Lucara Diamond Corp.

885 W. Georgia Street, Suite 2000 | Vancouver, BC, Canada V6C 3E8
Tel: 604 689 7842 | Fax: 604 689 4250
lucara@namdo.com | lucaradiamond.com

LUCARA DIAMOND CORP THIRD QUARTER RESULTS

NOVEMBER 8, 2013 (LUC – TSX, LUC – BSE, LUC – NASDAQ OMX First North) … Lucara Diamond Corp. ("Lucara" or the "Company") today reported quarterly proceeds of $50.9 million at an average sales price of $625 per carat and operating expenses of $110 per carat.

Lucara also announced today that its strong cash flow generation has resulted in the Company fully repaying its $50 million debenture during the fourth quarter.

THIRD QUARTER 2013 HIGHLIGHTS

Safety: There were no Lost Time Injury ("LTI's") and no reportable environmental incidents at Karowe during the quarter. Karowe's year to date Lost Time Injuries Frequency Rate ("LTIFR") is 0.25. LTIFR is defined as the total number of work hours lost per 200,000 work hours.

Cash flows and cash operating margins: The Company achieved proceeds of $50.9 million ($625 per carat) during the quarter, of which $10.9 million was received in October for its late September tender. At average operating expenses of $110 per carat, the cash operating margin achieved for the quarter was $515 per carat. Sales during the quarter included one tender of over 80,000 carats and the Company's second exceptional stone tender during the quarter.

Full year to date sales of 328,000 carats have achieved proceeds of $132.7 million, or $404 per carat, which exceeds previous full year 2013 revenue guidance. The Company has achieved a year to date cash operating margin of $308 per carat based on operating expenses of $96 per carat.

Exceptional stone tenders: The Company continued to recover exceptional diamonds, resulting in a second large stone tender during the quarter achieving revenues of $24.7 million ($24,025 per carat). The Company's two exceptional tenders have contributed $49.3 million ($26,745 per carat) of revenue. Based on the continued recovery of exceptional stones the Company is planning a third exceptional stone sale in late November. The sale is planned to include 14 stones with 4 stones in excess of 100 carats.

Net cash position: Third quarter cash flows have significantly strengthened the Company's balance sheet with quarter end cash of $33.6 million and a net cash position (total cash and cash equivalents less short and long term debt) of $17.5m. In early October, this cash position was further strengthened following the receipt of $10.9 million of gross proceeds from its late September tender. The outstanding debenture balance at September 30 of $16.6 million was subsequently repaid after the quarter end, fully repaying the $50 million debenture.

Karowe operating performance: Karowe's mined tonnes and tonnes milled were in line with budget during the quarter. The Company advanced access to deeper sections of the south lobe and currently has three months of exposed ore providing flexibility in terms of process plant feed.

William Lamb, President and Chief Executive Officer commented "Proceeds in excess of $132 million highlight an exceptional nine month performance for Lucara. We have sold over 328,000 carats at an average price exceeding $400 per carat compared to an average operating cost of $96 per carat. A differentiator for Lucara has been the occurrence of large and exceptional stones, with two sales this year generating proceeds of $49.3 million. We are pleased to announce the continuation of our exceptional diamond recoveries with a third sale of these stones expected to be held in the fourth quarter.

Our significant revenues and strong cash operating margins have resulted in Lucara making a double payment on its debenture during the period and we have subsequently fully repaid the debenture by making the final two debenture payments during the fourth quarter.

The resource continues to outperform management expectations with the continued recovery of significant stones including 243 special stones (greater than 10.8 carats) during the reporting period. These stones include two diamonds larger than 200 carats and a further 3 diamonds larger than 100 carats. Based on information and recoveries to date, Lucara has commissioned an update to the Karowe resource. We expect to release a revised NI 43-101 Technical Report during the first quarter of 2014.

FINANCIAL HIGHLIGHTS

	Three months ended September 30		**Nine months ended September 30**	
In millions of U.S. dollars unless otherwise noted	**2013**	2012	**2013**	2012
Revenues	$ 42.1	$ 12.7	$ 121.8	$ 12.7
Proceeds from quarterly sales tenders is comprised of:				
Sales proceeds received during the quarter	42.1	12.7	121.8	12.7
Sales proceeds received post September period end	10.9	-	10.9	-
Sales proceeds received post June period end	(2.1)	-	-	-
Total proceeds from quarterly sales tenders	50.9	12.7	132.7	12.7
Average price per carat sold	$ 625	$ 245	$ 404	$ 245
Operating expenses per carat sold	110	107	96	107
Cash operating margin per carat	515	138	308	138
Net income (loss) for the period	15.0	(3.4)	43.9	(15.2)
Basic earnings (loss) per share	0.04	(0.01)	0.12	(0.04)
Cash flow from operations (before working capital adjustments)	21.3	(2.5)	65.6	(11.3)
Cash on hand	33.6	11.1	33.6	11.1

OUTLOOK

This section of the MD&A provides management's production and cost estimates for the remainder of 2013. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

Boteti Karowe Mine, Botswana

Karowe is projected to process 2.5 million tonnes of ore and to sell 420,000 carats of diamonds in 2013.

The Company held a tender on 28th October and is planning to hold a further two diamond tenders of which one is anticipated to include exceptional diamonds.

Karowe's operating cash costs are forecast to be in the order of $23 per tonne treated, in-line with previous guidance. Forecast capital expenditures include stay in business capital of $5 million and final capital project payments during the year of $2.8 million that were part of the $120 million project cost.

Cash operating earnings is a non-GAAP measure and is reconciled in the Select Financial Information section.

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 First North 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 are in assets 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
Lesotho	Mothae Diamond Mining Lease	75%	20.0

RESULTS OF OPERATIONS

Karowe Mine, Botswana

	UNIT	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Sales						
Revenues	US$m	42.1	47.2	32.5	29.1	12.7
Proceeds generated from sales tenders conducted in the quarter is comprised of:	US$m	50.9	49.3	32.5	29.1	12.7
Sales proceeds received during the quarter	US$m	42.1	47.2	-	-	-
Sales proceeds received post September period end	US$m	10.9	-	-	-	-
Sales proceeds received post June period end	US$m	(2.1)	2.1	-	-	-
Carats sold for proceeds generated during the period	Carats	81,357	102,842	144,712	100,987	51,737
Average price per carat for proceeds generated during the period	US$	625	481	225	289	245
Production						
Tonnes mined (ore)	Tonnes	898,501	1,163,761	968,871	701,931	561,230
Tonnes mined (waste)	Tonnes	1,430,105	1,259,478	1,109,727	1,267,343	1,240,062
Tonnes milled	Tonnes	647,304	560,911	533,918	545,354	594,000
Average grade processed	cpht (*)	17.6	15.6	23.1	25.4	15.4
Carats recovered	Carats	113,881	87,580	123,335	138,487	91,476
Costs						
Operating costs per carats sold	US$	110	102	86	84	107
Capital expenditures	US$m	2.4	1.7	2.2	0.4	19.9

(*) carats per hundred tonnes

Operational performance at Karowe was as planned for the third quarter of 2013. Tonnes of ore mined ex-pit for the quarter was in line with budget and waste mining to access deeper sections of the ore body in the south lobe was according to plan during the period. The mine currently has 3 months of ore exposed providing flexibility in terms of material processed. Four additional water supply boreholes were equipped and commissioned as planned. Year to date mining performance remains in line with expectations.

Process plant performance during the quarter was in line with budget. The frequency of special stones (+10.8 carats) increased significantly during the quarter with the mine recovering 243 stones with an average size of 26 carats during the period. Year to date carats produced was in line with budget.

As a result of the continued recovery of large and exceptional stones at Karowe, the Company is completing a resource update and is expecting to release a revised NI 43-101 during the first quarter 2014**.**

REVIEW OF PROJECTS

Mothae Diamond Project, Lesotho

The Mothae project is located in northeast Lesotho and is a large low grade kimberlite containing a population of large, high value Type IIa diamonds.

The Company is currently reviewing a number of development options for Mothae.

