intercompany loan repayment:***

This foreign exchange related to Pula denominated loan between Corporate and Boteti is not applicable in 2015. A foreign exchange charge of \$7.8 million was recognized during the three months ended June 30, 2014 for this intercompany loan. The Company had historically reported foreign exchange losses following the weakening of the Botswana Pula which were calculated and reported in the Company's other comprehensive income as this loan was reported as a net investment in a foreign operation under IAS21. In 2014 the Company no longer reported this intercompany loan as a net investment in a foreign operation and as a result previous foreign exchange losses reported in other comprehensive income were charged against the statement of operations as the intercompany loan is repaid.

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

The three months ended June 30, 2015 EBITDA was \$16.4 million compared to \$47.9 million in the three month period ended June 30, 2014. The decrease in EBITDA as compared to the prior year was due to the timing of the Company exceptional stones tender compared with the prior year.

EBITDA is a non-IFRS measure and is reconciled in the table on page 5.

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

The six months ended June 30, 2015 cash operating cost per tonne milled was \$29.54 per tonne milled compared to \$23.41 per tonne milled in the six month period ended June 30, 2014. The higher cost compared to the same period in the prior year is largely due to higher waste mining in the current year as anticipated in the mine plan.

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

## LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had cash of \$74.0 million compared to \$87.5 million at March 31, 2015 and \$100.8 million at December 31, 2014.

Cash decreased during the quarter by \$13.5 million. This decrease reflects the Company's dividend payment of \$6.1 million, sustaining capital and the plant optimization project of \$4.5 million and waste stripping costs of \$4.2 million.

## SUMMARY OF QUARTERLY RESULTS

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

The Company's financial statements are reported under IFRS issued by the IASB. The following table provides highlights, extracted from the Company's financial statements, of quarterly results for the past eight quarters (unaudited):

Three months ended	Jun-15	Mar-15	Dec-14	Sept-14	Jun-14	Mar-14	Dec-13	Sept-13
A. Revenues	38,122	29,634	70,499	91,253	70,972	32,780	58,683	42,096
B. Administration expenses	(2,353)	(2,425)	(4,536)	(2,290)	(3,841)	(2,107)	(4,871)	(1,851)
C. Net income (loss) <sup>(1)</sup>	8,625	6,006	(16,819)	41,846	15,639	5,074	21,331	15,043
D. Earnings (loss) per share (basic and diluted)	0.02	0.02	(0.03)	0.11	0.04	0.01	0.05	0.04

(1) Net loss in Q4 2014 was mainly generated by the Mothae impairment and restoration charge: \$21.2 million in the period.

## NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as EBITDA, adjusted net income for the period and adjusted earnings per share for the period, 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.

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.

Adjusted net income for the period (see "Select Financial Information") is the term the Company uses to describe net income before non-cash foreign exchange loss related to intercompany repayment.

Adjusted earnings per share for the period (see "Select Financial Information") is the term the Company uses to describe adjusted net income, as defined above, divided by the basic and fully diluted number of shares at the period end.

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 milled (see "Select Financial Information") is the term the Company uses to describe operating expenses per tonne milled 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 treated, including waste capitalisation 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 on page 5.

## **RELATED PARTY TRANSACTIONS**

For the period ended June 30, 2015, the Company donated \$0.6 million for the period ended June 30, 2015 (2014 – nil) to Lundin Foundation, 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, for 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 the Company's long-term debt approximates their carrying amounts due to the fact that there have been no significant changes in the Company's own credit risk. 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 379,524,412 common shares outstanding and 3,596,670 stock options outstanding under its stock-based incentive plan and 525,304 share units outstanding. As at the same date, the Company had no stock purchase warrants outstanding.

## **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, 2014.

## **OFF-BALANCE SHEET ARRANGEMENTS**

The Company has no off-balance sheet arrangements.

## **FINANCIAL INFORMATION**

The report for the quarter ended September 30, 2015 is expected to be published on November 5, 2015.

