

LUCARA CAPITAL S.À R.L 12.50 % SENIOR SECURED USD 400,000,000 BONDS 2026/2031**ISIN NO0013738237****Admission Document**

This admission document (this "**Admission Document**") has been prepared by Lucara Capital S.à r.l (the "**Issuer**" or the "**Company**") in connection with the listing of the bonds (the "**Bonds**") issued under the Company's Senior Secured USD 400,000,000 bonds 2026/2031 with ISIN NO0013738237 (the "**Bond Issue**"). The Bond Issue is guaranteed by Venspec Proprietary Limited, a company incorporated under the laws of Botswana with registration number BW00003206082, the parent company Lucara Diamond Corp., a company incorporated under the laws of British Columbia, Canada with registration number C0701784 (the "**Parent**") and the following wholly owned subsidiaries of the Parent, in each of which the Parent holds 100% of the issued and outstanding shares (each a "**Subsidiary**" and together the "**Subsidiaries**"):

- (a) Lucara Diamond Holdings (I) Inc, incorporated under the laws of Mauritius with registration number C085314;
- (b) Boteti Diamond Holdings Inc., incorporated under the laws of Mauritius with registration number C091328;
- (c) African Diamonds Limited, incorporated under the laws of United Kingdom with registration number 3999487;
- (d) Debwat Exploration Proprietary Limited, incorporated under the laws of Botswana with registration number BW00000592817;
- (e) Wati Ventures Proprietary Limited, incorporated under the laws of Botswana with registration number BW00000671813; and
- (f) Lucara Botswana Proprietary Limited, incorporated under the laws of Botswana with registration number BW00000664940.

The Admission Document does not constitute a prospectus under the Prospectus Regulation (Regulation (EU) 2017/1129) or the Norwegian Securities Trading Act of 29 June 2007 No. 75 and has neither been prepared to comply with the prospectus regulation nor with any other ancillary rules and regulations relating to prospectuses. This Admission Document has been inspected by Oslo Børs ASA as part of the Nordic ABM listing process and has not been reviewed by or approved by the Norwegian Financial Supervisory Authority (Nw.: Finanstilsynet) or any other public authority.

This Admission Document has been prepared solely for information purposes in connection with the listing of the Bonds on the Nordic ABM, a list of registered bonds operated by Oslo Børs ASA and for which Oslo Børs ASA determines the rules (the "**ABM Rules**") in consultation with market participants. This Admission Document does not constitute or form part of any offer or other solicitation to subscribe for or purchase any bonds or other securities and is not intended to form the basis of any investment decision.

Distribution of this Admission Document may be restricted by local securities legislation and failure to comply with these restrictions may constitute a violation of applicable securities legislation. Persons who become in possession of this Admission Document may be required to inform themselves about and to observe all such restrictions. None of the Issuer, the Parent or their respective Affiliates (as defined in the bond terms attached hereto) shall be held responsible or liable for any violation of such restrictions by recipients of this Admission Document.

THE BONDS HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "US SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION IN THE UNITED STATES. ACCORDINGLY, THE BONDS MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, A "US PERSON" EXCEPT IN TRANSACTIONS EXEMPT FROM, OR NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH APPLICABLE STATE SECURITIES LAWS.

The information included in this Admission Document is as of the date hereof. Any publication or distribution of this Admission Document subsequent to such date shall not be taken as a representation that the information included herein is still correct and accurate. This Admission Document is subject to Norwegian law. Any dispute arising in respect of this Admission Document is subject to the exclusive jurisdiction of Norwegian courts, with Oslo District Court (Nw.: Oslo Tingrett) as legal venue.

The date of this Admission Document is 28 August 2026.

1 STATEMENT OF RESPONSIBILITY

This Admission Document has been prepared by the Company in connection with the listing of the Bonds on Nordic ABM. The Company confirms that, after having taken all reasonable care to ensure that such is the case, the information contained in this Admission Document is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

28 August 2026

On behalf of Lucara Capital S.à r.l

Signed by:

Glenn Kondo

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Glenn Kondo

Authorised signatory

Appendices:

Appendix 1: Corporate Group Structure

Appendix 2: Parent's Financial Statements

Appendix 3: The issuer's Q1 2026 Report

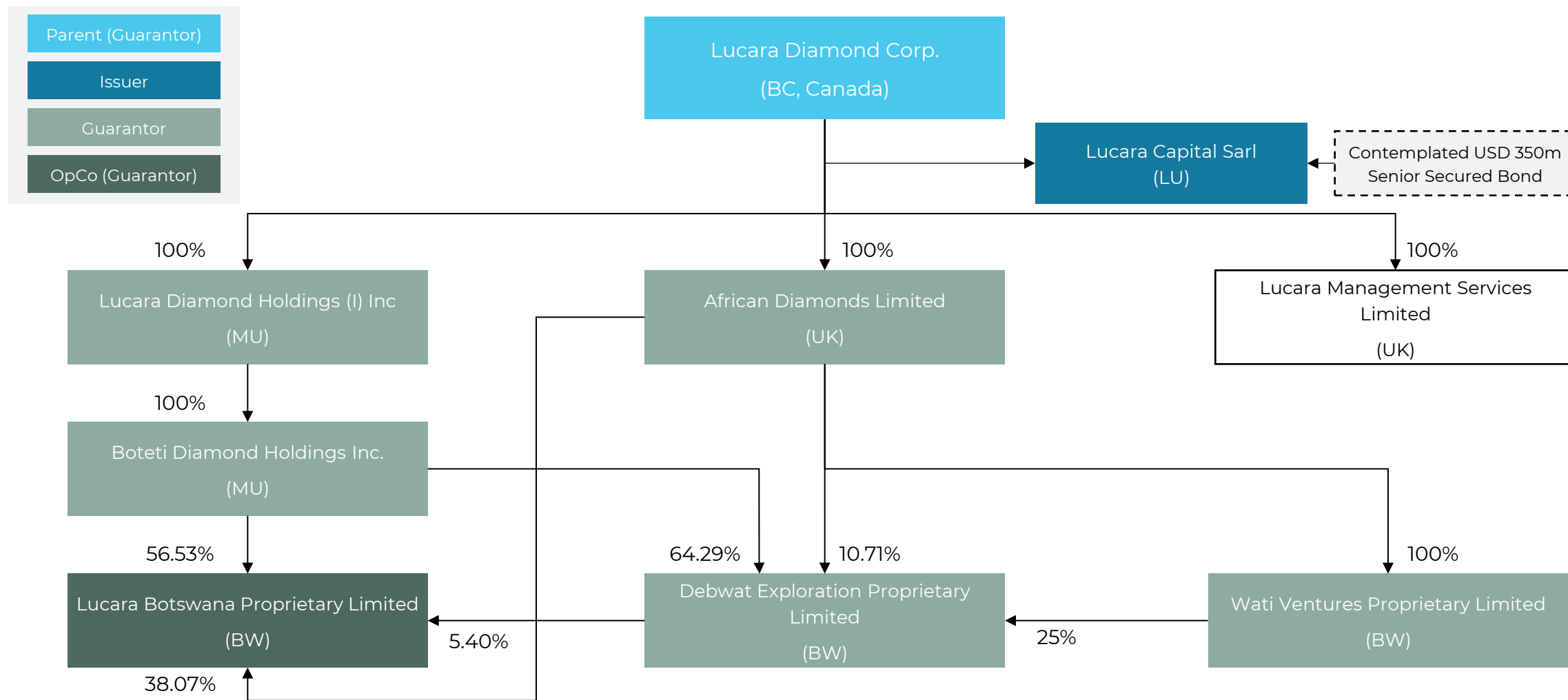
Appendix 4: Bond Terms

Appendix 5: Loan Description, cf. section 2.7.2.4 of the ABM Rules

APPENDIX 1
[CORPORATE GROUP STRUCTURE]



Detailed Corporate Structure



APPENDIX 2

[THE PARENT'S FINANCIAL STATEMENTS]



MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2025

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. ("Lucara" or the "Company") and its subsidiaries' performance and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the consolidated financial statements of the Company for the year ended December 31, 2025 (the "Annual Financial Statements"), which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts are expressed in U.S. dollars, unless otherwise indicated. References to "C\$" are to Canadian dollars.

The technical information related to mineral resources in the MD&A was prepared under the supervision of Dr. Lauren Freeman (Ph.D., Pr. Sci Nat), Lucara's Vice-President, Mineral Resources, and a Qualified Person, as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

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 and, in the Company's, Annual Information Form ("AIF"). The AIF along with additional information about the Company and its business activities are available on SEDAR+ at www.sedarplus.ca.

The effective date of this MD&A is March 3, 2026.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type Ila diamonds from its 100% owned Karowe Diamond Mine in north-central Botswana ("Karowe"). Karowe is the only diamond mine in the world to have recovered nine diamonds in excess of 1,000 carats in weight. Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Karowe is transitioning from open pit to underground mining with the development of the Karowe Underground Project (the "UGP"). The UGP is designed to access the highest value portion of the Karowe orebody. Underground development ore from the UGP is scheduled to begin offsetting stockpiles in 2027, with full-scale underground production planned for the first half of 2028.

Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations. Lucara is certified by the Responsible Jewellery Council, complies with the Kimberley Process, and has adopted the IFC Performance Standards and the World Bank Group's Environmental, Health and Safety Guidelines for Mining sector. The development of the UGP adheres to the Equator Principles. Lucara is committed to upholding high standards while striving to deliver long-term economic benefits to Botswana and the communities in which the Company operates.

The Company's corporate office is in Vancouver, Canada and its common shares trade on the Toronto Stock Exchange, the Nasdaq First North Growth Market, and the Botswana Stock Exchange under the symbol "LUC".

HIGHLIGHTS – FISCAL 2025

- A total of 353,302 carats were sold (2024: 399,215 carats), generating \$159.7 million in revenue (2024: \$203.9 million). Revenue for the year includes the sale of the Seriti, a 1,094 carat diamond sold to HB Trading BV ("HB") for an initial polished value of \$12.0 million. A further \$7.9 million in top-up revenue was earned during 2025 following the sale of polished outcomes from the Seriti. Revenue for the comparative year includes the sale of the Sethunya, a 549 carat Type IIA white gem quality diamond and the Eva Star, a 1,080 carat Type IIA diamond. The Company sold the Sethunya and Eva Star for a combined sum of \$54.0 million and in Q4 2024 recognized \$44.0 million in revenue net of fees, excluding royalties.

