Lucara Diamond
WHERE BIGGER IS™

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NEWS RELEASE

THIRD QUARTER RESULTS

LUCARA GENERATES STRONG QUARTERLY CASH FLOW AND SIGNIFICANT OPERATING MARGINS

NOVEMBER 5, 2015 (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm) Lucara Diamond Corp. ("Lucara" or the "Company") is pleased to report revenues of $90.9 million for the quarter with an operating margin of 88% and revenues of $158.6 million for the nine months to September 2015.

HIGHLIGHTS:

Financial:

- EBITDA for the period was $66.8 million and year to date was $95.3 million.
- Net cash position of $122.7 million increased from $74 million at June 2015 following the Company's first exceptional stone tender and regular tender during the quarter.
- Year to date costs at $29.44 per tonne ore processed remain well controlled and marginally below forecast. Plant optimization costs and sustaining capital costs are within forecast.
- Third quarter earnings per share of $0.12 (2014: $0.11 per share). Year to date earnings per share of $0.15 (2014: $0.17 per share).
- Dividend: cumulative dividend of CND 4 cents per share to be paid to shareholders on Decembers 17, 2015

Operational:

- Tonnes processed post plant optimization commissioning improved during the quarter. Tonnes milled in the third quarter were 11% higher than the previous quarter with 100,651 carats recovered during the period.
- Fourth quarter processing is expected to be focused on south lobe ore.

Exploration:

- Exploration sampling advancing with first ore to be processed from BK02 during the fourth quarter.

William Lamb, President and Chief Executive Officer commented "Karowe continued to deliver strong cash flows in Q3, underpinned by the sale of our large, high value diamonds and our disciplined approach to cost control and allocation of capital. Further, demand for our diamonds remains high and we anticipate continued, robust free cash flow to help deliver strong shareholder returns going forward. We have been pleased with the optimized plant performance through the quarter with production returning to design capacity levels. This is particularly important as production in the fourth quarter will focus on south lobe material. The commissioning of the bulk sample plant has resulted in us advancing on our exploration activities. We look forward to updating the market on these exciting developments"

FINANCIAL UPDATE

Revenues and operating margin: The Company achieved revenues of $90.9 million or $1,081 per carat in the third quarter of 2015. The Company's third quarter operating margin was $951 per carat or 88%, which is largely due to the Company's first exceptional stone tender in 2015, which achieved proceeds of $68.7 million from the sale of 1,674 carats.

Year to date revenue to September 30, 2015 was $158.6 million or $560 per carat achieving a 77% operating margin.

Net cash position: The Company's third quarter cash ending balance was $122.7 million compared to $74 million at the end of June 2015. The increase in cash is due to the Company's exceptional stone tender and regular tender during the quarter, which generated proceeds of $89.2 million. Revenue from sales were partially offset by operating costs and royalty payments, a quarterly tax payment of $6.2 million and capital expenditures of $7.8 million during the period.

Earnings per share: Earnings per share was $0.12 for the three month period ended September 30, 2015 and $0.15 for the nine month period ended September 30, 2015 ($0.11 and $0.17 earnings per share for the three and nine months to September 30, 2014 respectively).

Dividend Paid: The Company has declared a year-end dividend of CDN 2 cents per share for a cumulative dividend of CDN 4 cents per share in 2015. The dividend is expected to be paid on December 17, 2015 to holders of securities on the record of the Company's common shares at the close of business on December 4, 2015 and represents a yield of 2.4% based on the share price of November 4th.

FINANCIAL HIGHLIGHTS

	Three months ended September 30		Nine months ended September 30	
In millions of U.S. dollars unless otherwise noted	**2015**	2014	**2015**	2014
Revenues (*)	$ 90.9	$ 91.3	$ 158.6	$ 195.0
Average price per carat sold ($/carat)	1,081	791	560	634
Operating expenses per carat sold ($/carat)	130	122	131	123
Operating margin per carat sold ($/carat)	951	669	429	511
Net income for the period	44.2	41.8	58.8	62.5
Earnings per share (basic and diluted)	0.12	0.11	0.15	0.17
Cash on hand	122.7	133.1	122.7	133.1

(*) 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	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Sales							
Revenues	US$m	158.6	90.9	38.1	29.7	70.5	91.2
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US$m	158.6	89.2	39.7	29.7	70.5	66.5
Sales proceeds received during the quarter	US$m	158.6	90.9	38.1	29.7	70.5	91.2
Q2 2015 tender proceeds received post Q2 2015	US$m	-	(1.6)	1.6	-	-	-
Q2 2014 tender proceeds received post Q2 2014	US$m	-	-	-	-	-	(24.8)
Carats sold for proceeds generated during the period	Carats	283,110	76,156	100,177	106,777	104,405	88,364
Carats sold for revenues recognized during the period	Carats	283,110	83,960	92,373	106,777	104,405	115,362
Average price per carat for proceeds generated during the period (**)	US$	560	1,171	396	278	675	753
Average price per carat for proceeds received during the period (***)	US$	560	1,081	412	278	675	791
Production							
Tonnes mined (ore)	Tonnes	2,148,322	864,180	722,855	561,287	757,672	1,003,312
Tonnes mined (waste)	Tonnes	10,746,948	3,224,971	4,278,605	3,243,372	2,477,687	2,624,067
Tonnes treated	Tonnes	1,671,008	560,501	506,538	603,969	566,681	509,283
Average grade processed	cpht (*)	16.50	18.0	16.9	14.9	20.1	20.8
Carats recovered	Carats	276,443	100,651	85,714	90,077	113,950	106,162
Costs							
Operating costs per carats sold (see page 7 Non-IRFS measures)	US$	131	130	160	108	89	122
Capital expenditures (including capitalized waste)							
Plant Optimization	US$m	14.5	2.9	2.2	9.4	16.6	12.8
Sustaining capital	US$m	4.4	1.2	2.1	1.1	2.3	1.0
Bulk Sample Plant	US$m	1.8	1.4	0.2	0.2	2.0	-
Capitalized waste	US$m	11.6	2.3	4.2	5.1	1.8	0.4
Total	US$m	32.3	7.8	8.7	15.8	22.7	14.2