## **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 June 30, 2015.

## **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, 2014, 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, 2014, 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 April 1, 2015 and ending June 30, 2015, 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 reserve and resources; estimates of the Company's production and sales volumes for the Karowe Mine; estimated costs to construct the Karowe Mine; start-up, exploration and development plans and objectives; production costs; exploration and development expenditures and reclamation costs; expectation of diamond price and changes to foreign currency exchange 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 Annual Information Form dated March 19, 2015 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 of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters)

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

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

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	<b>June 30, 2015</b>		<b>December 31, 2014</b>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 74,013	\$	100,839
Investments	97		56
VAT receivables and other	4,136		5,017
Tax prepayment	9,400		-
Inventories (Note 3)	30,336		32,019
	117,982		137,931
Plant and equipment (Note 4)	126,982		122,016
Mineral properties (Note 5)	57,683		52,729
Other non-current assets	4,019		4,349
<b>TOTAL ASSETS</b>	<b>\$ 306,666</b>	<b>\$</b>	<b>317,025</b>
<b>LIABILITIES</b>			
Current liabilities			
Trade payables and accrued liabilities	\$ 13,973	\$	12,384
Taxes payable	-		13,681
Current portion of restoration provisions	2,701		2,857
	16,674		28,922
Restoration provisions	15,876		15,902
Deferred income taxes (Note 8)	47,407		43,646
<b>TOTAL LIABILITIES</b>	<b>79,957</b>		<b>88,470</b>
<b>EQUITY</b>			
Share capital	286,265		286,138
Contributed surplus	4,914		4,713
Cumulative deficit	(16,597)		(25,128)
Accumulated other comprehensive loss	(47,875)		(37,182)
Total equity attributable to shareholders of the Company	226,707		228,541
Non-controlling interests	2		14
<b>TOTAL EQUITY</b>	<b>226,709</b>		<b>228,555</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 306,666</b>	<b>\$</b>	<b>317,025</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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<b>Revenues</b>	\$ 38,122	\$ 70,972	\$ 67,756	\$ 103,752
<b>Cost of goods sold</b>				
Operating expenses	14,789	11,180	26,356	23,836
Royalty expenses	3,813	7,097	6,776	10,375
Depletion, amortization and accretion	3,425	3,091	7,333	6,831
	22,027	21,368	40,465	41,042
<b>Income from mining operations</b>	16,095	49,604	27,291	62,710
<b>Other expenses</b>				
Administration (Note 7)	2,353	3,841	4,778	5,948
Care and maintenance	143	135	240	594
Exploration and expenditures	48	-	48	-
Finance (income)/expenses	(442)	(57)	(1,058)	25
Foreign exchange (gain) loss	(692)	8,644	(2,303)	10,649
Sales and marketing	534	934	1,214	1,842
	1,944	13,497	2,919	19,058
<b>Net income before tax</b>	14,151	36,107	24,372	43,652
<b>Income tax expense</b> (Note 8)				
Current income tax	3,280	5,555	3,993	5,555
Deferred income tax	2,246	14,913	5,748	17,384
	5,526	20,468	9,741	22,939
<b>Net income for the period</b>	\$ 8,625	\$ 15,639	\$ 14,631	\$ 20,713
<b>Attributable to:</b>				
Shareholders of the Company	\$ 8,640	\$ 15,656	\$ 14,661	\$ 20,787
Non-controlling interests	\$ (15)	\$ (17)	\$ (30)	\$ (74)
<b>Earnings per common share</b>				
Basic	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.05
Diluted	\$ 0.02	\$ 0.04	\$ 0.04	\$ 0.05
<b>Weighted average common shares outstanding</b>				
Basic	379,438,588	377,638,144	379,437,101	377,287,107
Diluted	380,506,093	379,778,959	380,476,872	379,444,727

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

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

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	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<b>Net income for the period</b>	\$ 8,625	\$ 15,639	\$ 14,631	\$ 20,713
<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	(19)	(59)	44	(11)
Currency translation adjustment	(1,911)	8,366	(10,739)	9,704
	(1,930)	8,307	(10,695)	9,693
<b>Comprehensive income</b>	\$ 6,695	\$ 23,946	\$ 3,936	\$ 30,406
<b>Comprehensive income attributable to:</b>				
Shareholders of the Company	6,713	23,963	3,968	30,491
Non-controlling interests	(18)	(17)	(32)	(85)
	\$ 6,695	\$ 23,946	\$ 3,936	\$ 30,406