- The production and ventilation shafts both reached final depth in 2025 marking a key milestone toward completion of the UGP. Significant process was made in lateral development connecting the two shafts across multiple levels. The UGP achieved over 2,000 days without a lost-time injury.
- On December 1, 2025, the Company awarded a lateral development contract to Group R Mining and Exploration Botswana (Pty) Ltd. for the execution of all underground lateral development from the production and ventilation shafts to the ore body, including construction of the extraction level, underground crushing chamber, fine ore bins, and pump stations with associated infrastructure required to advance to the kimberlite.
- The recovery of 772 Specials¹ (2024: 807 Specials) equated to 7.1% (2024: 7.6%) by weight of the total carats recovered from direct ore feed in 2025. During 2025, the Company recovered 31 stones over 100 carats, including three stones that exceeded 1,000 carats. Significant recoveries in 2025 included a 1,476 carat non-gem diamond, a 2,036 carat near-gem diamond, a 1,015² carat non-gem diamond and a 37.42 carat pink Type IIa diamond.
- A total of 89,596 carats were recovered in Q4 2025; 86,110 carats were from direct open pit ore feed and stockpiles, at a recovered grade of 12.2 carats per hundred tonnes ("cpht"), and an additional 3,486 carats were recovered from processing historical recovery tailings.
- All key operational and financial metrics set out in the Company's 2025 Revised Guidance were achieved.
- A total of 1.9 million tonnes ("Mt") (2024: 3.0 Mt) of ore was mined with 2.8 Mt of ore processed (2024: 2.9 Mt).
- Financial highlights for 2025 included:
 - Operating margins of 52% were achieved compared to 61% in 2024. The 9% decrease reflects a 22% decrease in revenue partially offset by a 3% decrease in operating expenses.
 - Operating cost per tonne processed was \$27.15 per tonne, a decrease of 3% compared to the 2024 operating cost of \$27.89 per tonne. The continued impact of inflationary pressures, particularly labour, has been well managed by the operation. Operating cost per tonne processed is a non-IFRS measure.
- Cash position and liquidity as at December 31, 2025:
 - Cash balance of \$31.9 million.
 - \$190.0 million has been fully drawn from the project finance facility ("Project Facility") for the UGP, along with \$30.0 million fully drawn from the working capital facility ("WCF" and together with the Project Facility, the "Facilities").
 - Working capital (current assets less current liabilities) of \$33.6 million.
- The Company drew \$28.0 million from the Cost Overrun Reserve Account ("CORA") in exchange for its largest shareholder, Nemesia S.à.r.l. ("Nemesia"), agreeing to amend the terms of its limited shareholder standby undertaking through to UGP completion.
- The Company drew \$28.0 million from the \$63.0 million funding support provided by Nemesia and issued an unsecured debenture (the "Debenture") in connection with the drawdown. The Debenture matures on June 30, 2031.

¹ Specials are defined as stones above 10.8 carats.

² The carats reflect the final cleaned weight of the rough stone. The stone was previously reported at 1,019.85 carats.

HIGHLIGHTS – SUBSEQUENT TO FISCAL 2025

- On January 29, 2026, the Company closed a non-brokered private placement for total gross proceeds of C\$165.0 million (the “January 2026 equity financing”). The Company issued an aggregate of 1,031,250,000 common shares at a price of C\$0.16 per common share.
- On January 30, 2026, the Company filed an updated Feasibility Study (the “Updated Feasibility Study”) prepared in accordance with National Instrument 43-101 – *Standards of disclosure for Mineral Properties* which provided an update on the progress and estimate for the total costs of the UGP. The revised forecasted costs at completion are \$779.2 million, an increase of 14% from the prior estimate in July 2023, of which \$469.4 million had been incurred as at December 31, 2025.
- On March 3, 2026, the Company and the Lenders (as defined below) entered into a waiver agreement (the “Subsequent Waiver Agreement”). The Subsequent Waiver Agreement approved a reduction of the required CORA balance from \$33.7 million to \$21.2 million.

GOING CONCERN

As of the date of this MD&A, the Company’s Facilities to fund the UGP are fully drawn. The Company did not comply with the covenants under the Facilities requiring a technically signed off financial model by June 30, 2025 (“Financial Model Covenant”), the execution of a lateral development contract by July 31, 2025 (“Lateral Development Contract Covenant”), the requirement to provide a cost to complete certificate by August 31, 2025 (“Cost to Complete Covenant”), and the requirement to fully pay down the WCF for five successive business days at least once every 12 months (the “Clean Down” and collectively, the “Covenants”). On December 30, 2025, the Company and the lenders, a syndicate of six mandated lead arrangers (the “Lenders”) entered into an agreement to waive all Covenant breaches and events of default (the “Waiver Agreement”). The Waiver Agreement provided extensions to the following covenants: the Financial Model Covenant and the Lateral Development Contract Covenant to February 28, 2026, the Cost to Complete Covenant to March 31, 2026, and the Clean Down to June 30, 2026. As of the date of this MD&A, the Company is in full compliance with its Facilities, including the Financial Model Covenant and the Lateral Development Contract Covenant, with no outstanding Covenant breaches.

On March 3, 2026, the Company and the Lenders entered into a waiver agreement (the “Subsequent Waiver Agreement”). The Subsequent Waiver Agreement extends the Financial Model Covenant and Cost to Complete Covenant to July 15, 2026.

Management has assessed the Company’s ability to continue as a going concern for at least twelve months from December 31, 2025. Based on this assessment, the Company estimates that its working capital as at December 31, 2025, cash flow from operations, the January 2026 equity financing, and other committed sources of liquidity will not be sufficient to meet the revised forecasted costs at completion for the UGP of \$779.2 million of which \$469.4 million of costs have been incurred. Given that committed sources of liquidity are not sufficient to meet the revised forecast and remaining cost to complete, the Company is not expected to comply with the Cost to Complete Covenant by July 15, 2026, unless additional financing is obtained or the Lenders grant a waiver or extension for the Cost to Complete Covenant. The Company is continuing to evaluate additional financing options to support completion of the UGP. While the Company has previously been successful in raising financing, future fundraising efforts may not succeed or may fall short of the required amounts. These conditions cast significant doubt on the Company’s ability to continue as a going concern.

The Annual Financial Statements have been prepared on a going concern basis which assumes the Company will continue operations, realize assets, and settle its liabilities as they become due. The Company’s Annual Financial Statements do not include adjustments that may be necessary if the Company is unable to continue normal operations; such adjustments could be material and affect asset recoverability, liability classification, expenses, and comprehensive income.

KAROWE UNDERGROUND PROJECT UPDATE

The UGP is designed to access the highest value portion of the Karowe orebody, with initial underground carat production predominantly from the EM/PK(S)³ unit. The UGP is expected to extend the mine life to 2038.