SELECT FINANCIAL INFORMATION

In millions of U.S. dollars unless otherwise noted	**Three months ended September 30** **2013**	2012	**Nine months ended September 30** **2013**	2012
Revenues	$ 42.1	$ 12.7	$ 121.8	$ 12.7
Operating expenses	(8.4)	(5.5)	(30.0)	(5.5)
Royalty expenses	(4.2)	(1.3)	(12.2)	(1.3)
Cash operating earnings (1)	**29.5**	5.9	**79.6**	5.9
Exploration and other mining costs	(0.3)	(4.5)	(1.1)	(10.6)
Administration	(1.9)	(3.0)	(6.6)	(7.7)
Gain on sale of diamonds	-	-	0.6	-
Sales and marketing	(0.9)	(0.7)	(2.4)	(0.7)
EBITDA (2)	**26.4**	(2.3)	**70.1**	(13.1)
Depletion, amortization and accretion	(2.6)	(2.2)	(10.3)	(2.1)
Finance expenses	(0.7)	(1.2)	(2.6)	(1.7)
Income tax	(8.1)	-	(8.1)	-
Foreign exchange gain (loss)	-	2.3	(5.2)	1.8
Net income (loss) for the period	**15.0**	(3.4)	**43.9**	(15.1)
Total equity	**183.1**	151.5	**183.1**	151.5
Cash flow from operations (before working capital adjustments)	**21.3**	(2.5)	**65.6**	(11.3)
Total assets	**234.4**	231.9	**234.4**	231.9
Cash on hand	**33.6**	11.1	**33.6**	11.1
Income (loss) per share (basic and diluted)	**0.04**	(0.01)	**0.12**	(0.04)

(1) Cash operating earnings is a non-GAAP measure defined as sales less operating expenses and royalty expenses.
(2) EBITDA is a non-GAAP measure defined as earnings before interest, taxation, depreciation and amortization.

Revenues

During the three months ended September 30, 2013, the Company completed two diamond tenders, one of which was an exceptional diamond tender. The exceptional diamond tender generated gross proceeds of $24.7 million or $24,026 per carat. The second tender achieved winning bids totalling $26.2 million or $326 per carat. At September 30, 2013, proceeds of $10.9 million from the sale of 17,642 carats of diamonds had not yet been collected and therefore have not been recognized as revenues in the Company's condensed interim consolidated statement of operations. These proceeds were subsequently collected in October and will be recognized as revenues in the fourth quarter of 2013. In addition, proceeds of $2.1 million from the June month end sale of 12,833 carats were collected in July and recognized as revenues in the third quarter.

Cash operating earnings

Cash operating earnings for the three months ended September 30, 2013 were $79.6 million.

Operating expenses at $110 per carat increased from the previous quarter largely due to additional waste mined during the period. Year to date operating expenses were $96 per carat compared to proceeds sold per carat of $404, producing a cash operating margin of $308 per carat. Excluding the 18,000 carats carry forward from the previous year and sold in the current year, run of mine year to date average sales price for 2013 was $422 per carat.

Cash operating earnings is a non-GAAP measure and is reconciled in the table above.

Exploration and other mining costs

Exploration expenditures and other mining costs relating to the Mothae project were $0.3 million during the third quarter of 2013 compared to $4.5 million during the third quarter of 2012. The decrease in costs during the current quarter compared to the previous year was due to Mothae's Preliminary Economic Assessment work performed last year and the one time redundancy costs incurred as Mothae went into care and maintenance. The Company is currently reviewing a number of development options for Mothae.

Administration expenses

Administration expenses decreased $0.9 million during the quarter when compared to the previous three month period due largely to employee performance payments paid in the second quarter of 2013.

Income Tax expense

The Company recorded a deferred tax liability during the quarter, which resulted in a corresponding non-cash income tax expense of $8.1 million. The deferred tax liability relates to temporary differences between the accounting and tax base of the Company's property, plant and equipment, restoration provisions, and non-capital tax loss pools.

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

EBITDA for the third quarter of 2013 was $26.4 million compared to a loss of $2.3 million in the third quarter of 2012. This was a result of cash operating earnings of $29.5 million earned from Karowe and decreased exploration and other mining costs at Mothae.

Year to date EBITDA was $70.1 million compared to a loss in the previous year of $13.1 million. This increase was due to an additional 49,250 carats sold during the period, including two exceptional stone tenders achieving $49.3 million.

EBITDA is a non-GAAP measure and is reconciled in the table above.

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 27, 2013 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 Financial Statements

For the three and nine months ended September 30, 2013

(Unaudited)

Mission Statement

To build a leading African-focused diamond production and development company.

Values:

- *A healthy and safe work environment*
- *Entrepreneurial spirit*
- *Creation of shareholder value*
- *Create positive economic and social impact on local communities where we operate*
- *Focus on larger-scale advanced diamond projects*
- *Seek value opportunities*
- *Contribute to the Lundin Group's history of success and excellence in wealth creation for all stakeholders*

LUCARA DIAMOND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

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 for the three and nine months ended September 30, 2013, which are prepared in accordance with IAS 34: Interim Financial Statements, and the audited consolidated financial statements of the Company for the year ended December 31, 2012, which are prepared in accordance with International Financial Reporting Standards. All amounts are expressed in U.S. dollars unless otherwise indicated. The effective date of this MD&A is November 8, 2013.

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.

THIRD QUARTER 2013 HIGHLIGHTS

Safety: There were no Lost Time Injury ("LTI's") and no reportable environmental incidents at Karowe during the quarter. Karowe's year to date Lost Time Injuries Frequency Rate ("LTIFR") is 0.25. LTIFR is defined as the total number of work hours lost per 200,000 work hours.

Cash flows and cash operating margins: The Company achieved proceeds of $50.9 million ($625 per carat) during the quarter, of which $10.9 million was received in October for its late September tender. At average operating expenses of $110 per carat, the cash operating margin achieved for the quarter was $515 per carat. Sales during the quarter included one tender of over 80,000 carats and its second exceptional stone tender during the quarter.

Full year to date sales of 328,000 carats have achieved proceeds of $132.7 million, or $404 per carat, which exceeds previous full year 2013 revenue guidance. The Company has achieved a year to date cash operating margin of $308 per carat based on operating expenses of $96 per carat.

Exceptional stone tenders: The Company continued to recover exceptional diamonds, resulting in a large stone tender during the quarter achieving revenues of $24.7 million ($24,025 per carat). The Company's two exceptional tenders have contributed $49.3 million ($26,745 per carat) of revenue.

Based on the continued recovery of exceptional stones, the Company is planning a third exceptional stone sale in late November. The sale is planned to include 14 stones with 4 stones in excess of 100 carats.

Net cash position: Third quarter cash flows have significantly strengthened the Company's balance sheet with quarter end cash of $33.6 million and a net cash position (total cash and cash equivalents less short and long term debt) of $17.5m. In early October, this cash position was further strengthened following the receipt of $10.9 million of gross proceeds from its late September tender. The outstanding debenture balance at September 30 of $16.6 million was subsequently repaid after the quarter end, fully repaying the $50 million debenture.

Karowe operating performance: Karowe's mined tonnes and tonnes milled were in line with budget during the quarter. The Company advanced access to deeper sections of the south lobe and currently has three months of exposed ore providing flexibility in terms of process plant feed.

FINANCIAL HIGHLIGHTS

	Three months ended September 30		**Nine months ended September 30**	
In millions of U.S. dollars unless otherwise noted	**2013**	2012	**2013**	2012
Revenues	$ 42.1	$ 12.7	$ 121.8	$ 12.7
Proceeds from quarterly sales tenders is comprised of:				
Sales proceeds received during the quarter	42.1	12.7	121.8	12.7
Sales proceeds received post September period end	10.9	-	10.9	-
Sales proceeds received post June period end	(2.1)	-	-	-
Total proceeds from quarterly sales tenders	50.9	12.7	132.7	12.7
Average price per carat sold	$ 625	$ 245	$ 404	$ 245
Operating expenses per carat sold	110	107	96	107
Cash operating margin per carat	515	138	308	138
Net income (loss) for the period	15.0	(3.4)	43.9	(15.2)
Basic earnings (loss) per share	0.04	(0.01)	0.12	(0.04)
Cash flow from operations (before working capital adjustments)	21.3	(2.5)	65.6	(11.3)
Cash on hand	33.6	11.1	33.6	11.1

OUTLOOK

This section of the MD&A provides management's production and cost estimates for the remainder of 2013. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

Boteti Karowe Mine, Botswana

Karowe is projected to process 2.5 million tonnes of ore and to sell 420,000 carats of diamond in 2013.