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 June 30,		Six months ended June 30,	
	2015	2014	2015	2014
<b>Cash flows from (used in):</b>				
<b>Operating Activities</b>				
Net income for the period	\$ 8,625	\$ 15,639	\$ 14,631	\$ 20,713
Items not involving cash and cash equivalents:				
Depletion, amortization and accretion	3,579	3,187	7,548	7,020
Foreign exchange loss	-	8,636	-	10,170
Stock-based compensation	180	119	231	213
Deferred income taxes	2,246	14,869	5,748	17,340
Finance costs	(18)	-	78	66
	14,612	42,450	28,236	55,522
Net changes in working capital items:				
VAT receivables and other current assets	(324)	(7,304)	588	(7,091)
Tax prepayment	(4,052)	-	(10,064)	-
Inventories	(714)	(2,047)	(1,182)	(3,797)
Trade payables and other current liabilities	(8,389)	2,432	1,113	131
Taxes payables	-	5,555	(13,475)	5,555
	1,133	41,086	5,216	50,320
<b>Financing Activities</b>				
Proceeds from exercise of stock options	80	1,157	89	1,240
Dividends paid	(6,102)	(6,923)	(6,102)	(6,923)
Other	-	(333)	-	(333)
	(6,022)	(6,099)	(6,013)	(6,016)
<b>Investing Activities</b>				
Acquisition of plant and equipment	(4,538)	(5,621)	(15,153)	(7,493)
Capitalized production stripping costs	(4,202)	(4,031)	(9,345)	(4,031)
	(8,740)	(9,652)	(24,498)	(11,524)
<b>Effect of exchange rate change on cash and cash equivalents</b>	144	(54)	(1,531)	(46)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	(13,485)	25,281	(26,826)	32,734
<b>Cash and cash equivalents, beginning of period</b>	87,498	56,817	100,839	49,364
<b>Cash and cash equivalents, end of period</b>	\$ 74,013	\$ 82,098	\$ 74,013	\$ 82,098
<b>Supplemental Information</b>				
Interest received (paid)	635	146	1,291	176
Taxes paid	(6,730)	-	(27,055)	-
Changes in accounts payable and accrued liabilities related to plant and equipment	13	(226)	(513)	(272)

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 shares issued and outstanding	Share capital	Contributed surplus	Deficit	Accumulated other comprehensive loss	Non- controlling interests	Total
<b>Balance, January 1, 2014</b>	376,899,415	\$ 283,609	\$ 5,108	\$ (45,516)	\$ (41,820)	\$ 1,543	\$ 202,924
Exercise of stock options	1,618,666	1,755	(513)	-	-	-	1,242
Stock-based compensation	-	-	213	-	-	-	213
Unrealized loss on investments	-	-	-	-	(11)	-	(11)
Effect of foreign currency translation	-	-	-	-	9,714	(10)	9,704
Free-carried non-controlling interests	-	-	-	(23)	-	23	-
Dividends paid <sup>(1)</sup>	-	-	-	(6,923)	-	-	(6,923)
Net income for the period	-	-	-	20,787	-	(74)	20,713
<b>Balance, June 30, 2014</b>	<b>378,518,081</b>	<b>\$ 285,364</b>	<b>\$ 4,808</b>	<b>\$ (31,675)</b>	<b>\$ (32,117)</b>	<b>\$ 1,482</b>	<b>\$ 227,862</b>
<b>Balance, January 1, 2015</b>	379,369,079	\$ 286,138	\$ 4,713	\$ (25,128)	\$ (37,182)	\$ 14	\$ 228,555
Exercise of stock options	155,333	127	(38)	-	-	-	89
Stock-based compensation	-	-	231	-	-	-	231
Unrealized loss on investments	-	-	-	-	44	-	44
Effect of foreign currency translation	-	-	-	-	(10,737)	(2)	(10,739)
Free-carried non-controlling interests	-	-	-	(20)	-	20	-
Dividends paid <sup>(2)</sup>	-	-	8	(6,110)	-	-	(6,102)
Net income for the period	-	-	-	14,661	-	(30)	14,631
<b>Balance, June 30, 2015</b>	<b>379,524,412</b>	<b>\$ 286,265</b>	<b>\$ 4,914</b>	<b>\$ (16,597)</b>	<b>\$ (47,875)</b>	<b>\$ 2</b>	<b>\$ 226,709</b>

<sup>(1)</sup> On June 19, 2014, the Company paid a dividend of CA\$0.02 per share.

<sup>(2)</sup> On June 18, 2015, the Company paid a dividend of CA\$0.02 per share.