On January 30, 2026, the Company announced an update to the UGP schedule and budget ([link to news release](#)). Production from the UGP is anticipated in H1 2028 with a revised total cost at completion of \$779.2 million (including contingency). As at December 31, 2025, capital expenditures of \$469.4 million had been incurred. Committed, not yet incurred, UGP costs are \$82.3 million as at December 31, 2025. The Updated Feasibility Study incorporates construction progress, revisions to exchange rates, inclusion of Legacy stone⁴ values, and costs incurred to date, and updates to hydrogeological and geomechanical models, mine design, method and scheduling. From H1 2026 to H1 2028, the Company will process a combination of ore from open pit operations and stockpiled materials.

The UGP has progressed well, highlighted by reaching the bottom of the 776 metres (“m”) production shaft and the 729 m ventilation shaft in 2025. The UGP has achieved 2,159 lost-time injury free days. During Q4 2025, the UGP achieved a twelve-month rolling Total Recordable Injury Frequency Rate (“TRIFR”) of 0.67. The UGP to date TRIFR up to December 31, 2025 was 0.56.

A total of \$75.8 million⁵ was spent on the UGP in 2025 with \$20.3 million⁵ in Q4 2025. Expenditures were primarily directed toward advancing shaft sinking, developing the 245-level⁶, 285-level, 310-level and 335-level to connect the shafts and initiating lateral development.

In Q4 2025, the Company executed a lateral development contract covering all underground lateral development from the production and ventilation shafts to the ore body. The scope includes construction of the extraction level, underground crushing chamber, fine ore bins, pump stations with associated vertical dams, drilling horizons, workshop facilities, and all connecting infrastructure required to advance towards the kimberlite.

Ventilation shaft Q4 2025 developments:

- Continued with 285-level station works, cat-walk and installation of a 110kw ventilation fan.
- Commissioned the 285-level temporary pump station.
- Developed 59.95 m on the 310-level and 24.5 m top cut on the 582-level.
- Completed sinking to shaft bottom.

Production shaft Q4 2025 developments:

- Continued with pre-assembly and modifications of shaft station steel for construction at the 285-level and 310-level.
- Installation of shaft bottom spillage and deflection wall.
- Continued with equipping the production shaft to the 310-level and 285-level loading pocket.

Related infrastructure Q4 2025 developments:

- Completed the Banksman cabin and continued with procurement of main surface ventilation fans.
- Advanced mining engineering, focusing on underground infrastructure and finalizing drilling level plans.

Activities planned for the UGP in Q1 2026 include the following:

- Finalize production shaft equipping and headframe modifications.
- Advance lateral development towards the ore extraction and undercut levels on the 285-level and 310-level.
- Equip shaft from 310-level station to surface, removal of stage and ropes and commence head frame change over.
- Continue with operational readiness including advancing staffing plans and efforts to prepare for operation and maintenance of permanent infrastructure and establish operating procedures.

³ EM/PK(S): Eastern magmatic/pyroclastic kimberlite (south)

⁴ Legacy stone refers to rough stones sold for a value greater than \$5.0 million.

⁵ Excludes qualifying borrowing cost capitalized.

⁶ Each level is equivalent to a metre above sea level.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains cautious amid ongoing structural changes in the market. Lab-grown diamond prices have continued to decline through 2025 with production outweighing demand. Global natural diamond production is forecasted to decrease, following significant production guidance cuts by the major diamond producers.

In the near term, premium-grade large natural diamonds are showing signs of potential price stability with De Beers recently announcing a positive price increase in rough diamonds above 5 carats in size, supported by limited global supply growth and a paucity of rough diamonds in these and larger sizes. However, mid-range and lower-grade stones remain under pricing pressure due to high inventories, cautious consumer sentiment, and the rise in the purchasing of lab-grown diamonds.

DIAMOND SALES

Diamonds from Karowe are sold through three sales channels: through a diamond sales agreement with HB , through quarterly tenders, and on the Clara Diamond Solutions ("Clara") sales platform.

HB

Karowe's large, high value diamonds have historically accounted for approximately 65% to 75% of Lucara's annual revenues. All +10.8 carat gem and near gem diamonds from Karowe are sold to HB. The initial purchase price paid for the rough diamonds is based on an estimated initial polished value with a "top-up" paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The timing of payments varies based on the category of stones being delivered, as determined by the diamond's estimated initial polished value.

The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently been resolved. Final revenue is determined when the polished diamonds are sold by HB to the end buyer.

Quarterly Tenders

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats not sold on the Clara sales platform are sold through quarterly tenders.

Clara

Clara is a third party owned digital rough diamond sales platform that the Company uses to sell individual diamonds between 1 and 10 carats, in higher colours and qualities.

FINANCING

Project Facility and Working Capital Facility

On January 9, 2024, the Company's wholly owned subsidiary, Lucara Botswana, with Lucara as the sponsor and the guarantor, amended its debt package that was originally entered into in 2021 ("Rebase Amendments"). The senior secured project financing debt package of \$220.0 million consists of a Project Facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development, construction costs and construction phase operating costs of the UGP as well as financing costs on the Facilities, and a \$30.0 million (\$50.0 million prior to amendment) senior secured WCF which is used for working capital and other corporate purposes. The repayment profile was extended in line with the rebase schedule released on July 16, 2023, and the Facilities maturity was extended to June 30, 2031. The Project Facility has quarterly repayments commencing on September 30, 2028. As of December 31, 2025, the Facilities were fully drawn.

The Facilities include the Financial Model Covenant, Lateral Development Covenant, Cost to Complete Covenant and Clean Down. On December 30, 2025, the Company and the Lenders entered into an agreement to waive all Covenant breaches and events of default. The Waiver Agreement provided extensions to the following covenants: the Financial Model Covenant and the Lateral Development Contract Covenant to February 28, 2026, the Cost to Complete Covenant to March 31, 2026, and the Clean Down to June 30, 2026. As of the date of this MD&A, the Company is in compliance with its Facilities and no covenant breaches exist. The Company has a 30-day cure period following the breach of a covenant before it is considered an event of default.