(*) carats per hundred tonnes.
(**) Average price per carat for proceeds generated during the period includes all sales tendered during the period including proceeds received post the quarter end.
(***) Average price per carat for proceeds received during the period includes all sales proceeds collected during the period including proceeds received during the quarter from previous period sales tenders.

Karowe Mine

Zero lost time injuries were reported for the quarter resulting in a year to date Lost Time Injuries Frequency ("LTIFR") of 0.52.

Operational performance at Karowe was generally in line with forecast for the third quarter. Mining performed well with overall volume mined, ore tonnage mined, and ore grade mined ahead of forecast. Waste stripping to access the ore body at depth is progressing well and is ahead of forecast. Ore mining remains concentrated in the south and centre lobes.

During the third quarter a total of 160 special stones (+10.8 carats) were recovered at an average size of 33.49 carats, an increase of 34% compared to full year 2014. The specials (+10.8 carats) frequency and size distribution remains in line with ore-body model predictions. The largest stone recovered during the quarter included a 336 carat stone from the south lobe, which is expected to be sold along with twelve other stones in the second Exceptional Stone Tender of 2015. Tonnes processed in the fourth quarter are forecast to be largely from the south lobe.

Recovery of fine diamonds improved during the quarter as changes were made to the dense medium separation circuit's operating parameters. Studies to further optimize the recovery of these stones are ongoing. Processing tonnes through the mill post plant optimization commissioning were 11% higher than the previous quarter and diamond recovery was ahead of forecast at 100,651 carats during the period.

REVIEW OF EXPLORATION AND MOTHAE

Botswana Prospecting Licenses:

The Company was awarded two precious stone prospecting licenses covering the known kimberlites, BK02, AK11 and AK12 located within a distance of 15 km and 30 km from the Karowe Diamond mine in 2014. Ground geophysical surveys were conducted over the 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.

Approval has been received from the Botswana Department of Environmental Affairs ("DEA") for the extraction of samples from the BK02 kimberlite. Bulk sampling activities at BK02 have commenced with the processing of a 5000 tonne kimberlite sample expected to be completed during Q1 2016. This will be followed by a similar program at AK 11 and AK12, subject to the appropriate environmental approvals being received. Environmental permits are at an advanced stage for the proposed drilling phases of the project.

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 expects to receive $6.5 million cash payment with US$ 2 million to be paid from Paragon's initial financing and subsequent payments of $2.0 million and $2.5 million in January 2016 and March 2016 respectively. The Company expects to continue to receive 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 from Mothae by Paragon.

The completion of the Share Purchase Agreement is subject to the approval of the Lesotho Government and Paragon's completion of project financing. The initial transaction closing date of September 30, 2015 has been extended and is subject to Paragon achieving milestones in their financing schedule as agreed with Lucara.

OUTLOOK

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

Karowe Mine, Botswana

The Company continues to forecast revenue of between $200-$220 million.

The Company's forecast sales remain at between 350,000 and 400,000 carats of diamond in 2015 from the Karowe mine as in previous guidance. Karowe's operating cash costs for the year are expected to remain in line with previous guidance of between $33 and $36 per tonne of ore treated and process between 2.2 to 2.3 million tonnes of ore.

Ore mined is in line with forecast at between 2.5-2.8 million tonnes and waste mined is forecast to remain between 12.0-12.5 million tonnes

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 $5.0 million for the purchase and installation of a mill relining machine of which up to $3.0 million is forecast to be spent in 2015.

The Company maintains its forecast to spend between $7.0-$8.0 million on exploration including $5.0 million for a Bulk Sample Plant ("BSP"). The Company spent $2.0 million of this planned exploration expenditure on the BSP plant in the prior year. The total cost of the BSP plant is within forecast of $5.0 million with the remaining $5.0-$6.0m to be spent in 2015.

DIAMOND MARKET

The diamond industry continued to see softer prices, specifically in the small and medium size classes. The downward pressure is a result of large volumes of polished inventories which have increased due to a reduction in consumption in the Asia Pacific region. In addition to the high level of polished inventory, a significant volume of rough diamonds have not been sold at many of the large producers rough diamond auctions. This has resulted in an oversupply situation for specific quality and size goods across the diamond supply chain. The Company foresees a prolonged weakness in smaller lower quality goods due to the current high levels of inventories held.

Over the past twelve months, Lucara has seen similar reductions, when compared to other rough producers, in "same quality" goods. The Company has however been able to maintain a relatively consistent average diamond price due to the changes in its production profile with a greater number of high value stones being recovered from the South lobe and being sold in the regular tenders. The increase in higher value stones recovered from the south lobe and sold in the Company's regular tenders as well as the continued recovery of its exceptional diamonds has resulted in the development of a strong customer base for the Company's diamonds and differentiates Lucara in terms of its strong operating margin and cash flows.