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

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015

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

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### 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 and a 75% interest in Mothae Diamond Project located in Lesotho.

The Company's common shares are listed on the TSX, NASDAQ OMX First North 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 August 11, 2015.

### 3. INVENTORIES

	<b>June 30, 2015</b>		<b>December 31, 2014</b>	
Rough diamond	\$	9,487	\$	11,703
Ore stockpile		13,226		13,849
Parts and supplies		7,623		6,467
	\$	30,336	\$	32,019

Inventory expensed during the six months ended June 30, 2015 totaled \$26.4 million (2014 – \$23.8 million).

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**4. PLANT AND EQUIPMENT**

<b>Cost</b>	<b>Construction in progress</b>	<b>Mine and plant facilities</b>	<b>Vehicles</b>	<b>Furniture and office equipment</b>	<b>Total</b>
<b>Balance, January 1, 2014</b>	\$ -	\$ 115,930	\$ 1,419	\$ 2,707	\$ 120,056
Additions	41,154	245	228	372	41,999
Disposals and other	-	-	(19)	-	(19)
Impairment	-	(5,171)	(111)	(106)	(5,388)
Translation differences	(2,473)	(9,277)	(123)	(238)	(12,111)
<b>Balance, December 31, 2014</b>	38,681	101,727	1,394	2,735	144,537
Additions	14,594	8	-	38	14,640
Reclassification	(44,967)	44,883	-	84	-
Translation differences	(1,068)	(5,310)	(60)	(124)	(6,562)
<b>Balance, June 30, 2015</b>	\$ 7,240	\$ 141,308	\$ 1,334	\$ 2,733	\$ 152,615
<b>Accumulated depreciation</b>					
<b>Balance, January 1, 2014</b>	\$ -	\$ 17,192	\$ 855	\$ 1,123	\$ 19,170
Depletion, amortization and accretion	-	9,170	388	628	10,186
Disposals and other	-	-	(13)	-	(13)
Impairment	-	(4,746)	(75)	(74)	(4,895)
Translation differences	-	(1,713)	(89)	(125)	(1,927)
<b>Balance, December 31, 2014</b>	-	19,903	1,066	1,552	22,521
Depletion, amortization and accretion	-	3,839	68	267	4,174
Disposals and other	-	-	-	-	-
Translation differences	-	(941)	(47)	(74)	(1,062)
<b>Balance, June 30, 2015</b>	\$ -	\$ 22,801	\$ 1,087	\$ 1,745	\$ 25,633
<b>Net book value</b>					
<b>As at December 31, 2014</b>	\$ 38,681	\$ 81,824	\$ 328	\$ 1,183	\$ 122,016
<b>As at June 30, 2015</b>	\$ 7,240	\$ 118,507	\$ 247	\$ 988	\$ 126,982

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**5. MINERAL PROPERTIES**

<b>Cost</b>	<b>Capitalized Production stripping asset</b>	<b>Karowe Mine</b>	<b>Mothae Diamond</b>	<b>Mothae mining license</b>	<b>Total</b>
<b>Balance, January 1, 2014</b>	\$ -	\$ 59,869	\$ 15,841	\$ 2,568	\$ 78,278
Additions	6,162	1,881	-	-	8,043
Disposals and other	-	-	(15,502)	(2,487)	(17,989)
Translation differences	(370)	(5,040)	(339)	(81)	(5,830)
<b>Balance, December 31, 2014</b>	5,792	56,710	-	-	62,502
Addition	9,345	-	-	-	9,345
Translation differences	(430)	(2,435)	-	-	(2,865)
<b>Balance, June 30, 2015</b>	\$ 14,707	\$ 54,275	\$ -	\$ -	\$ 68,982

**Accumulated depletion**

<b>Balance, January 1, 2014</b>	\$ -	\$ 6,217	\$ -	\$ -	\$ 6,217
Depletion	213	4,116	-	-	4,329
Translation differences	(13)	(760)	-	-	(773)
<b>Balance, December 31, 2014</b>	200	9,573	-	-	9,773
Depletion	342	1,641	-	-	1,983
Translation differences	(14)	(443)	-	-	(457)
<b>Balance, June 30, 2015</b>	\$ 528	\$ 10,771	\$ -	\$ -	\$ 11,299

