



Lucara Diamond

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NEWS RELEASE

LUCARA DIAMOND ANNOUNCES ACQUISITION OF CLARA DIAMOND SOLUTIONS CORPORATION

February 25, 2018

Lucara Diamond Corp. (“**Lucara**” or the “**Company**”) wishes to announce the acquisition of Clara Diamond Solutions Corp. (“**Clara**”), a company whose primary asset is a secure, digital sales platform that will transform how rough diamonds are sold, unlocking value for diamond producers and manufacturers alike. Clara uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies and ensuring diamond provenance from mine to finger. Lucara has agreed to purchase Clara for a total up-front consideration of 13.1 million shares of Lucara (approximately \$29 million in up-front consideration based on the closing price of Lucara common shares as at February 22, 2018) resulting in approximately 3.7% dilution to its existing share capital.

The Clara Diamond Platform

- *Clara is a commercially scalable, digital platform that applies computing algorithms to match rough diamond production to specific polished manufacturing demand on a stone by stone basis*
- *Clara allows buyers to source rough diamonds tailored to specific polished diamond demand resulting in improved margins for both buyers and sellers*
- *Efficiently integrates with blockchain technology, ensuring provenance tracking across the entire diamond supply chain*
- *Encourages adoption of technology and accelerates innovation across the supply chain*
- *Eliminates dependency on a fixed sales cycle, reducing unwanted carrying costs for all stakeholders*

Lucara intends to commercialize the Clara platform in the coming months using a selection of the diamond production from the company’s Karowe Diamond Mine. Thereafter, Clara will be scaled to accommodate diamond uptake from a variety of sources across the supply chain. Testing on the platform has demonstrated the potential to unlock greater than 20% of value throughout the diamond pipeline to the benefit of all participants. Clara’s revenue model will be based on capturing a portion of this incremental value.

Expected Benefits to Lucara

- *Provides an affordable, potentially high value, near term growth platform, compatible with the Company's core diamond mining business*
- *Non-cash transaction with no expected impact on the dividend*
- *Expansion of Lucara's customer base, engaging new participants in the rough diamond supply chain and is expected to result in higher realized prices for its rough*
- *Provides stable, continuous cashflow that is no longer tied to a fixed sales cycle*
- *Diversifies Lucara's existing business model with the potential to deliver strong cashflows to supplement revenue from the Karowe diamond mine*
- *Supports Lucara's reputation as an industry-leader in the adoption of new technology having invested in a technologically advanced mine design to optimize revenues and minimizing diamond losses through and building on the successful integration of XRT technology*
- *Acquisition of a digital business solution that uses blockchain to unlock value and ensure diamond provenance, integrity and transparency throughout the value chain*

Acquisition Terms

Lucara has agreed to purchase Clara for up-front consideration of 13.1 million shares of Lucara (approximately \$29 million in up-front consideration based on the closing price of Lucara common shares as at February 22, 2018) resulting in approximately 3.7% dilution to its existing share capital. Further staged equity payments totaling 13.4 million shares become payable upon the achievement of performance milestones related to total revenues (revenues from rough diamonds bought and sold) generated through the platform. In the event that (i) Lucara's ownership over the Clara platform decreases below 81% or (ii) a third party acquires greater than 50% of Lucara or Lucara merges with a third party such that the current shareholders of Lucara own less than 50% of the merged entity, all of the milestones set forth above will, subject to certain exceptions, be deemed to be met immediately and the balance of the 13.4 million shares will become issuable. However, if the acquisition or merger of Lucara occurs more than three years after Lucara's acquisition of Clara, and the first revenue milestone has not yet been met, the 13.4 million shares will not vest and will only become issuable as and when the milestones are met.

Lucara has also agreed to a profit sharing mechanism whereby the founders of the Clara technology, and management of Clara, will retain 13.33% and 6.67%, respectively, of the annual EBITDA generated by the platform, to a maximum of US\$25 million per year, for 10 years.

Eira Thomas, a current director of Lucara, was a shareholder of Clara and was issued a total of 1,192,000 shares of Lucara in consideration for her shares of Clara and, subject to Clara achieving the milestones described above (or upon the occurrence of a change of control event described above), Ms. Thomas will be issued up to an additional 1,788,001 shares of Lucara upon those milestones being achieved or a change of control event occurring. Ms. Thomas is also part of the existing and ongoing management team at Clara and, accordingly, will be a participant in the EBITDA sharing arrangement described above. As a result of the initial payment made by Lucara in respect of the Clara acquisition, based on the current amount of issued and outstanding shares of Lucara and those shares to be issued pursuant to the initial payment for Clara, Ms. Thomas will own 1.36% of the issued and outstanding shares of Lucara immediately after the closing of the acquisition.

As a result of the foregoing, the issuance of Lucara shares to Ms. Thomas is considered to be a “related party transaction” as defined under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). Lucara is relying on the exemptions from the formal valuation and minority approval requirements found in sections 5.5(a) and 5.7(1)(a) of MI 61-101, as the fair market value of the transaction, insofar as it involves Ms. Thomas, is not more than 25% of Lucara’s market capitalization. The acquisition of Clara was unanimously approved by the independent directors of Lucara (with Ms. Thomas abstaining). The acquisition of Clara may close prior to the expiry of the 21 day period following the filing of the material change report respecting this announcement if management of Lucara determines it to be necessary for sound business reasons.

BMO Capital Markets acted as financial advisors and Blake, Cassels & Graydon LLP were legal counsel to Lucara on the transaction. DuMoulin Black LLP were legal advisors to Clara and Stikeman Elliott LLP were legal advisors to the founders of Clara.

The Company will host a conference call and webcast to discuss this corporate update on Monday, February 26, 2018, at 6:00 a.m. Pacific, 9:00 a.m. Eastern, 3:00 p.m. CET, and 2:00 p.m. GMT.

CONFERENCE CALL

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

Conference ID:

3283457 / Lucara Diamond

Dial-In Numbers:

Toll-Free Participant Dial-In North America: +1-844-892-6587

All International Participant Dial-In: +1-661-378-9938

WEBCAST

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

<https://edge.media-server.com/m6/p/qgn7hogh>

The presentation slideshow can be obtained in PDF format by contacting info@lucaradiamond.com at least 10 minutes before the conference call, and a copy will be emailed to you.

CONFERENCE REPLAY

A replay of the telephone conference will be available two hours after the completion of the call until March 5, 2018.

Replay number (Toll Free North America): +1-855-859-2056

Replay number (International): +1-404-537-3406

The pass code for the replay is: 3283457

On behalf of the Board,

William Lamb
President and CEO

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For further information, please contact:

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About Lucara

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

The 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 the Company under the EU Market Abuse Regulation and the Swedish Securities Market Act. This information was publicly communicated on February 25, 2018 at 2:15 p.m. Pacific Time.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

regarding the timing of commercialization of Clara's technology, its ability to unlock value and improve margins, expansion of customer base, stability of cashflows; the timing and completion of the acquisition of Clara, whether any EBITDA sharing payments will be made and the quantum thereof, and the timing or achievement of any revenue milestones and resulting issuance of shares and other forward looking information.

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

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.