Interest rates

Both the Project Facility and the WCF bear interest at a rate of a USD Term Secured Overnight Financing Rate ("SOFR") plus a margin of 6.5% annually until the project completion date. From the project completion date to September 30, 2029, the margin is 6.0% annually for the Project Facility and 6.25% annually for the WCF, thereafter, the margin increases to 7.0% annually for the Project Facility and 7.25% annually for the WCF. Commitment fees for any undrawn portion of the Project Facility and WCF are 35% of the margin per annum.

Cost Overrun Reserve Account

The Company was required to and successfully deposited \$61.7 million in the CORA prior to June 30, 2025 as a condition of the Facilities. The Lenders approved the Company to draw up to \$28.0 million from the CORA to fund UGP construction in exchange for Nemesia amending the terms of its limited shareholder standby undertaking which previously supported the requirement to fill the CORA to \$61.7 million by June 30, 2025. The amendment includes extending the undertaking until project completion. Following the approved withdrawal of \$28.0 million, the new required CORA balance is \$33.7 million. The Rebase Amendments include specific provisions for how and when these funds may be released from the CORA. The CORA balance was \$33.7 million as at December 31, 2025.

Nemesia

Under the Rebase Amendments, Nemesia provided funding support of up to \$63.0 million consisting of two components:

- i. \$28.0 million component as the amended limited standby undertaking to support liquidity shortfalls until UGP completion; and
- ii. \$35.0 million component as a liquidity guarantee to cover cost overruns.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to \$15.0 million. In November 2023, the Company drew \$15.0 million from Nemesia's liquidity support guarantee and issued a corresponding unsecured debenture (the "First Debenture"). For each \$500,000 drawn down under the First Debenture, the Company is required to issue 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. In June 2024, the Company and Nemesia entered into a supplemental agreement to amend the frequency of common share issuances to Nemesia from a monthly to a quarterly basis. The First Debenture matures on August 29, 2029.

The Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia in 2025 and issued a corresponding unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"). For each \$500,000 drawn under the Second Debenture, the Company will issue 7,500 common shares per month, settled quarterly, to Nemesia until the amounts borrowed are repaid. The Second Debenture matures on June 30, 2031.

As of the date of this MD&A, Nemesia holds 30.8% of Lucara's total issued and outstanding shares.

INTEREST RATE SWAP

In February and September 2024, the Company amended a series of interest rate swaps to the expected Project Facility drawdown schedule under the Rebase Amendments. The total interest rate swaps were amended to amounts up to \$142.5 million and the maturity was amended to September 26, 2030. The Company receives interest at the rate equivalent to the three-month USD Term SOFR plus a credit adjustment spread and pays interest at a fixed rate of between 2.447% and 2.577% on a quarterly basis. The final interest rate swap matures on September 30, 2031.

As at December 31, 2025, the interest rate swaps had a total unrealized fair value of \$3.7 million (December 31, 2024: \$8.4 million), of which \$1.1 million has been classified as a current asset in the consolidated statements of financial position. During 2025, the Company recorded a loss of \$4.7 million (2024: gain of \$0.3 million) on this derivative financial instrument. Movements in the unrealized fair value are recorded through the consolidated statements of operations. The fair value of the interest rate swap is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

TABLE 1: FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats sold</i>	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Revenues	\$ 34.5	\$ 78.8	\$ 159.7	\$ 203.9
Operating expenses	(25.9)	(24.4)	(77.2)	(79.6)
Net income from continuing operations	6.4	38.5	26.1	43.6
Net loss from discontinued operations	-	(1.5)	-	(3.7)
Earnings per share from continuing operations (basic)	0.01	0.09	0.06	0.10
Earnings per share from continuing operations (diluted)	0.01	0.08	0.06	0.09
Cash			31.9	22.8
CORA			33.7	49.1
Amounts drawn on WCF			30.0	25.0
Amounts drawn on Project Facility			\$ 190.0	\$ 180.0
Carats sold	101,842	112,615	353,302	399,215

The Company reported total 2025 revenue of \$159.7 million from the sale of 353,302 carats. In comparison, total 2024 revenues were \$203.9 million from the sale of 399,215 carats. Revenue was higher in the comparative period as the Company sold the Sethunya and the Eva Star for a combined sum of \$54.0 million and recognized \$44.0 million in revenue net of fees, excluding royalties. In 2025, the Company sold the Seriti for an initial polished value of \$12.0 million. Additional top up revenue of \$7.9 million was earned during 2025 relating to the sale of polished outcomes from the Seriti.

Net income from continuing operations for 2025 was \$26.1 million, compared to \$43.6 million in 2024. The higher net income from continuing operations for 2024 primarily reflects increased revenues from the sale of the Sethunya and the Eva Star, partially offset by higher other expenses due to the loss on extinguishment of debt facilities. Deferred tax expense also increased by \$7.8 million in 2025 driven by higher deferred tax liabilities on mineral properties and plant and equipment. Net loss from discontinued operations relates to the Company's interest in Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as the "Clara Entities"). The Company sold its interest in the Clara Entities on October 4, 2024.

Total operating expenses were lower in 2025 (\$77.2 million) compared to 2024 (\$79.6 million) predominantly due to a slightly lower amount of tonnes processed offset with an increase in processing costs.

Please see Table 4: "Select Financial Information" below for details on the expense line items which had the most significant impact on net income from continuing operations.