On behalf of the Board,

William Lamb
President and CEO

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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 November 5, 2015 at 3:00 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.

Management's Discussion Analysis

And

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2015

(Unaudited)

LUCARA DIAMOND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 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 nine months ended September 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 November 5, 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.

FINANCIAL UPDATE

Revenues and operating margin: The Company achieved revenues of $90.9 million or $1,081 per carat in the third quarter of 2015. The Company's third quarter operating margin was $951 per carat or 88%, which is largely due to the Company's first exceptional stone tender in 2015, which achieved proceeds of $68.7 million from the sale of 1,674 carats.

Year to date revenue to September 30, 2015 was $158.6 million or $560 per carat achieving a 77% operating margin.

Net cash position: The Company's third quarter cash ending balance was $122.7 million compared to $74 million at the end of June 2015. The increase in cash is due to the Company's exceptional stone tender and regular tender during the quarter for proceeds of $89.2 million. Revenue from sales were partially offset by operating costs and royalty payments, a quarterly tax payment of $6.2 million and capital expenditures of $7.8 million during the period.

Earnings per share: Earnings per share was $0.12 for the three month period ended September 30, 2015 and $0.15 for the nine month period ended September 30, 2015 ($0.11 and $0.17 earnings per share for the three and nine months to September 30, 2014 respectively).

Dividend Paid: The Company paid its semi-annual dividend of CDN 2 cents per share on June 18, 2015. The Company has declared a year-end dividend of CDN 2 cents per share for a cumulative dividend of CDN 4 cents per share for the year. The dividend is expected to be paid on December 17, 2015 to holders of securities on the record of the Company's common shares at the close of business on December 4, 2015 and represents a yield of 2.4% based on the share price of November 4TH.

OPERATIONAL UPDATE

Karowe and the Plant Optimization Project: Operational performance at Karowe was generally in line with forecast at the close of the third quarter. Mining has performed well with overall volume mined, ore tonnage mined, and ore grade mined ahead of forecast. Waste stripping to access the ore body at depth is progressing well and is ahead of forecast. Ore mining remains concentrated in the south and centre lobes. Tonnes processed post plant optimization were improved and 11% higher than the previous quarter with 100,651 carats recovered during the quarter. Ore processed during the fourth quarter is expected to be largely south lobe ore.

Botswana Prospecting Licenses: In 2014, the Company was awarded two precious stone prospecting licenses covering the known kimberlites, BK02, AK11 and AK12 located within a distance of 15 km and 30 km from Karowe. The bulk sampling plant ("BSP") has been commissioned and the processing of 5000 tonnes of kimberlite from BK02 is to commence during the fourth quarter. This will be followed by a similar program at AK11 and AK12, subject to the appropriate environmental approvals being received.

FINANCIAL HIGHLIGHTS

		Three months ended September 30				Nine months ended September 30	
In millions of U.S. dollars unless otherwise noted		**2015**		2014		**2015**	2014
Revenues (*)	$	90.9	$	91.3	$	158.6	$ 195.0
Average price per carat sold ($/carat)		1,081		791		560	634
Operating expenses per carat sold ($/carat)		130		122		131	123
Operating margin per carat sold ($/carat)		951		669		429	511
Net income for the period		44.2		41.8		58.8	62.5
Earnings per share (basic and diluted)		0.12		0.11		0.15	0.17
Cash on hand		122.7		133.1		122.7	133.1

(*) 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

The Company continues to forecast revenue of between $200-$220 million.

The Company's forecast sales remain at between 350,000 and 400,000 carats of diamond in 2015 from the Karowe mine. Karowe's operating cash costs for the year (see pages 5 and 7 Non-IRFS measures) are expected to remain in line with previous guidance of between $33 and $36 per tonne of ore treated and process between 2.2 to 2.3 million tonnes of ore.

Ore mined is in line with previous guidance of between 2.5-2.8 million tonnes and waste mined is forecast to remain between 12.0-12.5 million tonnes.

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 $5.0 million for the purchase and installation of a mill relining machine of which up to $3.0 million is forecast to be spent in 2015.

The Company maintains its forecast to spend between $7.0-$8.0 million on exploration including $5.0 million for a BSP plant. The Company spent $2.0 million of this planned exploration expenditure on the BSP plant in the prior year with the remaining $5.0-$6.0m forecast to be spent in 2015.

BUSINESS OVERVIEW

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

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

The following summarizes the Company's current land holdings:

Country	Name	Interest Held	Area (km^2)
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	Q3-15	Q2-15	Q1-15	Q4-14	Q3-14
Sales							
Revenues	US$m	158.6	90.9	38.1	29.7	70.5	91.2
Proceeds generated from sales tenders conducted in the quarter are comprised of:	US$m	158.6	89.2	39.7	29.7	70.5	66.5
Sales proceeds received during the quarter	US$m	158.6	90.9	38.1	29.7	70.5	91.2
Q2 2015 tender proceeds received post Q2 2015	US$m	-	(1.6)	1.6	-	-	-
Q2 2014 tender proceeds received post Q2 2014	US$m	-	-	-	-	-	(24.8)
Carats sold for proceeds generated during the period	Carats	283,110	76,156	100,177	106,777	104,405	88,364
Carats sold for revenues recognized during the period	Carats	283,110	83,960	92,373	106,777	104,405	115,362
Average price per carat for proceeds generated during the period**	US$	560	1,171	396	278	675	753
Average price per carat for proceeds received during the period***	US$	560	1,081	412	278	675	791
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Carats recovered	Carats	276,443	100,651	85,714	90,077	113,950	106,162
Costs							
Operating costs per carats sold (see page 7 Non-IRFS measures)	US$	131	130	160	108	89	122
Capital expenditures (including capitalized waste)							
Plant Optimization	US$m	14.5	2.9	2.2	9.4	16.6	12.8
Sustaining capital	US$m	4.4	1.2	2.1	1.1	2.3	1.0
Bulk Sample Plant	US$m	1.8	1.4	0.2	0.2	2.0	-
Capitalized waste	US$m	11.6	2.3	4.2	5.1	1.8	0.4
Total	US$m	32.3	7.8	8.7	15.8	22.7	14.2