The Company held a tender on 28th October and is planning to hold a further two diamond tenders of which one is anticipated to include exceptional diamonds.

Karowe's operating cash costs are forecast to be in the order of $23 per tonne treated, in-line with previous guidance. Forecast capital expenditures include stay in business capital of $5 million and final project payments of $2.8 million during the year that were part of the total $120 million project cost.

Cash operating earnings is a non-GAAP measure and is reconciled in the Select Financial Information section.

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 First North 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 are in assets 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
Lesotho	Mothae Diamond Mining Lease	75%	20.0

RESULTS OF OPERATIONS

Karowe Mine, Botswana

	UNIT	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12
Sales						
Revenues	US$m	42.1	47.2	32.5	29.1	12.7
Proceeds generated from sales tenders conducted in the quarter is comprised of:	US$m	50.9	49.3	32.5	29.1	12.7
Sales proceeds received during the quarter	US$m	42.1	47.2	-	-	-
Sales proceeds received post September period end	US$m	10.9	-	-	-	-
Sales proceeds received post June period end	US$m	(2.1)	2.1	-	-	-
Carats sold for proceeds generated during the period	Carats	81,357	102,842	144,712	100,987	51,737
Average price per carat for proceeds generated during the period	US$	625	481	225	289	245
Production						
Tonnes mined (ore)	Tonnes	898,501	1,163,761	968,871	701,931	561,230
Tonnes mined (waste)	Tonnes	1,430,105	1,259,478	1,109,727	1,267,343	1,240,062
Tonnes milled	Tonnes	647,304	560,911	533,918	545,354	594,000
Average grade processed	cpht (*)	17.6	15.6	23.1	25.4	15.4
Carats recovered	Carats	113,881	87,580	123,335	138,487	91,476
Costs						
Operating costs per carats sold	US$	110	102	86	84	107
Capital expenditures	US$m	2.4	1.7	2.2	0.4	19.9

(*) carats per hundred tonnes

Operational performance at Karowe was as planned for the third quarter of 2013. Tonnes of ore mined ex-pit for the quarter was in line with budget and waste mining to access deeper sections of the ore body in the south lobe was according to plan during the period. The mine currently has 3 months of ore exposed providing flexibility in terms of material processed. Four additional water supply boreholes were equipped and commissioned as planned. Year to date mining performance remains in line with expectations.

Process plant performance during the quarter was in line with budget. The frequency of special stones (+10.8 carats) increased significantly during the quarter with the mine recovering 243 stones with an average size of 26 carats during the period. Year to date carats produced was in line with budget.

As a result of the continued recovery of large and exceptional stones at Karowe, the Company is completing a resource update and is expecting to release a revised NI 43-101 during the first quarter 2014.

REVIEW OF PROJECTS

Mothae Diamond Project, Lesotho

The Mothae project is located in northeast Lesotho and is a large low grade kimberlite containing a population of large, high value Type IIa diamonds.

The Company is currently reviewing a number of development options for Mothae.

SELECT FINANCIAL INFORMATION

In millions of U.S. dollars unless otherwise noted	**Three months ended September 30** **2013**	2012	**Nine months ended September 30** **2013**	2012
Revenues	$ 42.1	$ 12.7	$ 121.8	$ 12.7
Operating expenses	(8.4)	(5.5)	(30.0)	(5.5)
Royalty expenses	(4.2)	(1.3)	(12.2)	(1.3)
Cash operating earnings [1]	**29.5**	5.9	**79.6**	5.9
Exploration and other mining costs	(0.3)	(4.5)	(1.1)	(10.6)
Administration	(1.9)	(3.0)	(6.6)	(7.7)
Gain on sale of diamonds	-	-	0.6	-
Sales and marketing	(0.9)	(0.7)	(2.4)	(0.7)
EBITDA [2]	**26.4**	(2.3)	**70.1**	(13.1)
Depletion, amortization and accretion	(2.6)	(2.2)	(10.3)	(2.1)
Finance expenses	(0.7)	(1.2)	(2.6)	(1.7)
Income tax	(8.1)	-	(8.1)	-
Foreign exchange gain (loss)	-	2.3	(5.2)	1.8
Net income (loss) for the period	**15.0**	(3.4)	**43.9**	(15.1)
Total equity	**183.1**	151.5	**183.1**	151.5
Cash flow from operations (before working capital adjustments)	**21.3**	(2.5)	**65.6**	(11.3)
Total assets	**234.4**	231.9	**234.4**	231.9
Cash on hand	**33.6**	11.1	**33.6**	11.1
Income (loss) per share (basic and diluted)	**0.04**	(0.01)	**0.12**	(0.04)

[1] Cash operating earnings is a non-GAAP measure defined as sales less operating expenses and royalty expenses.
[2] EBITDA is a non-GAAP measure defined as earnings before interest, taxation, depreciation and amortization.

Revenues

During the three months ended September 30, 2013, the Company completed two diamond tenders, one of which was an exceptional diamond tender. The exceptional diamond tender generated gross proceeds of $24.7 million or $24,026 per carat. The second tender achieved winning bids totalling $26.2 million or $326 per carat. At September 30, 2013, proceeds of $10.9 million from the sale of 17,642 carats of diamonds had not yet been collected and therefore have not been recognized as revenues in the Company's condensed interim consolidated statement of operations. These proceeds were subsequently collected in October and will be recognized as revenues in the fourth quarter of 2013. In addition, proceeds of $2.1 million from the June month end sale of 12,833 carats were collected in July and recognized as revenues in the third quarter.

Cash operating earnings

Cash operating earnings for the nine months ended September 30, 2013 were $79.6 million.

Operating expenses at $110 per carat increased from the previous quarter largely due to additional waste mined during the period. Year to date operating expenses were $96 per carat compared to proceeds sold per carat of $404, producing a cash operating margin of $308 per carat. Excluding the 18,000 carats carry forward from the previous year and sold in the current year, run of mine year to date average sales price for 2013 was $422 per carat.

Cash operating earnings is a non-GAAP measure and is reconciled in the table above.

Exploration and other mining costs

Exploration expenditures and other mining costs relating to the Mothae project were $0.3 million during the third quarter of 2013 compared to $4.5 million during the third quarter of 2012. The decrease in costs during the current quarter compared to the previous year was due to Mothae's Preliminary Economic Assessment work performed last year and the one time redundancy costs incurred as Mothae went into care and maintenance. The Company is currently reviewing a number of development options for Mothae.

Administration expenses

Administration expenses decreased $0.9 million during the quarter when compared to the previous three month period due largely to employee performance payments paid in the second quarter of 2013.

Income Tax expense

The Company recorded a deferred tax liability during the quarter, which resulted in a corresponding non-cash income tax expense of $8.1 million. The deferred tax liability relates to temporary differences between the accounting and tax base of the Company's property, plant and equipment, restoration provisions and non-capital tax loss pools. The Company has applied a significant portion of its non-capital losses in Botswana against taxable income during the period.

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

EBITDA for the third quarter of 2013 was $26.4 million compared to a loss of $2.3 million in the third quarter of 2012. This was a result of cash operating earnings of $29.5 million earned from Karowe and decreased exploration and other mining costs at Mothae.

Year to date EBITDA was $70.1 million compared to a loss in the previous year of $13.1 million. This increase was due to an additional 49,250 carats sold during the period, including two exceptional stone tenders achieving $49.3 million.

EBITDA is a non-GAAP measure and is reconciled in the table above.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2013, the Company had cash and cash equivalents of $33.6 million compared to cash and cash equivalents of $13.3 million at December 31, 2012 and $11.1 million at September 30, 2012.

Cash generated from operating activities before working capital movements for the nine month period ended September 30, 2013 was an inflow of $65.6 million. These proceeds were partially offset by the Company's four $8.3 million debenture payments as well as repayment of the outstanding balance of the Company's revolving credit facility of $4.5 million. In addition, the Company incurred capital expenditures of $6.3 million, which includes payment of $2.8 million for project retentions during the period, which had been accrued. The project capital expenditure has been closed with a total cost marginally below $120 million.

In April 2012, the Company signed a definitive agreement with the Bank of Nova Scotia for a $25 million revolving term credit facility with a maturity date of March 26, 2014, which may be extended if both parties agree.