TABLE 2: QUARTERLY SALES RESULTS

<i>In millions of U.S. dollars</i>	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Sales Channel				
HB	\$ 19.9	\$ 62.1	\$ 111.2	\$ 142.8
Tender	11.1	13.2	39.4	50.0
Clara	3.5	3.5	9.1	11.1
Total Revenue	\$ 34.5	\$ 78.8	\$ 159.7	\$ 203.9

Diamond Sales

For the three months ended December 31, 2025, the Company reported revenue of \$19.9 million from HB, compared to \$62.1 million for the same period in 2024. Revenue from HB accounted for 58% of total revenue recognized in Q4 2025, down from 79% in Q4 2024. Excluding the Sethunya and Eva Star, revenue from HB for Q4 2024 would have totaled \$18.1 million. On a comparable basis, excluding Legacy stone sales in Q4 2024, revenue increased by 10% driven by a higher volume of carats sold to HB.

Revenue from HB includes “top-up” and “top-down” payments, which are made to or from the Company when the final polished diamond sales price differs from the estimated initial polished value. Revenue from HB fluctuates with the sale of Specials and Legacy Stones. As of December 31, 2025, the Company had \$9.5 million in current trade receivables from HB (December 31, 2024: \$18.4 million).

For the three months ended December 31, 2025, tender sales totaled \$11.1 million, compared to \$13.2 million in Q4 2024, while Clara sales totaled \$3.5 million consistent with Q4 2024. Compared to Q4 2024, a higher number of carats were sold through the Clara platform while fewer were sold via tender. Average prices per carat declined for both channels, falling 7% for tender and 11% for Clara.

TABLE 3: RESULTS OF OPERATIONS – KAROWE MINE

		Q4-25	Q3-25	Q2-25	Q1-25	Q4-24
Sales						
Revenues	\$M	34.5	51.2	43.7	30.3	78.8
Carats sold	Carats	101,842	101,422	77,167	72,871	112,615
Production						
Tonnes mined (ore)	Tonnes	312,148	517,155	721,111	390,539	646,288
Tonnes mined (waste)	Tonnes	-	5,682	55,221	35,288	119,919
Tonnes processed	Tonnes	705,513	744,753	661,352	676,626	716,936
Average grade processed ⁽¹⁾	cpht ⁽¹⁾	12.2	12.8	12.5	13.4	12.7
Carats recovered ⁽¹⁾	Carats	86,110	95,302	82,555	90,500	91,046
Costs						
Operating cost per tonne of ore processed ⁽²⁾	\$	32.88	25.65	26.76	23.41	31.52
Capital Expenditures						
Sustaining	\$M	4.8	3.0	2.0	0.5	5.5
UGP ⁽³⁾	\$M	20.3	22.7	13.6	19.2	17.8

(*) Carats per hundred tonnes

(1) Average grade processed and carats recovered are from direct processing and excludes carats recovered from re-processing historical recovery tailings.

(2) Operating cost per tonne of ore processed is a non-IFRS measure. See Table 6.

(3) Excludes qualifying borrowing cost capitalized.

FOURTH QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during Q4 2025. The rolling twelve-month Total Recordable Injury Frequency Rate for the Karowe Mine was 0.58 (2024: 0.26).

Environment: The Company has developed a Tailings Management System in line with the requirements of the Global Industry Standard on Tailings Management. The Tailings Management System has been implemented.

Production: Ore mined during in Q4 2025 totaled 0.3 Mt. Tonnes processed were on target at 0.7 Mt at an average grade of 12.2 cpht, yielding 86,110 carats. Ore processed was primarily sourced from M/PK(S)⁷. In December 2025 open pit mining was temporarily suspended due to heavy rainfall and elevated water levels in the pit. Operations are planned to resume once conditions allow.

Diamond Recoveries: A total of 167 Specials were recovered from direct ore feed during the quarter with two diamonds greater than 100 carats. In the comparable 2024 quarter, a total of 195 Specials were recovered, with 9 diamonds greater than 100 carats. Recovered Specials equated to 5.0% (2024: 6.3%) of the weight percentage of total recovered carats from ore processed during Q4 2025.

All recovered stones, including the 2,488 carat Motswedi that remained unsold at the end of the reporting period, are accounted for at cost in inventory. Selling and monetizing the value contained in the Company's 1,000+ carat diamond inventory may require considerable time given the complexities associated with the marketing, analysis, cutting and polishing and ultimate sales processes.

Karowe's operating cost per tonne: Karowe's operating cost per tonne processed for Q4 2025 (see "Non-IFRS Financial Measures") was \$32.88 per tonne of ore processed (Q4 2024: \$31.52 per tonne of ore processed), slightly higher than the 2025 annual forecast of \$28.50 to \$31.00 per tonne processed. Higher processing costs resulted from increased processing plant maintenance and plant shutdowns, as well as an increase in electricity costs.

⁷ M/PK(S): Magmatic/Pyroclastic Kimberlite (South)

TABLE 4: SELECT FINANCIAL INFORMATION

<i>In millions of U.S. dollars</i>	Three months ended		Year ended	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Revenues	34.5	78.8	159.7	203.9
Operating expenses	(25.9)	(24.4)	(77.2)	(79.6)
Adjusted operating earnings⁽¹⁾	8.6	54.4	82.5	124.3
Royalty expenses	(4.1)	(9.4)	(17.7)	(23.2)
Administration	(5.7)	(5.2)	(14.4)	(14.8)
Sales and marketing	(1.3)	(1.0)	(3.7)	(3.1)
Depletion and amortization	(3.3)	(3.9)	(13.6)	(16.6)
Finance expenses	(1.2)	(0.8)	(3.5)	(2.9)
Foreign exchange gain (loss)	4.2	(10.8)	9.5	(6.9)
(Loss) gain on derivative financial instrument	(0.1)	4.0	(4.7)	0.3
Loss on disposal of assets	(0.1)	(0.2)	(0.1)	(0.2)
Loss on extinguishment of debt	-	-	-	(10.5)
Current and deferred income tax recovery (expense)	9.4	11.4	(8.2)	(2.8)
Net income from continuing operations for the period	6.4	38.5	26.1	43.6
Continuing operations earnings per share (basic)	0.01	0.09	0.06	0.10
Continuing operations earnings per share (diluted)	0.01	0.08	0.06	0.09
Net loss from discontinued operations for the period	-	(1.5)	-	(3.7)
Discontinued operations loss per share (basic and diluted)	N/A	0.00	N/A	(0.1)

(1) Adjusted operating earnings is a non-IFRS measure defined as revenues less operating expenses and excludes royalty expenses and depletion and amortization.