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

Karowe Mine

Zero lost time injuries were reported for the quarter resulting in a year to date Lost Time Injuries Frequency ("LTIFR") of 0.52.

Operational performance at Karowe was generally in line with forecast for the third quarter. Mining has performed well with overall volume mined, ore tonnage mined, and ore grade mined ahead of forecast. Ore mining remains concentrated in the south and centre lobes. Waste stripping to access the ore body at depth is progressing is ahead of forecast.

During the third quarter a total of 160 special stones (+10.8 carats) were recovered at an average size of 33.49 carats, an increase of 34% compared to the full year 2014. The specials (+10.8 carats) frequency and size distribution remains in line with ore-body model predictions. The largest stone recovered during the quarter included a 336 carat stone from the south lobe, which is expected to be sold along with twelve other stones in the second Exceptional Stone Tender of 2015. Tonnes processed in the fourth quarter are forecast to be largely from the south lobe.

Recovery of the fine diamonds improved during the quarter as changes were made to the dense medium separation circuit's operating parameters. Studies to further optimize the recovery of these stones are ongoing. Processing tonnes through the mill post plant optimization commissioning were 11% higher than the previous quarter and diamond recovery was ahead of forecast at 100,651 carats during the period.

REVIEW OF EXPLORATION AND MOTHAE

Botswana Prospecting Licenses:

The Company was awarded two precious stone prospecting licenses known as BK02, AK11 and AK12, 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.

Approval has been received from the Botswana Department of Environmental Affairs ("DEA") for the extraction of samples from the BK02 kimberlite. Bulk sampling activities at BK02 have commenced with the processing of a 5000 tonne kimberlite sample expected to be completed during Q1 2016. This will be followed by a similar program at AK11 and AK12, subject to the appropriate environmental approvals being received. Environmental permits are at an advanced stage for the proposed drilling phases of the project.

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 expects to receive $6.5 million cash payment with US$ 2.0 million to be paid from Paragon's initial financing and subsequent payments of $2.0 million and $2.5 million in January 2016 and March 2016 respectively. The Company expects to continue to receive 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 from Mothae by Paragon.

The completion of the Share Purchase Agreement is subject to the approval of the Lesotho Government and Paragon's completion of project financing. The initial transaction closing date of September 30, 2015 has been extended and is subject to Paragon achieving milestones in their financing schedule as agreed with Lucara.

DIAMOND MARKET

The diamond industry continued to see softer prices, specifically in the small and medium size classes. The downward pressure is a result of large volumes of polished inventories which have increased due to a reduction in consumption in the Asia Pacific region. In addition to the high level of polished inventory, a significant volume of rough diamonds has not been sold at many of the large producers rough diamond auctions. This has resulted in an oversupply situation for specific quality and size goods across the diamond supply chain. The Company foresees a prolonged weakness in smaller lower quality goods due to the current high levels of inventories held.

Over the past twelve months, Lucara has seen similar reductions, when compared to other rough producers, in "same quality" goods. The Company has however been able to maintain a relatively consistent average diamond price due to the changes in its production profile with a greater number of high value stones being recovered from the South lobe and being sold in the regular tenders. The increase in higher value stones recovered from the south lobe and sold in the Company's regular tenders as well as the continued recovery of its exceptional diamonds has resulted in the development of a strong customer base for the Company's diamonds and differentiates Lucara in terms of its strong operating margin and cash flows.

SELECT FINANCIAL INFORMATION

In millions of U.S. dollars unless otherwise noted	Three months ended September 30 **2015**	2014	Nine months ended September 30 **2015**	2014
Revenues	$ 90.9	$ 91.3	$ 158.6	$ 195.0
Operating expenses	(10.9)	(14.1)	(37.2)	(37.9)
Royalty expenses	(9.1)	(9.1)	(15.9)	(19.5)
Operating earnings [1]	**70.9**	**68.1**	**105.5**	**137.6**
Administration	(3.0)	(2.3)	(7.6)	(0.9)
Care and maintenance	(0.3)	(0.3)	(0.5)	(8.2)
Sales and marketing	(0.7)	(0.8)	(1.9)	(2.7)
Exploration expenditures	(0.1)	-	(0.2)	-
EBITDA [2]	**66.8**	**64.7**	**95.3**	**125.8**
Depletion, amortization and accretion	(3.4)	(4.1)	(10.8)	(10.9)
Finance income	-	0.1	1.1	-
Foreign exchange gain (loss)	6.2	4.4	8.5	(6.1)
Current income tax expense	(21.4)	(20.1)	(25.4)	(25.6)
Deferred income tax expense	(4.0)	(3.2)	(9.8)	(20.6)
Net income for the period	**44.2**	**41.8**	**58.9**	**62.6**
Change in cash during the period	**48.6**	**51.0**	**21.8**	**83.8**
Cash on hand	**122.7**	**133.1**	**122.7**	**133.1**
Earnings per share (basic and diluted)	**0.12**	**0.11**	**0.15**	**0.17**
Per carats sold				
Sales price	**$ 1,081**	**$ 791**	**$ 560**	**$ 634**
Operating expenses	**130**	**122**	**131**	**123**
Average grade (carats per hundred tonnes)	**18.0**	**20.8**	**16.5**	**17.1**

[1] Operating earnings is a non-IFRS measure defined as sales less operating expenses and royalty expenses.
[2] EBITDA is a non-IFRS measure defined as earnings before interest, taxation, depreciation and amortization and foreign exchange loss.