**Net book value**

<b>As at December 31, 2014</b>	\$ 5,592	\$ 47,137	\$ -	\$ -	\$ 52,729
<b>As at June 30, 2015</b>	\$ 14,179	\$ 43,504	\$ -	\$ -	\$ 57,683

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**6. SHARE BASED COMPENSATION**

## (i) Stock options

The Company has a new stock option plan (the 'New Plan') approved by the shareholders of the Company on May 13, 2015 which reserves 20,000,000 as the aggregate number of shares issuable upon the exercise of all Options granted under the New Plan. This new plan supersedes the Company's old stock option plan (the 'Old Plan') which was a rolling stock option plan approved by the shareholders of the Company on May 31, 2011, which reserves 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. No further awards shall be granted under the Old Plan. However, any outstanding awards granted under the Old Plan shall remain outstanding and shall continue to be governed by the provisions of such plan. With regard to the New Plan, 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, 2013</b>	<b>4,208,334</b>	<b>\$ 0.76</b>
Granted	300,000	2.11
Exercised	(2,469,664)	0.80
<b>Balance at December 31, 2014</b>	<b>2,038,670</b>	<b>0.92</b>
Granted	1,720,000	2.15
Exercised <sup>(1)</sup>	(155,333)	0.70
Forfeited	(6,667)	0.70
<b>Balance at June 30, 2015</b>	<b>3,596,670</b>	<b>\$ 1.52</b>

(1) The weighted average share price on the exercise date for the 2015 stock option exercises was CA\$2.10

Options to acquire common shares have been granted and are outstanding at June 30, 2015 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\$
\$0.70 - \$1.00	1,576,670	0.92	\$ 0.70	1,526,670	0.91	\$ 0.70
\$1.01 - \$2.00	100,000	1.77	1.82	66,666	1.77	1.82
\$2.01 - \$2.50	1,920,000	3.67	2.16	133,333	1.95	2.25
	3,596,670	2.41	\$ 1.52	1,726,669	1.02	\$ 0.87

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**6. SHARE BASED COMPENSATION (continued)**

During the six months ended June 30, 2015, an amount of \$0.2 million (2014 – \$0.2 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:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Assumptions:		
Risk-free interest rate (%)	0.80	1.03
Expected life (years)	3.63	3.00
Expected volatility (%)	47.48	51.00
Expected dividend	CA\$0.02/share – semiannually	CA\$0.02/share – semiannually
Results:		
Weighted average fair value of options granted ( <i>per option</i> )	\$ 0.74	\$ 0.68

**(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 June 30, 2015, the Company recognized a share-based payment charge against income of \$0.05 million (2014: \$nil) for the SUs granted during the period.

**7. ADMINISTRATION**

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Salaries and benefits	\$ 941	\$ 1,794	\$ 1,844	\$ 2,617
Office and general	331	627	543	823
Stock-based compensation (Note 6)	180	119	231	212
Stock exchange, transfer agent, shareholder communication	210	146	389	359
Travel	256	226	429	452
Depreciation	154	96	215	189
Donation (Note 9b)	43	-	643	-
Professional fees	144	718	288	1,066
Management fees	94	115	196	230
	\$ 2,353	\$ 3,841	\$ 4,778	\$ 5,948

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**8. DEFERRED INCOME TAXES**

The movement in deferred tax liabilities during the period, without taking into consideration the offsetting balances within the same tax jurisdiction, is as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>Balance, beginning of the period</b>	\$ 43,646	\$ 14,258
Deferred income tax expense	5,748	31,692
Foreign currency translation adjustment	(1,987)	(2,304)
<b>Balance, end of the period</b>	<b>\$ 47,407</b>	<b>\$ 43,646</b>

**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 were as follows:

	<b>Six months ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
Salaries and wages	\$ 2,202	\$ 1,732
Short term benefits	46	39
Stock-based compensation	114	158
	<b>\$ 2,362</b>	<b>\$ 1,929</b>

*b) Other related parties*

For the six months ended June 30, 2015, the Company donated \$0.6 million (2014 – nil) to a charitable foundation directed by members of the Company's directors to carry out social programs on behalf of the Company.