Revenues and royalties

Revenue decreased by 56% from \$78.8 million in Q4 2024 to \$34.5 million in Q4 2025. The higher revenue in Q4 2024 reflects the sale of the Sethunya and the Eva Star which together sold for \$54.0 million with \$44.0 million recognized in revenue net of fees, excluding royalties. Revenue for the year ended December 31, 2025 totalled \$159.7 million from the sale of 353,302 carats, compared to \$203.9 million from the sale of 399,215 carats in the comparable year.

Royalties to the Government of Botswana are paid at the rate of 10% of the final gross sales price achieved from the sale of all Karowe diamonds, rough or polished. The royalty expenses represent approximately 11% of total revenues, as revenues are presented net of fees paid to HB.

Adjusted operating earnings

Adjusted operating earnings for Q4 2025, totaled \$8.6 million, compared to \$54.4 million in Q4 2024. The decrease was driven by a 56% decrease in revenue. Operating expenses for the quarter increased by 6% to \$25.9 million (Q4 2024: \$24.4 million) primarily due to higher processing costs and inventory movements.

Adjusted operating earnings is a non-IFRS measure and is reconciled in Table 4: “Select Financial Information”.

Foreign Exchange

The \$4.2 million foreign exchange gain (Q4 2024: loss of \$10.8 million) in Q4 2025 primarily relates to fluctuations in the Botswana Pula against the US dollar.

Derivative financial instrument

A \$0.1 million loss on a derivative financial instrument (Q4 2024: gain of \$4.0 million) relates to changes in the fair value of the interest rate swap in response to changing market interest rates (see Note 9 of the Annual Financial Statements). The Company records its interest rate swaps at fair value and as such, the movement in the fair value within any given period results in a gain or loss.

Loss on extinguishment of debt

On January 9, 2024, as part of the Rebase Amendments, Lucara amended its Facilities, consisting of the Project Facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development of the UGP at the Karowe Mine and a \$30.0 million (\$50.0 million prior to amendment) WCF. The amendments resulted in the remaining balance of deferred financing and unamortized initial Facilities arrangement costs to be recognized as a loss on extinguishment in the amount of \$10.5 million.

Net income from continuing operations

During the three months ended December 31, 2025, net income from continuing operations was \$6.4 million, compared to \$38.5 million in Q4 2024. The quarter-over-quarter change was primarily driven by lower income from mining operations due to a decrease in revenue.

Net loss from discontinued operations

The net loss from discontinued operations for the three months ended December 31, 2024 was \$1.5 million. This loss is attributed to the Clara Entities, which were disposed of on October 4, 2024, and were classified as discontinued operations for the prior period. As the Clara Entities were disposed of in Q4 2024 there is no net loss from discontinued operations for Q4 2025.

TABLE 5: SELECT QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight most recent completed quarters:

Three months ended	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24	Mar-24
A. Revenues	34,454	51,231	43,666	30,312	78,765	44,300	41,292	39,519
B. Administration expenses	(5,718)	(2,898)	(2,691)	(3,139)	(5,155)	(3,590)	(3,366)	(2,703)
C. Net (loss) income from continuing operations	6,351	7,358	12,545	(139)	38,502	155	11,905	(6,950)
D. Earnings (loss) per share from continuing operations (basic)	0.01	0.02	0.03	(0.00)	0.09	0.00	0.03	(0.02)

Quarterly revenue in the table above was recognized from three separate sales channels: through sales of +10.8 carat diamonds to HB, sales on the Clara platform, and sales of all non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which do not meet criteria for sale on Clara, through quarterly tenders. Variation in the quarterly metrics is primarily driven by the sale of Specials, which are rough diamonds larger than 10.8 carats and more particularly, from the sale of high value Specials. While the expected number of Specials may be estimated based on the resource model attributes, the quality of the Specials recovered may vary significantly.

Net income (loss) from continuing operations achieved in each quarter is predominately impacted by the revenue earned during that quarter, while the impact of changes in operating expenses, depletion and amortization, fluctuating inventory levels, foreign exchange, gain/losses on derivative financial instruments, and income tax expenses introduce volatility to net income.

Lucara's quarterly financial performances are influenced by a variety of factors, including the sale of the Seriti in Q2 2025, the sale of the Sethunya and the Eva Star in Q4 2024, fluctuations in operating expenses, lower income from mining operations in Q3 2024, increased carat sales in Q2 2024, a loss on debt extinguishment in Q1 2024 due to the Rebase Amendments.

Quarter over quarter variances are also influenced by fluctuations in revenue, expenses, royalties, and gains/losses on derivatives, foreign exchange, and deferred taxes throughout the quarters.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted operating earnings, and operating cost per tonne of ore processed, which are not measures recognized under IFRS Accounting Statements and do not have a standardized meaning prescribed by these standards. 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.

Adjusted operating earnings (see Table 4: "*Select Financial Information*") is the term the Company uses as an approximate measure of the earnings from the operations under an accrual basis and is defined as revenues less operating expenses, before royalty expenses and depletion and amortization.

Operating cost per tonne of ore processed is the term the Company uses to describe operating expenses per tonne processed on a cash basis. This is calculated as the operating cost divided by tonnes of ore processed for the period. This ratio provides the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS Accounting Standards is operating expenses.