Cash operating cost per tonne ore milled: *In millions of U.S. dollars with the exception of tonnes milled and cash operating cost per tonne milled*	Nine months ended September 30, **2015**	2014
Operating expenses	$ 37.2	$ 37.9
Capitalized production stripping costs[1]	11.6	4.5
Net change rough diamond inventory[2]	(0.5)	1.3
Net change ore stockpile inventory[3]	0.9	3.1
Total cash operating costs for ore milled	49.2	46.8
Tonnes milled	1,671,008	1,854,825
Cash operating cost per tonne ore milled[4]	**29.44**	**25.23**

[1] Capitalized production stripping cost in investing activities in the Condensed interim consolidated statements of cash flows.
[2] Net change in rough diamond inventory for the 9 months period ended September 30, 2015 and September 30, 2014.
[3] Net change in ore stockpile inventory for the 9 months period ended September 30, 2015 and September 30, 2014.
[4] 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 September 30, 2015, the Company completed one regular diamond tender and one exceptional stone tender totalling 76,156 carats. The tenders achieved gross proceeds of $89.2 million excluding proceeds of $1.6 million from the June 2015 regular diamond tender, which were received and recorded as revenue in the third quarter.

Operating earnings

Operating earnings for the three months ended September 30, 2015 were $70.9 million resulting in an operating margin (before royalties and depletion, amortization and accretion) of 88%. The year to date operating margin is 77% compared to prior year of 81%. The higher year to date margin in the prior year reflects the revenues of $90.6 million from the two exceptional stone tenders in the first three quarters of 2014 compared to $68.7 million from one exceptional stone tender in the current year.

Income Tax expense

Total income tax expense was $25.4 million during the three month period ended September 30, 2015, which includes a current income tax charge of $21.4 million and a deferred income tax charge of $4.0 million. The current tax expense has been calculated at an annualized tax rate of approximately 33.4%, which reflects the current forecast of the 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 $6.2 million.

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

The three months ended September 30, 2015 EBITDA was $66.8 million compared to $64.7 million in the three month period ended September 30, 2014. Year to date EBITDA of $95.3 million is lower than the prior year of $125.8 million as the prior year included two exceptional stone tenders compared to one in the current year.

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

Cash operating cost per tonne ore milled

The nine months ended September 30, 2015 cash operating cost per tonne milled was $29.44 per tonne milled compared forecast of between $33-$36 per tonne. 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 and lower tonnes processed due to tie in of the new plant systems.

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 September 30, 2015, the Company had cash of $122.7 million compared to $74.0 million at June 30, 2015 and $100.8 million at December 31, 2014. The Company's Scotiabank $50 million credit facility remains undrawn.

Cash increased during the quarter by $48.6 million. This increase reflects cash from operating activities of $58.1 million offset primarily by the Company's capital expenditures of $7.8 million, quarterly tax instalment of $6.2 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	Sept-15	Jun-15	Mar-15	Dec-14	Sept-14	Jun-14	Mar-14	Dec-13
A. Revenues	90,878	38,122	29,634	70,499	91,253	70,972	32,780	58,683
B. Administration expenses	(3,005)	(2,353)	(2,425)	(4,536)	(2,290)	(3,841)	(2,107)	(4,871)
C. Net income (loss)(1)	44,181	8,625	6,006	(16,819)	41,846	15,639	5,074	21,331
D. Earnings (loss) per share (basic and diluted)	0.12	0.02	0.02	(0.03)	0.11	0.04	0.01	0.05

(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 Operating earnings, EBITDA, and Cash operating cost per tonne ore milled 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.

Operating expense per carats sold (see "Select Financial Information") 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 September 30, 2015, the Company donated $0.6 million for the period ended September 30, 2015 (2014 – $0.2 million) 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 379,582,746 common shares outstanding and 3,588,336 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 and 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").

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INFORMATION

The report for the year ended December 31, 2015 is expected to be published on February 23, 2016.

MANAGEMENT'S RESPONSIBILTY FOR THE FINANCIAL STATEMENTS

The Audit Committee is responsible for reviewing the contents of this document along with the interim quarterly financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight. There have been no changes in the Company's disclosure controls and procedures during the three months ended September 30, 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 July 1, 2015 and ending September 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.