The facility contains financial and non-financial covenants customary for a facility of this size and nature. As at September 30, 2013, the Company is in compliance with all financial and non-financial covenants. The applicable interest rate of any loan under the facility will be determined by the Company's leverage ratio at any given time. The Company has provided security on the two year facility by way of a charge over the Company's Karowe assets and a guarantee by the Company's subsidiaries, which hold the Karowe assets. As at September 30, 2013 the full amount under this facility was available.

The Company has entered into a series forward exchange contracts to fix the rate at which future anticipated cash flows in U.S. dollars are exchanged in Botswana Pula for operating expenditures in Botswana. Such contracts include forward sales of U.S. dollars from October to December 2013 at an average rate of Botswana Pula 8.0023 per $1.00, for an aggregate amount of $20.6 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-13	Jun-13	Mar-13	Dec-12	Sept-12	Jun-12	Mar-12	Dec-11
A. Revenues	42,096	47,224	32,504	29,172	12,659	Nil	Nil	Nil
B. Exploration (expenditures) recovery	(389)	(557)	374	(2,277)	(4,465)	(2,798)	(3,314)	565
C. Administration expenses	(1,851)	(2,761)	(1,946)	(1,798)	(2,980)	(3,392)	(1,364)	(2,255)
D. Net income (loss)	15,043	22,679	6,169	7,664	(3,413)	(7,606)	(4,170)	(5,438)
E. Earnings (loss) per share (basic and diluted)	0.04	0.06	0.02	0.02	(0.01)	(0.02)	(0.01)	(0.01)

Operating expenses and net income (loss), quarter over quarter, vary in relation to the level of activities undertaken by the Company during the financial quarters reported. These activities include the volumes and timing of diamond sales, the net price realized in such sales, cost of goods sold, corporate development initiatives and net exploration expenditures incurred. The increase in net income is largely due to an increase in revenues during the period.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as cash operating earnings and EBITDA, which are not measures recognized under IFRS and does 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.

Cash operating earnings (see "Select Annual Financial Information") is the term the Company uses to describe the cash that is generated from sales net of cost of goods sold, excluding depletion, amortization and accretion, and excluding the effect of changes in working capital.

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

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

RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2013, the Company incurred the following expenses with Namdo Management Services Limited ("Namdo") and Mile High Holdings Ltd. ("Mile High"), companies related by way of directors in common. The Company also incurred professional geological services and laboratory related expenditures from the Mineral Services Group ("MS Group"), a company that is associated with a former director of Company. Beginning July 1, 2013, the MS Group is no longer a related party.

(All amounts expressed in thousands of U.S. dollars)

Description of services	Related Party	September 30, 2013	September 30, 2012
Management fees	Namdo	$ 369	$ 377
Exploration related expenditures	MS Group	84	1,587
Aircraft charter	Mile High	49	369
		$ 502	$ 2,333

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. The Company uses currency hedging instruments to mitigate the currency price risk.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 376,367,709 common shares outstanding and 4,740,000 stock options outstanding under its stock-based incentive plan. As at the same date, the Company had no stock purchase warrants outstanding.

CONTINGENCY

Upon completion of the AFD Arrangement Agreement which resulted in the Company holding an undivided 100% ownership interest in the Karowe Mine, the Company retained certain liabilities related to legal proceedings initiated by two former directors of AFD against AFD alleging entitlement to a 3% NSR on production from the Karowe Mine. The claim was heard in the Botswana High Court in early June, 2011. The High Court delivered its ruling in August 2011 dismissing the claims against AFD, with costs awarded against the plaintiffs.

In September 2011, the Company was notified that the plaintiffs, in the legal proceedings initiated against AFD, had filed an appeal of the decision of the High Court of Botswana dismissing the plaintiff's claims with costs awarded in favor of AFD. The appeal is expected to be heard during the first quarter 2014.

The Company continues to believe that the claim is without merit as has been determined by the Botswana High Court, and will continue to vigorously defend the claim.

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, 2012.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

FINANCIAL INFORMATION

The report for the year ended December 31, 2013 is expected to be published on or about February 24th, 2014.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Basis of preparation and accounting policies

The Company has prepared consolidated interim financial statements in accordance with IFRS as issued by the IASB. IFRS represents standards and interpretations approved by the IASB and are comprised of IFRS, International Accounting Standards ("IAS"), and interpretations issued by IFRIC and the former Standing Interpretations Committee. The condensed consolidated interim financial statements have been prepared in accordance with IFRS and interpretations issued and outstanding as of September 30, 2013, and were approved as of November 8, 2013, the date the Audit Committee of the Board of Directors approved the consolidated interim financial statements. Note 3 of the audited consolidated financial statements for the year ended December 31, 2012 provides details of significant accounting policies and accounting policy decisions for significant or potentially significant areas that have had an impact on our financial statements or may have an impact in future periods.

a) *Pronouncement affecting financial statement presentation or disclosures*

   i) IFRS 12, Disclosure of interests in other entities
   The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

   The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

ii) IFRS 13, Fair value measurement
The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed interim consolidated financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013.

iii) Amendment to IAS 1, Presentation of Financial Statements
The Company adopted the amendments to IAS 1 on January 1, 2013, with restrospective application. The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

The adoption of the IAS 1 amendments did not have an effect on the Company's condensed interim consolidated financial statements for the current period or prior period.

iv) Amendment to IAS 34, Interim financial reporting
The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

b) *Pronouncements affecting accounting policies only*

i) IFRS 10, Consolidated financial statements
The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements
The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

The Company has concluded that IFRS 11 did not have an effect on the condensed interim consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

iii) IFRIC 20, Stripping costs in the production phase of a surface mine

The Company adopted IFRIC 20 and applied the requirements to production stripping costs incurred on or after January 1, 2012, in accordance with the transitional provisions. The predecessor stripping assets recorded as of January 1, 2012, the date of the earliest period presented, have been reviewed in accordance with IFRIC 20. IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

The Company has identified components of ore bodies to be phases, pits or sub-pits depending on the ore body being analyzed. These components align with the view of the mine and the plan of mining activities. Previously, the Company recorded stripping activity relating to major expansions only. Under IFRIC 20, the Company recognizes stripping activity assets when the following three criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Stripping activity assets capitalized under IFRIC 20 are classified within mineral properties, which is consistent with the classification of the asset these costs relate to.

These assets are amortized on a units-of-production basis over the remaining proven and probable reserves of the respective components.

The Company completed an analysis of IFRIC 20 and did not require any adjustments to the condensed interim consolidated financial statements.

c) Pronouncements issued but not yet effective

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The application of certain accounting policies in conformity with IFRS requires the Company to use judgements and/or estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain. There have been no significant changes to our consolidated financial statements, except for certain new estimates and judgements that have been applied as a result of the adoption of IFRIC 20. As a result of the adoption of IFRIC 20, the Company is required to determine whether stripping costs incurred during the production phase of a property provide improved access to a component of an ore body that will be mined in a future period, and whether the costs can be reliably measured. The Company is required to apply judgment when identifying components of the mine over which stripping costs are capitalized, estimate the average stripping ratio for each component, and use judgment determining the period over which the stripping activity asset is amortized. For a complete discussion of accounting estimates deemed most crucial by the Company, refer to the Company's annual 2012 Management's Discussion and Analysis.

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 and nine months ended September 30, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the accounting principles under which the Company's financial statements are prepared. An evaluation of the effectiveness of the Company's internal control over financial reporting was conducted as of December 31, 2012 by the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting were effective.

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, being the three and nine months ended September 30, 2013, 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 27, 2013 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.

November 8, 2013

To the Audit Committee of Lucara Diamond Corp.

In accordance with our engagement letter dated November 9, 2012, we have reviewed the condensed interim consolidated financial statements of Lucara Diamond Corp. (the "Company") consisting of:

- the condensed interim consolidated balance sheet as at September 30, 2013;
- the condensed interim consolidated statements of operations for the three and nine-month periods ended September 30, 2013 and September 30, 2012;
- the condensed interim consolidated statements of comprehensive income (loss) for the three and nine-month periods ended September 30, 2013 and September 30, 2012;
- the condensed interim consolidated statements of cash flows for the three and nine-month periods ended September 30, 2013 and September 30, 2012;
- the condensed interim consolidated statements of changes in equity for the nine-month periods ended September 30, 2013 and September 30, 2012; and
- the select explanatory notes.