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**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 June 30, 2015**

	<b>Karowe Mine</b>	<b>Corporate and other</b>	<b>Total</b>
Revenues	\$ 38,122	\$ -	\$ 38,122
Income from mining operations	16,141	(46)	16,095
Exploration expenditures	(48)	-	(48)
Finance income (expenses)	575	(133)	442
Foreign exchange	378	314	692
Other expenses	(1,300)	(1,730)	(3,030)
Tax expenses	(5,526)	-	(5,526)
Net income (loss) for the period	10,220	(1,595)	8,625
Capital expenditures	\$ 8,740	\$ -	\$ 8,740

**Three months ended June 30, 2014**

	<b>Karowe Mine</b>	<b>Corporate and other</b>	<b>Total</b>
Revenues	\$ 70,972	\$ -	\$ 70,972
Income from mining operations	49,652	(48)	49,604
Finance income (expenses)	202	(145)	57
Foreign exchange	(774)	(7,870)	(8,644)
Other expenses	(2,956)	(1,954)	(4,910)
Tax expenses	(20,468)	-	(20,468)
Net income (loss) for the period	25,656	(10,017)	15,639
Capital expenditures	\$ 9,652	\$ -	\$ 9,652

**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)****10. SEGMENT INFORMATION (continued)**

<b>Six months ended June 30, 2015</b>			
	<b>Karowe Mine</b>	<b>Corporate and other</b>	<b>Total</b>
Revenues	\$ 67,756	\$ -	\$ 67,756
Income from mining operations	27,388	(97)	27,291
Exploration expenditures	(48)	-	(48)
Finance income (expenses)	1,326	(268)	1,058
Foreign exchange	1,849	454	2,303
Other expenses	(2,772)	(3,460)	(6,232)
Tax expenses	(9,741)	-	(9,741)
Net income (loss) for the period	18,002	(3,371)	14,631
Capital expenditures	24,498	-	24,498
Total assets	\$ 298,810	\$ 7,856	\$ 306,666

<b>Six months ended June 30, 2014</b>			
	<b>Karowe Mine</b>	<b>Corporate and other</b>	<b>Total</b>
Revenues	\$ 103,752	\$ -	\$ 103,752
Income from mining operations	62,819	(109)	62,710
Finance income (expenses)	184	(209)	(25)
Foreign exchange	(374)	(10,275)	(10,649)
Other expenses	(4,238)	(4,146)	(8,384)
Tax expenses	(22,939)	-	(22,939)
Net income (loss) for the period	35,452	(14,739)	20,713
Capital expenditures	11,464	60	11,524
Total assets	\$ 268,882	\$ 26,476	\$ 295,358

The geographic distribution of non-current assets is as follows:

	<b>Plant and equipment</b>		<b>Mineral properties</b>		<b>Other</b>	
	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Canada	\$ 92	\$ 127	\$ -	\$ -	\$ 110	\$ 202
Lesotho	-	-	-	-	-	-
Botswana	126,890	121,889	57,683	52,729	3,909	4,147
	\$ 126,982	\$ 122,016	\$ 57,683	\$ 52,729	\$ 4,019	\$ 4,349

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**11. FINANCIAL INSTRUMENTS***a) 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, for 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 the Company's long-term debt approximates their carrying amounts due to the fact that there have been no significant changes in the Company's own credit risk. 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.

The Company's financial assets and liabilities are categorized as follows:

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>		
Loans and receivables		
Cash and cash equivalents	\$ 74,013	\$ 100,839
Other receivables	384	445
	\$ 74,397	\$ 101,284
Available for sale		
Investments	97	56
	\$ 97	\$ 56
<b>LIABILITIES</b>		
Amortized cost		
Trade payables and accrued liabilities	\$ 13,973	\$ 12,384
	\$ 13,973	\$ 12,384

*b) Fair value hierarchy*

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	<b>June 30, 2015</b>	<b>December 31, 2014</b>
Level 1		
Investments	\$ 97	\$ 56
Level 2 and Level 3 – N/A		

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2015****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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**12. SUBSEQUENT EVENT**

On July 29, 2015, the Company amended its binding memorandum of understanding ('MOU') for the sale of the Mothae Diamond project to Paragon Diamonds Limited ('Paragon'). The consideration was amended for the Company to receive \$6.5 million cash payment and 5% of profits earned from the sale of the polished stones and/or rough diamonds not selected for polishing from the first 6.75 million tonnes of ore processed at Mothae by Paragon. The completion of the MOU is subject to the approval of the Lesotho Government.





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