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

		September 30, 2015		December 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents	$	122,650	$	100,839
Investments		65		56
VAT receivables and other		2,749		5,017
Inventories (Note 3)		33,713		32,019
		159,177		137,931
Plant and equipment (Note 4)		122,652		122,016
Mineral properties (Note 5)		55,508		52,729
Other non-current assets		3,639		4,349
TOTAL ASSETS	$	340,976	$	317,025
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	$	13,034	$	12,384
Taxes payable		4,966		13,681
Current portion of restoration provisions		2,366		2,857
		20,366		28,922
Restoration provisions		15,299		15,902
Deferred income taxes (Note 8)		48,652		43,646
TOTAL LIABILITIES		84,317		88,470
EQUITY				
Share capital		286,310		286,138
Contributed surplus		5,137		4,713
Retained earnings (deficit)		27,567		(25,128)
Accumulated other comprehensive loss		(62,378)		(37,182)
Total equity attributable to shareholders of the Company		256,636		228,541
Non-controlling interests		23		14
TOTAL EQUITY		256,659		228,555
TOTAL LIABILITIES AND EQUITY	$	340,976	$	317,025

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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues	$ 90,878	$ 91,253	$ 158,634	$ 195,005
Cost of goods sold				
Operating expenses	10,872	14,050	37,228	37,886
Royalty expenses	9,087	9,125	15,863	19,500
Depletion, amortization and accretion	3,440	4,104	10,773	10,935
	23,399	27,279	63,864	68,321
Income from mining operations	67,479	63,974	94,770	126,684
Other expenses				
Administration (Note 7)	3,005	2,290	7,783	8,238
Care and maintenance	291	258	531	852
Exploration	158	-	206	-
Finance income	(22)	(56)	(1,080)	(31)
Foreign exchange (gain) loss	(6,216)	(4,421)	(8,519)	6,228
Sales and marketing	714	823	1,928	2,665
	(2,070)	(1,106)	849	17,952
Net income before tax	69,549	65,080	93,921	108,732
Income tax expense (Note 8)				
Current income tax	21,364	20,054	25,357	25,609
Deferred income tax	4,004	3,180	9,752	20,564
	25,368	23,234	35,109	46,173
Net income for the period	$ 44,181	$ 41,846	$ 58,812	$ 62,559
Attributable to:				
Shareholders of the Company	$ 44,217	$ 41,878	$ 58,878	$ 62,665
Non-controlling interests	$ (36)	$ (32)	$ (66)	$ (106)
Earnings per common share				
Basic	$ 0.12	$ 0.11	$ 0.15	$ 0.17
Diluted	$ 0.12	$ 0.11	$ 0.15	$ 0.16
Weighted average common shares outstanding				
Basic	379,539,539	378,958,828	379,453,388	377,839,557
Diluted	380,474,383	380,477,152	380,472,653	379,856,118

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

LUCARA DIAMOND CORP.

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

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Net income for the period	$ 44,181	$ 41,846	$ 58,812	$ 62,559
Other comprehensive income				
Items that may be subsequently reclassified to net income				
Change in fair value of available-for-sale securities	(26)	(11)	18	(22)
Currency translation adjustment	(14,473)	(12,158)	(25,212)	(2,454)
	(14,499)	(12,169)	(25,194)	(2,476)
Comprehensive income	$ 29,682	$ 29,677	$ 33,618	$ 60,083
Comprehensive income attributable to:				
Shareholders of the Company	29,714	29,801	33,682	60,292
Non-controlling interests	(32)	(124)	(64)	(209)
	$ 29,682	$ 29,677	$ 33,618	$ 60,083

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 September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash flows from (used in):				
Operating Activities				
Net income for the period	$ 44,181	$ 41,846	$ 58,812	$ 62,559
Items not involving cash and cash equivalents:				
Depletion, amortization and accretion	3,569	4,200	11,117	11,221
Foreign exchange loss	-	147	-	10,317
Stock-based compensation	237	64	468	276
Deferred income taxes	4,004	3,224	9,752	20,564
Finance costs	41	72	119	138
	52,032	49,553	80,268	105,075
Net changes in working capital items:				
VAT receivables and other current assets	1,184	5,930	1,772	(1,161)
Tax prepayment	10,064	-	-	-
Inventories	(6,448)	(3,170)	(7,630)	(6,967)
Trade payables and other current liabilities	(2,638)	(1,615)	(1,525)	(1,485)
Taxes payable	3,858	17,925	(9,617)	23,480
	58,052	68,623	63,268	118,942
Financing Activities				
Proceeds from exercise of stock options	31	307	120	1,548
Dividends paid	-	-	(6,102)	(6,923)
Other	-	(2,162)	-	(2,495)
	31	(1,855)	(5,982)	(7,870)
Investing Activities				
Acquisition of plant and equipment	(5,586)	(13,747)	(20,739)	(21,240)
Capitalized production stripping costs	(2,230)	(424)	(11,575)	(4,455)
	(7,816)	(14,171)	(32,314)	(25,695)
Effect of exchange rate change on cash and cash equivalents	(1,630)	(1,562)	(3,161)	(1,608)
Increase in cash and cash equivalents during the period	48,637	51,035	21,811	83,769
Cash and cash equivalents, beginning of period	74,013	82,098	100,839	49,364
Cash and cash equivalents, end of period	$ 122,650	$ 133,133	$ 122,650	$ 133,133
Supplemental Information				
Interest received	518	120	1,809	296
Taxes paid	(6,175)	-	(33,230)	-
Changes in accounts payable and accrued liabilities related to plant and equipment	319	(32)	(194)	(304)