These condensed interim consolidated financial statements are the responsibility of the Company's management.

We performed our reviews in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data and making inquiries of, and having discussions with, persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the interim financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our reviews, we are not aware of any material modification that needs to be made for these condensed interim consolidated financial statements to be in accordance with International Financial Reporting Standards (IFRS) applicable to the preparation of interim financial statements including International Accounting Standard 34, Interim Financial Reporting.

We have previously audited, in accordance with Canadian generally accepted auditing standards, the consolidated balance sheet of the Company as at December 31, 2012 and the related consolidated statements of operations and comprehensive loss for the year then ended (not presented herein) and related notes. In our report dated March 21, 2013, we expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as at December 31, 2012 is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers Place, 250 Howe Street, Suite 700, Vancouver, British Columbia, Canada V6C 3S7
T: +1 604 806 7000, F: +1 604 806 7806, www.pwc.com/ca

This report is solely for the use of the Audit Committee of the Company to assist it in discharging its regulatory obligation to review these interim consolidated financial statements and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

signed "PricewaterhouseCoopers LLP"

Chartered Accountants

LUCARA DIAMOND CORP.

CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

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

		September 30, 2013		December 31, 2012
ASSETS				
Current assets				
Cash and cash equivalents	$	33,551	$	13,261
Investments		76		86
VAT receivables and other		2,828		5,527
Inventories (Note 4)		20,987		13,300
		57,442		32,174
Plant and equipment (Note 5)		103,779		118,395
Mineral properties (Note 6)		73,035		84,645
Other non-current assets		114		137
TOTAL ASSETS	$	234,370	$	235,351
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	$	13,945	$	14,695
Current portion of long-term debt (Note 7)		15,756		30,311
		29,701		45,006
Long-term debt (Note 7)		-		20,643
Restoration provisions		11,826		12,242
Deferred tax liability		8,111		-
TOTAL LIABILITIES		49,638		77,891
EQUITY				
Share capital (Note 8)		282,886		282,796
Contributed surplus (Note 9)		5,265		4,874
Cumulative deficit		(66,828)		(110,740)
Accumulated other comprehensive loss		(38,178)		(21,381)
Total equity attributable to shareholders of the Company		183,145		155,549
Non-controlling interests (Note 10)		1,587		1,911
TOTAL EQUITY		184,732		157,460
TOTAL LIABILITIES AND EQUITY	$	234,370	$	235,351

Contingencies (Note 18)

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

Approved on Behalf of the Board of Directors:

"Paul K. Conibear"
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, 2013		2012		Nine months ended September 30, 2013		2012
Revenues	$	42,096	$	12,659	$	121,824	$	12,659
Cost of goods sold								
Operating expenses		8,387		5,541		29,966		5,541
Royalty expenses		4,209		1,266		12,182		1,266
Depletion, amortization and accretion		2,564		2,154		10,289		2,154
		15,160		8,961		52,437		8,961
Income from mining operations		26,936		3,698		69,387		3,698
Other expenses								
Exploration and other mine costs (Note 11)		389		4,465		1,156		10,577
Administration (Note 12)		1,851		2,980		6,558		7,736
Gain on sale of diamonds (Note 13)		-		-		(584)		-
Sales and marketing		839		665		2,380		665
Finance expenses		717		1,339		2,618		1,739
Foreign exchange loss (gain)		(14)		(2,338)		5,257		(1,829)
		3,782		7,111		17,385		18,888
Net income (loss) before tax	$	23,154	$	(3,413)	$	52,002	$	(15,190)
Income tax expense		(8,111)		-		(8,111)		-
Net income (loss) for the period	$	15,043	$	(3,413)	$	43,891	$	(15,190)
Attributable to:								
Shareholders of the Company	$	15,091	$	(2,853)	$	43,956	$	(13,863)
Non-controlling interests	$	(48)	$	(560)	$	(65)	$	(1,327)
Income (loss) per common share								
Basic	$	0.04	$	(0.01)	$	0.12	$	(0.04)
Diluted	$	0.04	$	(0.01)	$	0.12	$	(0.04)
Weighted average common shares outstanding								
Basic		376,367,709		376,279,504		376,318,533		374,060,437
Diluted		376,744,653		376,279,504		376,318,533		374,060,437

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

LUCARA DIAMOND CORP.

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

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Net income (loss) for the period	$ 15,043	$ (3,413)	$ 43,891	$ (15,190)
Other comprehensive income (loss)				
Change in fair value of available-for-sale securities	16	(4)	(6)	(26)
Currency translation adjustment	499	(2,996)	(17,094)	(6,456)
	515	(3,000)	(17,100)	(6,482)
Comprehensive income (loss)	$ 15,558	$ (6,413)	$ 26,791	$ (21,672)
Comprehensive income (loss) attributable to:				
Shareholders of the Company	15,636	(5,845)	27,159	(20,312)
Non-controlling interests	(78)	(568)	(368)	(1,360)
	$ 15,558	$ (6,413)	$ 26,791	$ (21,672)

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, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Cash flows from (used in):				
Operating Activities				
Net income (loss) for the period	$ 15,043	$ (3,413)	$ 43,891	$ (15,190)
Items not involving cash and cash equivalents:				
Depletion, amortization, accretion and depreciation	2,575	2,787	10,537	3,943
Finance costs	684	1,143	2,485	1,625
Stock-based compensation	118	57	423	245
Foreign exchange loss (gain)	(5,206)	(3,081)	189	(1,919)
Deferred income tax	8,111	-	8,111	-
	21,325	(2,507)	65,636	(11,296)
Net changes in working capital items:				
VAT receivables and other current assets	1,561	4,534	3,019	2,109
Inventories	(2,462)	3,712	(5,438)	(4,736)
Trade payables and other current liabilities	3,795	9,871	1,564	11,337
	24,219	15,610	64,781	(2,586)
Financing Activities				
Repayments of debenture	(16,666)	-	(33,332)	-
Drawdown of revolving credit facility	-	7,000	-	7,000
Repayments of revolving credit facility	-	-	(4,500)	-
Proceeds from exercise of stock options	-	89	58	2,620
Other	-	456	-	-
	(16,666)	7,545	(37,774)	9,620
Investing Activities				
Acquisition of plant and equipment	(2,437)	(19,907)	(6,348)	(44,056)
	(2,437)	(19,907)	(6,348)	(44,056)
Effect of exchange rate change on cash and cash equivalents	(101)	131	(369)	(492)
Increase (decrease) in cash and cash equivalents during the period	5,015	3,379	20,290	(37,514)
Cash and cash equivalents, beginning of period	28,536	7,696	13,261	48,589
Cash and cash equivalents, end of period	$ 33,551	$ 11,075	$ 33,551	$ 11,075
Supplemental Information				
Interest received (paid)	27	21	(126)	219
Taxes paid	-	-	-	-
Changes in accounts payable and accrued liabilities related to plant and equipment	(571)	(11,998)	(2,818)	(12,168)

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
Balance, January 1, 2012	372,349,049	$ 278,995	$ 5,769	$ (104,244)	$ (13,200)	$ 3,031	$ 170,351
Exercise of stock options	3,943,700	3,801	(1,181)	-	-	-	2,620
Stock-based compensation	-	-	245	-	-	-	245
Unrealized loss on investments	-	-	-	-	(26)	-	(26)
Effect of foreign currency translation	-	-	-	-	(6,423)	(33)	(6,456)
Free-carried non-controlling interests (Note 10)	-	-	-	(306)	-	306	-
Net loss for the period	-	-	-	(13,863)	-	(1,327)	(15,190)
Balance, September 30, 2012	376,292,749	$ 282,796	$ 4,833	$ (118,413)	$ (19,649)	$ 1,977	$ 151,544
Balance, January 1, 2013	376,292,749	$ 282,796	$ 4,874	$ (110,740)	$ (21,381)	$ 1,911	$ 157,460
Exercise of stock options	75,000	90	(32)	-	-	-	58
Stock-based compensation	-	-	423	-	-	-	423
Unrealized loss on investments	-	-	-	-	(6)	-	(6)
Effect of foreign currency translation	-	-	-	-	(16,791)	(303)	(17,094)
Free-carried non-controlling interests (Note 10)	-	-	-	(44)	-	44	-
Net income for the period	-	-	-	43,956	-	(65)	43,891
Balance, September 30, 2013	376,367,749	$ 282,886	$ 5,265	$ (66,828)	$ (38,178)	$ 1,587	$ 184,732

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

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 2610 - 1066 West Hastings Street, Vancouver, British Columbia, V6C 3E8.

2. BASIS OF PRESENTATION AND CONSOLIDATION

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, *IAS 34: Interim Financial Statements*. These condensed interim consolidated financial statements do not contain all of the information required for annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012, which have been prepared in accordance with IFRS as issued by the IASB. These statements follow the same accounting policies and methods of application of the most recent annual audited financial statements, except as described in Note 3.

These financial statements were approved by the Board of Directors for issue on November 8, 2013.

3. ADOPTION OF NEW IFRS PRONOUNCEMENTS

As of January 1, 2013, the Company adopted the new and amended IFRS pronouncements in accordance with the transitional provisions outlined in the respective standards as listed below.

a) Pronouncement affecting financial statement presentation or disclosures

i) IFRS 12, Disclosure of interests in other entities
The Company adopted IFRS 12 on January 1, 2013. IFRS 12 establishes disclosure requirements for interests in other entities, such as subsidiaries, joint arrangements, associates, and unconsolidated structured entities.

The requirements of IFRS 12 relate to disclosures only and are applicable for the first annual period after adoption. IFRS 12 does not require the disclosures to be included for any period that precedes the first annual period for which IFRS 12 is applied. Additional disclosures will be included in the Company's annual consolidated financial statements for the year ended December 31, 2013.

3. ADOPTION OF NEW IFRS PRONOUNCEMENTS (continued)

ii) IFRS 13, Fair value measurement
The Company adopted IFRS 13 with prospective application from January 1, 2013. IFRS 13 is a comprehensive standard for fair value measurement and disclosure for use across all IFRS standards. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date.

The adoption of IFRS 13 did not have an effect on the Company's condensed interim consolidated financial statements for the current period. The disclosure requirements of IFRS 13 will be incorporated in the annual consolidated financial statements for the year ended December 31, 2013.

iii) Amendment to IAS 1, Presentation of Financial Statements
The Company adopted the amendments to IAS 1 on January 1, 2013, with restrospective application. The amendments to IAS 1 require items to be grouped within other comprehensive income that may be reclassified to profit or loss and those that will not be reclassified.

The adoption of the IAS 1 amendments did not have an effect on the Company's condensed interim consolidated financial statements for the current period or prior period.

iv) Amendment to IAS 34, Interim financial reporting
The Company adopted the amendments to IAS 34 effective January 1, 2013. IAS 34 was amended to establish criteria for disclosing total segmented assets and require certain fair value disclosures. The fair value disclosures have been incorporated into these condensed interim consolidated financial statements.

b) Pronouncements affecting accounting policies only

i) IFRS 10, Consolidated financial statements
The Company adopted IFRS 10 on January 1, 2013 with retrospective application. IFRS 10 requires an entity to consolidate an investee when it has power over the investee, is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 supercedes IAS 27, Consolidated and Separate Financial Statements and SIC 12, Consolidation – Special Purpose Entities.

The Company has concluded that IFRS 10 did not have an effect on the consolidated financial statements for the current period or prior periods presented as the adoption did not result in the consolidation status of any of the subsidiaries.

ii) IFRS 11, Joint arrangements
The Company adopted IFRS 11 on January 1, 2013 with retrospective application. IFRS 11 requires a venturer to classify its interest in a joint agreement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting whereas for a joint operation the venturer will recognize its share of the assets, liabilities, revenue and expenses of the joint operation.

3. ADOPTION OF NEW IFRS PRONOUNCEMENTS (continued)

The Company has concluded that IFRS 11 did not have an effect on the condensed interim consolidated financial statements for the current period or prior periods presented as the Company does not have any joint arrangements.

iii) IFRIC 20, Stripping costs in the production phase of a surface mine
The Company adopted IFRIC 20 and applied the requirements to production stripping costs incurred on or after January 1, 2012, in accordance with the transitional provisions. The predecessor stripping assets recorded as of January 1, 2012, the date of the earliest period presented, have been reviewed in accordance with IFRIC 20. IFRIC 20 sets out the accounting for overburden waste removal (stripping) costs in the production phase of a mine.

The Company has identified components of ore bodies to be phases, pits or sub-pits depending on the ore body being analyzed. These components align with the view of the mine and the plan of mining activities. Previously, the Company recorded stripping activity relating to major expansions only. Under IFRIC 20, the Company recognizes stripping activity assets when the following three criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity;
- The entity can identify the component of the ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliably.

Stripping activity assets capitalized under IFRIC 20 are classified within mineral properties, which is consistent with the classification of the asset these costs relate to.

These assets are amortized on a units-of-production basis over the remaining proven and probable reserves of the respective components.

The Company completed an analysis of IFRIC 20 and did not require any adjustments to the condensed interim consolidated financial statements.

c) *Pronouncements issued but not yet effective*

In July 2013, the IASB tentatively decided to defer the mandatory effective date of IFRS 9. The IASB agreed that the mandatory effective date should no longer be annual periods beginning on or after January 1, 2015 but rather be left open pending the finalization of the impairment and classification and measurement requirements.

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

4. INVENTORIES

	September 30, 2013	December 31, 2012
Rough diamond inventories	$ 10,646	$ 8,444
Ore stockpile inventories	4,743	1,797
Parts inventories	5,598	3,059
	$ 20,987	$ 13,300

Inventory expensed during the nine months ended September 30, 2013 totaled $30.0 million (2012 – $5.5 million).

5. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Vehicles	Furniture and office equipment	Total
Balance, January 1, 2012	$ 86,720	$ 7,766	$ 1,314	$ 2,319	$ 98,119
Additions	27,070	8,027	284	1,241	36,622
Disposals and other	862	-	(2)	(1,129)	(269)
Translation differences	(1,256)	(2,759)	(54)	(70)	(4,139)
Reclassification	(113,396)	113,396	-	-	-
Balance, December 31, 2012	-	126,430	1,542	2,361	130,333
Additions	-	3,445	43	47	3,535
Disposals and other	-	(4)	(35)	(22)	(61)
Translation differences	-	(12,409)	(157)	(221)	(12,787)
Balance, September 30, 2013	$ -	$ 117,462	$ 1,393	$ 2,165	$ 121,020

Accumulated depreciation					
Balance, January 1, 2012	$ -	$ 3,164	$ 282	$ 171	$ 3,617
Depreciation, depletion for the year	-	7,922	334	431	8,687
Disposals and other	-	-	-	-	-
Translation differences	-	(334)	(18)	(14)	(366)
Balance, December 31, 2012	-	10,752	598	588	11,938
Depreciation, depletion for the period	-	6,442	271	398	7,111
Disposals and other	-	-	(35)	(21)	(56)
Translation differences	-	(1,612)	(71)	(69)	(1,752)
Balance, September 30, 2013	$ -	$ 15,582	$ 763	$ 896	$ 17,241

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

Net book value										
As at December 31, 2012	$	-	$	115,678	$	944	$	1,773	$	118,395
As at September 30, 2013	$	-	$	101,880	$	630	$	1,269	$	103,779

During the year ended December 31, 2012, the Company reduced construction in progress by $12.8 million relating to diamonds sold during the pre-commercial production period.

Plant and equipment include interest and financing costs relating to the construction of plant and equipment prior to the commencement of commercial production. Interest and financing costs are capitalized only for the project for which funds have been borrowed. Interest expense capitalized during the nine months ended September 30, 2013 was nil (2012 – $2.5 million).