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	Retained Earnings (Deficit)	Accumulated other comprehensive loss	Non-controlling interests	Total
Balance, January 1, 2014	376,899,415	$ 283,609	$ 5,108	$ (45,516)	$ (41,820)	$ 1,543	$ 202,924
Exercise of stock options	2,084,999	2,175	(627)	-	-	-	1,548
Stock-based compensation	-	-	276	-	-	-	276
Unrealized loss on investments	-	-	-	-	(22)	-	(22)
Effect of foreign currency translation	-	-	-	-	(2,351)	(103)	(2,454)
Free-carried non-controlling interests	-	-	-	(54)	-	54	-
Dividends paid[1]	-	-	-	(6,923)	-	-	(6,923)
Net income for the period	-	-	-	62,665	-	(106)	62,559
Balance, September 30, 2014	378,984,414	$ 285,784	$ 4,757	$ 10,172	$ (44,193)	$ 1,388	$ 257,908
Balance, January 1, 2015	379,369,079	$ 286,138	$ 4,713	$ (25,128)	$ (37,182)	$ 14	$ 228,555
Exercise of stock options	213,667	172	(52)	-	-	-	120
Stock-based compensation	-	-	468	-	-	-	468
Unrealized loss on investments	-	-	-	-	18	-	18
Effect of foreign currency translation	-	-	-	-	(25,214)	2	(25,212)
Free-carried non-controlling interests	-	-	-	(73)	-	73	-
Dividends paid[2]	-	-	8	(6,110)	-	-	(6,102)
Net income for the period	-	-	-	58,878	-	(66)	58,812
Balance, September 30, 2015	379,582,746	$ 286,310	$ 5,137	$ 27,567	$ (62,378)	$ 23	$ 256,659

(1) On June 19, 2014, the Company paid a dividend of CA$0.02 per share.
(2) 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.

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

1. NATURE OF OPERATIONS

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the "Company") is a diamond mining company focused on the development and operation of diamond properties in Africa. The Company holds a 100% interest in the Karowe Mine (previously named AK6 Diamond Project) located in Botswana 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 November 5, 2015.

3. INVENTORIES

	September 30, 2015	December 31, 2014
Rough diamond	$ 11,241	$ 11,703
Ore stockpile	14,741	13,849
Parts and supplies	7,731	6,467
	$ 33,713	$ 32,019

Inventory expensed during the nine months ended September 30, 2015 totaled $37.2 million (2014 – $37.9 million).

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

4. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2014	$ -	$ 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)
Balance, December 31, 2014	38,681	101,727	1,394	2,735	144,537
Additions	20,492	12	-	41	20,545
Reclassification	(47,300)	46,659	-	641	-
Translation differences	(2,106)	(12,773)	(136)	(315)	(15,330)
Balance, September 30, 2015	$ 9,767	$ 135,625	$ 1,258	$ 3,102	$ 149,752
Accumulated depreciation					
Balance, January 1, 2014	$ -	$ 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)
Balance, December 31, 2014	-	19,903	1,066	1,552	22,521
Depletion, amortization and accretion	-	6,730	96	396	7,222
Translation differences	-	(2,354)	(109)	(180)	(2,643)
Balance, September 30, 2015	$ -	$ 24,279	$ 1,053	$ 1,768	$ 27,100
Net book value					
As at December 31, 2014	$ 38,681	$ 81,824	$ 328	$ 1,183	$ 122,016
As at September 30, 2015	$ 9,767	$ 111,346	$ 205	$ 1,334	$ 122,652

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

5. MINERAL PROPERTIES

Cost	Capitalized Production stripping asset	Karowe Mine	Mothae Diamond (*)	Mothae mining license (*)	Total
Balance, January 1, 2014	$ -	$ 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)
Balance, December 31, 2014	5,792	56,710	-	-	62,502
Additions	11,575	-	-	-	11,575
Translation differences	(1,258)	(5,464)	-	-	(6,722)
Balance, September 30, 2015	$ 16,109	$ 51,246	$ -	$ -	$ 67,355
Accumulated depletion					
Balance, January 1, 2014	$ -	$ 6,217	$ -	$ -	$ 6,217
Depletion	213	4,116	-	-	4,329
Translation differences	(13)	(760)	-	-	(773)
Balance, December 31, 2014	200	9,573	-	-	9,773
Depletion	655	2,554	-	-	3,209
Translation differences	(58)	(1,077)	-	-	(1,135)
Balance, September 30, 2015	$ 797	$ 11,050	$ -	$ -	$ 11,847
Net book value					
As at December 31, 2014	$ 5,592	$ 47,137	$ -	$ -	$ 52,729
As at September 30, 2015	$ 15,312	$ 40,196	$ -	$ -	$ 55,508

(*) Following the signing of a binding memorandum of understanding ('MOU') for the sale of the Mothae Diamond project to Paragon Diamonds Limited ('Paragon') on May 1, 2015, a share purchase agreement was entered into effective July 2, 2015 which was subsequently amended. In consideration for the sale, the Company is expected to receive $6.5 million cash payment with $2 million to be paid from Paragon's initial financing and subsequent payments of $2 million and $2.5 million in January 2016 and March 2016 respectively. The Company is expected to continue to receive 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 and Paragon's completion of project financing. The initial transaction closing date of September 30, 2015 has been extended and is subject to Paragon achieving milestones in their financing schedule as agreed with Lucara.