6. MINERAL PROPERTIES

Cost		**Karowe Mine**		**Mothae Diamond**		**Mothae mining license**		**Total**
Balance, January 1, 2012	$	68,502	$	18,226	$	3,315	$	90,043
Additions		-		29		-		29
Disposals and other		(547)		-		-		(547)
Translation differences		(2,451)		(567)		(138)		(3,156)
Balance, December 31, 2012		65,504		17,688		3,177		86,369
Translation differences		(6,311)		(1,480)		(507)		(8,298)
Balance, September 30, 2013	$	59,193	$	16,208	$	2,670	$	78,071

Accumulated depletion								
Balance, January 1, 2012	$	-	$	-	$	-	$	-
Depletion for the year		1,761		-		-		1,761
Translation differences		(37)		-		-		(37)
Balance, December 31, 2012		1,724		-		-		1,724
Depletion for the period		3,598		-		-		3,598
Translation differences		(286)		-		-		(286)
Balance, September 30, 2013	$	5,036	$	-	$	-	$	5,036

Net book value								
As at December 31, 2012	$	63,780	$	17,688	$	3,177	$	84,645
As at September 30, 2013	$	54,157	$	16,208	$	2,670	$	73,035

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

6. MINERAL PROPERTIES (continued)

a) Karowe Mine

In December 2009, the Company, through a newly created indirect wholly-owned subsidiary Boteti Diamond Holdings Inc. ("Boteti Holdings"), acquired an initial 70.268% interest in the Boteti Mining (PTY) Ltd. ("Boteti"), from De Beers Prospecting Botswana (Pty) Limited ("De Beers"), for consideration of $49 million. The remaining interest in Boteti was held as to 28.381% by African Diamonds PLC ("African Diamonds") and indirectly by Wati Ventures (Pty) Ltd. ("Wati Ventures") as to 1.351%. Boteti Holdings had granted an option to African Diamonds to increase its interest in Boteti by a further 10.268% by making a cash payment of approximately US$7.3 million, which was exercised in April 2010. After the exercise of the option, Boteti was held 60% by the Company and 40% by African Diamonds. In December 2010, the Company acquired the 40% non-controlling interest.

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

b) Mothae Diamond Project

Pursuant to the terms of the mining agreement, Mothae Diamonds, an indirect 75% owned subsidiary of the Company has a 100% interest in the project. The remaining 25% of Mothae Diamonds is held by the Government of Lesotho (Note 10). One half of the project interest held by the Government is a free carried interest and one half is funded by the Government through its share of project dividends. During an initial pre-production test mining stage, a royalty of 4% of the sales value of diamonds produced from Mothae has been paid to the government. At full production the royalty will increase to 8% of diamond sales value. The mining lease is valid until September 2019 and renewable for an additional 10 years.

7. LONG-TERM DEBT

	September 30, 2013	December 31, 2012
Debenture (a)		
Principal	$ 16,667	$ 50,000
Unamortized discount	(911)	(3,179)
Revolving credit facility (b)	-	4,500
Deferred finance charges (b)	-	(367)
	15,756	50,954
Less: Current portion	(15,756)	(30,311)
Long-term portion of long-term debt	$ -	$ 20,643

7. LONG-TERM DEBT (continued)

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

a) Debenture

In July 2011, the Company secured a $50 million debenture to fund the development of the Company's projects. In July 2012, the Company renegotiated the terms of the debenture resulting in quarterly repayments of $8.3 million commencing March 31, 2013 and a final maturity date of June 30, 2014. No interest is payable during the term of the facility. The Company paid the quarterly installment payments as scheduled as well as an additional $8.3 million payment in September 2013.

The Company has pledged shares in the subsidiaries that control the companies that own the projects as security over the facility. The facility has been issued by Zebra Holdings and Investments S.a.r.l ("Zebra") and Lorito Holdings S.a.r.l ("Lorito"), each an investment company owned by a trust settled by the late Adolf H. Lundin, and not a related party of the Company.

The terms of the debenture financing also included the Company issuing an aggregate of 9 million common shares (fair value $10.7 million) to Zebra and Lorito as consideration for the facility, in lieu of interest and fees. During the year ended December 31, 2012, accretion of $5.0 million was recorded of which $2.5 million has been capitalized in plant and equipment (Note 5).

The borrowings have been measured initially at fair value. The liability is subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

As at September 30, 2013	**Current portion**	**Long-term portion**	**Total**
Principal	$ 16,667	$ -	$ 16,667
Unamortized discount	(911)	-	(911)
Total carrying value	$ 15,756	$ -	$ 15,756

As at December 31, 2012	**Current portion**	**Long-term portion**	**Total**
Principal	$ 33,333	$ 16,667	$ 50,000
Unamortized discount	(2,729)	(450)	(3,179)
Total carrying value	$ 30,604	$ 16,217	$ 46,821

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

7. LONG-TERM DEBT (continued)

b) Revolving credit facility

In April 2012, the Company signed a definitive agreement with the Bank of Nova Scotia for a $25 million revolving term credit facility with a maturity date of March 26, 2014, which may be extended if both parties agree. Funds drawn under the revolving credit facility are due in full at maturity. The facility contains financial and non-financial covenants customary for a facility of this size and nature. As at September 30, 2013, the Company is in compliance with all financial and non-financial covenants. Outstanding amounts under the facility bear interest at LIBOR or an alternative base rate plus an applicable margin based on the Company's leverage ratio.

The Company has provided security on the two year facility by way of a charge over the Company's Karowe assets and a guarantee by the Company's subsidiaries, which hold the Karowe assets.

The Bank of Nova Scotia has first ranking security over the Karowe assets.

As at September 30, 2013, the full amount under this facility was available. As a result, the deferred finance charges have been classified under VAT receivables and other.

8. SHARE CAPITAL

The authorized share capital consists of an unlimited number of common shares, with no par value.

9. STOCK OPTIONS

The Company has one rolling stock option plan (the "Plan") approved by the shareholders of the Company on May 13, 2011 which reserves an aggregate of 10% of the issued and outstanding shares of the Company for issuance upon the exercise of options granted. Vesting and terms of the option agreement are at the discretion of the Board of Directors.

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 (CDN$)
Balance at December 31, 2011	**12,031,671**	**$ 0.93**
Granted	150,000	1.03
Forfeited	(391,671)	0.90
Expired	(5,181,300)	1.13
Exercised	(3,943,700)	0.70
Balance at December 31, 2012	**2,665,000**	**0.88**
Granted	2,775,000	0.72
Forfeited	(50,000)	1.03

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

Expired	(575,000)		0.91
Exercised	(75,000)		0.82
Balance at September 30, 2013	**4,740,000**	**$**	**0.78**

The weighted average share price of options exercised during the period was $0.82.

Options to acquire common shares have been granted and are outstanding at September 30, 2013 as follows:

	Outstanding Options			**Exercisable Options**		
Range of exercise prices CDN$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price CDN$	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price CDN$
$0.61 - $0.70	2,625,000	2.6493	$ 0.70	874,909	2.6493	$ 0.70
$0.71 - $0.80	1,100,000	1.1589	0.80	733,311	1.1589	0.80
$0.81 - $0.90	-	-	-	-	-	-
$0.91 - $1.00	965,000	0.9448	0.97	831,665	0.6901	0.96
$1.01 - $1.25	50,000	1.3973	1.13	33,333	1.3973	1.13
	4,740,000	1.9432	$ 0.78	2,473,218	1.5317	$ 0.82

9. STOCK OPTIONS (continued)

During the nine months ended September 30, 2013, an amount of $0.4 million (2012 – $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:

	September 30, 2013	**December 31, 2012**
Assumptions:		
Risk-free interest rate *(%)*	1.00	1.03
Expected life *(years)*	3.00	3.00
Expected volatility *(%)*	52.85	51.23
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted *(per option)*	$ 0.25	$ 0.35

10. NON-CONTROLLING INTERESTS

As consideration for acquiring a mining license from the Government of Lesotho ("GOL"), the Company issued the GOL 25% ownership in Mothae. One half of the interest held by the GOL is a free-carried interest and the other 12.5% will ultimately be paid for by the GOL through its share of future dividends paid by Mothae, if any.

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

The GOL's equity interest must be kept at 25% and cannot be diluted by further equity issuances. As such, the 12.5% free-carried interest portion of the Company's capital contributions into Mothae is accounted for as an equity transaction between shareholders.