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

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$)
Balance at December 31, 2013	**4,208,334**	**$ 0.76**
Granted	300,000	2.11
Exercised	(2,469,664)	0.80
Balance at December 31, 2014	**2,038,670**	**0.92**
Granted	1,770,000	2.14
Exercised[(1)]	(213,667)	0.70
Forfeited	(6,667)	0.70
Balance at September 30, 2015	**3,588,336**	**$ 1.54**

(1) The weighted average share price on the exercise date for the 2015 stock option exercises was CA$1.95

Options to acquire common shares have been granted and are outstanding at September 30, 2015 as follows:

	Outstanding Options			**Exercisable Options**		
Range of exercise prices CA$	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	1,518,336	0.68	$ 0.70	1,518,336	0.67	$ 0.70
$1.01 - $2.00	150,000	1.97	1.81	66,666	1.52	1.82
$2.01 - $2.50	1,920,000	3.42	2.16	133,333	1.69	2.25
	3,588,336	2.20	$ 1.54	1,718,335	0.78	$ 0.88

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

6. SHARE BASED COMPENSATION (continued)

During the nine months ended September 30, 2015, an amount of $0.5 million (2014 – $0.3 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:

	September 30, 2015	December 31, 2014
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 *(per option)*	$ 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 September 30, 2015, the Company recognized a share-based payment charge against income of $0.1 million (2014: $nil) for the SUs granted during the period.

7. ADMINISTRATION

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Salaries and benefits	$ 722	$ 786	$ 2,566	$ 3,403
Office and general	651	405	1,204	1,227
Professional fees	443	210	731	1,277
Marketing	539	92	745	224
Stock-based compensation (Note 6)	237	64	468	276
Stock exchange, transfer agent, shareholder communication	50	42	233	268
Travel	160	250	589	701
Depreciation	129	97	344	286
Donation (Note 9b)	-	229	632	229
Management fees	74	115	271	347
	$ 3,005	$ 2,290	$ 7,783	$ 8,238

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

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:

	September 30, 2015	December 31, 2014
Balance, beginning of the period	$ 43,646	$ 14,258
Deferred income tax expense	9,752	31,692
Foreign currency translation adjustment	(4,746)	(2,304)
Balance, end of the period	$ 48,652	$ 43,646

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:

	Nine months ended September 30, 2015	2014
Salaries and wages	$ 2,643	$ 2,113
Short term benefits	50	54
Stock-based compensation	197	200
	$ 2,890	$ 2,367

b) Other related parties

For the nine months ended September 30, 2015, the Company donated $0.6 million (2014 – 0.2 million) to a charitable foundation directed by members of the Company's directors to carry out social programs on behalf of the Company.

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

10. SEGMENT INFORMATION

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

Three months ended September 30, 2015

	Karowe Mine	Corporate and other	Total
Revenues	$ 90,878	$ -	$ 90,878
Income from mining operations	67,476	3	67,479
Exploration expenditures	(158)	-	(158)
Finance income (expenses)	159	(137)	22
Foreign exchange	6,053	163	6,216
Other expenses	(1,718)	(2,292)	(4,010)
Tax expenses	(24,532)	(836)	(25,368)
Net income (loss) for the period	47,280	(3,099)	44,181
Capital expenditures	$ 7,816	$ -	$ 7,816

Three months ended September 30, 2014

	Karowe Mine	Corporate and other	Total
Revenues	$ 91,253	$ -	$ 91,253
Income (loss) from mining operations	64,038	(64)	63,974
Finance income (expenses)	175	(119)	(258)
Other income (expenses)	2,924	(1,874)	1,050
Tax expenses	(23,234)	-	(23,234)
Net income (loss) for the period	43,902	(2,057)	41,846
Capital expenditures	$ 14,118	$ 22	$ 14,140

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

10. SEGMENT INFORMATION (continued)

Nine months ended September 30, 2015

	Karowe Mine	Corporate and other	Total
Revenues	$ 158,634	$ -	$ 158,634
Income (loss) from mining operations	94,864	(94)	94,770
Exploration expenditures	(206)	-	(206)
Finance income (expenses)	1,485	(405)	1,080
Foreign exchange	7,902	617	8,519
Other expenses	(4,490)	(5,752)	(10,242)
Tax expenses	(34,273)	(836)	(35,109)
Net income (loss) for the period	65,282	(6,470)	58,812
Capital expenditures	32,314	-	32,314
Total assets	$ 335,714	$ 5,262	$ 340,976

Nine months ended September 30, 2014

	Karowe Mine	Corporate and other	Total
Revenues	$ 195,005	$ -	$ 195,005
Income (loss) from mining operations	126,856	(172)	126,684
Finance income (expenses)	358	(327)	31
Other expenses	(1,687)	(16,296)	(17,983)
Tax expenses	(46,173)	-	(46,173)
Net income (loss) for the period	79,354	(16,795)	62,559
Capital expenditures	25,310	82	25,392
Total assets	$ 321,051	$ 23,944	$ 344,995

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

	Plant and equipment		Mineral properties		Other	
	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014	September 30, 2015	December 31, 2014
Canada	$ 72	$ 127	$ -	$ -	$ 64	$ 202
Lesotho	-	-	-	-	-	-
Botswana	122,580	121,889	55,508	52,729	3,575	4,147
	$ 122,652	$ 122,016	$ 55,508	$ 52,729	$ 3,639	$ 4,349

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

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:

		September 30, 2015		December 31, 2014
ASSETS				
Loans and receivables				
Cash and cash equivalents	$	122,650	$	100,839
Other receivables		371		445
	$	123,021	$	101,284
Available for sale				
Investments		65		56
	$	65	$	56
LIABILITIES				
Amortized cost				
Trade payables and accrued liabilities	$	13,034	$	12,384
	$	13,034	$	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).

		September 30, 2015		December 31, 2014
Level 1				
Investments	$	65	$	56
Level 2 and Level 3 – N/A				

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