11. EXPLORATION EXPENDITURES

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Test mining	$ -	$ 2,880	$ -	$ 7,738
Depreciation	-	596	-	1,680
Geology	-	161	-	585
Office and other	213	165	396	447
Care and maintenance	167	-	387	-
Feasibility study	9	-	373	-
Resource development	-	244	-	1,455
Diamonds recovered	-	419	-	(1,328)
	$ 389	$ 4,465	$ 1,156	$ 10,577

12. ADMINISTRATION

	Three months ended September 30, 2013	Three months ended September 30, 2012	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Salaries and benefits	$ 557	$ 906	$ 2,536	$ 3,382
Office and general	306	279	894	758
Stock-based compensation (Note 9)	118	57	423	245
Stock exchange, transfer agent, shareholder communication	181	946	626	1,489
Travel	216	260	606	529
Depreciation	11	37	248	109
Professional fees	341	369	856	828
Management fees	121	126	369	377
Donations	-	-	-	19
	$ 1,851	$ 2,980	$ 6,558	$ 7,736

13. GAIN ON SALE OF TEST-MINING DIAMONDS

During the nine months ended September 30, 2013, Mothae Diamonds held a diamond sale and received gross proceeds of $0.9 million. The sale included the rough diamond inventory that was held at December 31, 2012, which was valued using the Company's best estimate of the lower of cost and net realizable value. The Company has recorded a gain on the sale of this inventory in the amount of $0.6 million.

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

14. INCOME TAXES

The income tax expense on the Company's income (loss) before tax is reconciled to the amount that would arise using the Canadian tax rate applicable to income of the consolidated entities as follows:

	Nine months ended September 30, 2013	Nine months ended September 30, 2012
Basic statutory tax rate	25%	25%
Net income (loss) before taxes	52,002	(15,190)
Computed income tax (expense) recovery	(16,698)	3,659
Differences between Canadian and foreign tax rates	2,363	5
Non-deductible expenses	(105)	(62)
Previously unrecognized tax assets	9,532	-
Change in deferred benefits not recognized	(2,331)	(3,493)
Tax rate changes	-	(473)
Exchange rate differences	(882)	375
Other	10	(11)
Total income tax expense	$ 8,111	$ -

The Company recorded a deferred tax liability during the quarter, which resulted in a corresponding non-cash income tax expense of $8.1 million. The deferred tax liability relates to temporary differences between the accounting and tax base of the Company's property, plant and equipment, restoration provisions and non-capital tax loss pools. The Company has applied a significant portion of its non-capital losses in Botswana against taxable income during the period.

At September 30, 2013, the Company had the following estimated tax operating losses available to reduce future taxable income. The losses expire at various dates and amounts between 2014 and beyond 2017, with the exception of Botswana and Lesotho, which are available indefinitely.

	$
Canada	37,879
Botswana	61,675
Lesotho	23,911
	123,465

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

15. RELATED PARTY TRANSACTIONS

a) *Related party expenses*

The Company incurred the following expenses with Namdo Management Services Limited ("Namdo") and Mile High Holdings Ltd. ("Mile High"), companies related by way of directors in common. The Company also incurred professional geological services and laboratory related expenditures from the Mineral Services Group ("MS Group"), a company that is associated with a former director of Company. Beginning July 1, 2013, the MS Group is no longer a related party.

Description of services	Related party		Nine months ended September 30, 2013		2012
Management fees	Namdo	$	369	$	377
Exploration related expenditures	MS Group		84		1,587
Aircraft charter	Mile High		49		369
		$	502	$	2,333

b) *Related party liabilities*

The liabilities of the Company include the following amounts due to related parties:

		September 30, 2013		December 31, 2012
Namdo	$	-	$	38
MS Group		-		54
	$	-	$	92

c) *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, 2013		2012
Salaries and wages	$	1,690	$	1,855
Short term benefits		40		45
Stock-based compensation		329		159
	$	2,059	$	2,059

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

16. SEGMENT INFORMATION

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

Three months ended September 30, 2013

	Karowe Mine	Mothae Diamond Project	Corporate and other	Total
Revenues	$ 42,096	$ -	$ -	$ 42,096
Income from mining operations	26,980	-	(44)	26,936
Exploration expenditures	-	(389)	-	(389)
Gain on sale of diamonds	-	-	-	-
Finance income (expenses)	20	-	(737)	(717)
Other income (expenses)	(2,129)	4	(551)	(2,676)
Income tax expense	(8,111)	-	-	(8,118)
Net income (loss) for the period	16,760	(385)	(1,332)	15,036
Capital expenditures	2,394	-	43	2,437

Three months ended September 30, 2012

	Karowe Mine	Mothae Diamond Project	Corporate and other	Total
Revenues	$ 12,659	$ -	$ -	$ 12,659
Income from mining operations	3,698	-	-	3,698
Exploration expenditures	-	(4,465)	-	(4,465)
Finance income (expenses)	19	(18)	(1,340)	(1,339)
Other income (expenses)	(1,307)	3	(3)	(1,307)
Income tax expense	-	-	-	-
Net loss for the period	2,410	(4,480)	(1,343)	(3,413)
Capital expenditures	19,907	-	-	19,907

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

16. SEGMENT INFORMATION (continued)

Nine months ended September 30, 2013

	Karowe Mine	Mothae Diamond Project	Corporate and other	Total
Revenues	$ 121,824	$ -	$ -	$ 121,824
Income from mining operations	69,570	-	(183)	69,387
Exploration expenditures	-	(1,156)	-	(1,156)
Gain on sale of diamonds	-	584	-	584
Finance income (expenses)	64	-	(2,682)	(2,618)
Other income (expenses)	(4,052)	49	(10,192)	(14,195)
Income tax expense	(8,111)	-	-	(8,111)
Net income (loss) for the period	57,471	(523)	(13,057)	43,891
Capital expenditures	6,305	-	43	6,348
Total assets	208,806	20,083	5,481	234,370

Nine months ended September 30, 2012

	Karowe Mine	Mothae Diamond Project	Corporate and other	Total
Revenues	$ 12,659	$ -	$ -	$ 12,659
Income from mining operations	3,698	-	-	3,698
Exploration expenditures	-	(10,577)	-	(10,577)
Finance income (expenses)	136	(55)	(1,820)	(1,739)
Other income (expenses)	(1,960)	15	(4,627)	(6,572)
Income tax expense	-	-	-	-
Net loss for the period	1,874	(10,617)	(6,447)	(15,190)
Capital expenditures	44,056	-	-	44,056
Total assets	201,467	24,838	5,632	231,937

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

	Plant and equipment		Mineral properties		Other	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Canada	$ 161	$ 209	$ -	$ -	$ -	$ -
Lesotho	506	1,369	18,877	20,864	114	137
Botswana	103,112	116,817	54,158	63,781	-	-
	$ 103,779	$ 118,395	$ 73,035	$ 84,645	$ 114	$ 137

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

17. 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, 2013	December 31, 2012
ASSETS		
Loans and receivables		
Cash	$ 33,551	$ 13,261
Trade receivables	-	1,503
Other receivables	432	248
	$ 33,983	$ 15,012
Available for sale		
Investments	76	86
	$ 76	$ 86
LIABILITIES		
Amortized cost		
Trade payables	$ 10,009	$ 7,429
Accrued liabilities	3,936	7,266
	13,945	14,695
Long-term debt	15,756	50,954
	$ 29,701	$ 65,649

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

17. FINANCIAL INSTRUMENTS (continued)

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, 2013	December 31, 2012
Level 1		
Investments	$ 76	$ 86
Level 2 and Level 3 – N/A		

18. CONTINGENCY

In April 2010, legal proceedings were initiated against African Diamonds (Plc) ("AFD"), a subsidiary acquired by the Company in 2010, by two former directors of AFD, alleging entitlement to a 3% royalty on production from the Karowe Mine. The claim was heard in the Botswana High Court in early June 2011. The High Court delivered its ruling in August 2011 dismissing the claims against AFD, with costs awarded against the plaintiffs.

In September 2011, the Company was notified that the plaintiffs, in the legal proceedings initiated against AFD, had filed an appeal of the decision of the High Court of Botswana dismissing the plaintiff's claims with costs awarded in favor of AFD. At this stage the Company does not have any further details as to the timing of when the Appeal will be heard.

19. SUBSEQUENT EVENTS

In July 2011, the Company secured a $50 million debenture to fund the development of the Company's projects. During the fourth quarter the Company paid the two remaining quarterly instalments of $16.7 million, fully repaying the $50 million debenture.

Lucara Diamond Corp.

Vancouver Corporate Office:
Suite 2000
885 West Georgia Street
Vancouver, BC
Canada V6C 3E8

T: 604 689 7842
F: 604 689 4250
E: sophias@namdo.com
Contact: Sophia Shane, Investor Relations

Lucara Diamond Corp.