TABLE 6: OPERATING COST PER TONNE OF ORE PROCESSED RECONCILIATION

In millions of U.S. dollars, except for tonnes processed and operating cost per tonne processed

	Three months ended December 31,		Year ended December 31,	
	2025	2024	2025	2024
Operating expenses	\$ 25.9	\$ 24.3	\$ 77.2	\$ 79.6
Net change in rough diamond inventory, excluding depletion and amortization	(0.9)	(1.7)	2.9	(2.2)
Net change in ore stockpile inventory, excluding depletion and amortization	(1.8)	-	(4.4)	2.1
Total operating costs for ore processed	\$ 23.2	\$ 22.6	\$ 75.7	\$ 79.5
Tonnes processed	705,513	716,936	2,788,244	2,850,631
Operating cost per tonne of ore processed⁽¹⁾	\$ 32.88	\$ 31.52	\$ 27.15	\$ 27.89

⁽¹⁾ Operating cost per tonne processed for the period is a non-IFRS measure defined as the sum of operating expenses, capitalized production stripping costs, and the net changes in rough diamond inventories and ore stockpiles divided by the tonnes of ore processed for the period.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2025, the Company had cash of \$31.9 million. Cash generated from continuing operating activities for the year ended December 31, 2025 was \$54.0 million.

Working capital (current assets minus current liabilities) was \$33.6 million as at December 31, 2025, compared to \$27.1 million as of December 31, 2024. The increase was primarily due to higher cash from draws on the limited shareholder standby undertaking and CORA. Current inventories also increased due to the classification of ore stockpiles as the Company transitions to processing majority ore from stockpiles in 2026. Included in the Company's inventory is the 2,488 carat Motswedi which remains unsold at the end of the reporting period.

Receivables and other on December 31, 2025 was \$22.0 million (December 31, 2024: \$33.0 million). The receivable balance on December 31, 2025 includes \$9.5 million (December 31, 2024: \$18.4 million) due from HB and represents rough diamond sales in Q4 2025, as well as the value of diamond sales for which the transaction price was finalized and adjusted during the period. All amounts receivable from HB are current and expected to be received within twelve months following the period end.

Current liabilities increased to \$71.0 million as at December 31, 2025, from \$62.1 million at December 31, 2024. The increase is a result of the \$5.0 million draw on the WCF and an increase in accrued liabilities. These increases were partially offset by a reduction in taxes and royalties payable, which declined from \$7.2 million to \$1.9 million following royalty payments related to the Eva Star and Sethunya made in Q1 2025.

Long-term liabilities consist of the Project Facility of \$190.0 million (December 31, 2024: \$180.0 million), restoration provisions of \$21.6 million (December 31, 2024: \$17.6 million), deferred income taxes of \$127.8 million (December 31, 2024: \$110.5 million), due to related party debenture of \$43.0 million (December 31, 2024: \$15.0 million), and other non-current liabilities of \$2.9 million (December 31, 2024: \$3.9 million) which consist of lease liabilities, a liability for deferred share units outstanding and non-current retentions payable.

Financing activities during the year consisted of contributions and withdraws from the CORA, drawdowns on the Facilities and the amended limited shareholder standby undertaking and principal payments on leases.

Further details regarding the Company's liquidity risks are disclosed under the heading "*Nature of Operations and Going Concern*" in Note 1 of the Annual Financial Statements.

RELATED PARTY TRANSACTIONS

The Company enters into related party transactions that are in the normal course of business and does so on an arm's length basis.

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 named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

TABLE 7: RELATED PARTY TRANSACTIONS

In thousands of U.S. dollars

	2025	2024
Salaries and wages	\$ 2,589	\$ 2,492
Short term benefits	17	32
Share based compensation	822	594
	\$ 3,428	\$ 3,118

Other related party transactions

During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited shareholder standby undertaking provided by Nemesia and issued an unsecured debenture. For each \$500,000 drawn, the Company will issue 7,500 common shares per month, settled quarterly, to Nemesia until the amounts borrowed are repaid. A total of 3,660,387 common shares (2024: 2,925,000 common shares) with a fair value of \$0.6 million (2024: \$0.8 million) were issued to Nemesia as consideration for payment of interest on the Debentures.

During the year ended December 31, 2025, the Company incurred \$0.3 million (2024: \$0.8 million) primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At December 31, 2025, included in trade payables and accrued liabilities is \$0.5 million (December 31, 2024: \$0.4 million) for related services.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

A description of commitments can be found in Note 19 of the Annual Financial Statements.

The Company has the following contractual obligations and capital commitments as at December 31, 2025:

TABLE 8: CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

<i>In millions of U.S. dollars</i>	Payments due by period ⁽¹⁾			Total
	< 1 year	1 – 5 years	Thereafter	
Credit facilities ⁽²⁾	\$ 30.0	\$ 190.0	\$ -	\$ 220.0
Due to related party	-	15.0	28.0	43.0
Restoration provisions	-	-	43.1	43.1
Lease liabilities	1.2	1.3	-	2.5
Capital commitments	37.9	44.4	-	82.3
	\$ 69.1	\$ 250.7	\$ 71.1	\$ 390.9

⁽¹⁾ Reported on an undiscounted basis, before inflation.

⁽²⁾ The WCF is classified as a current liability as the next Clean Down is required to occur on or before June 30, 2026.

2026 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2026. These are forward-looking statements and subject to the cautionary note regarding the risks associated with such statements.

Karowe Mine, Botswana

TABLE 9: 2026 DIAMOND SALES, PRODUCTION AND OUTLOOK

Karowe Diamond Mine	2026
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$100 to \$130
Diamond sales (thousands of carats)	340 to 360
Diamonds recovered (thousands of carats)	340 to 360
Ore tonnes mined (millions)	Up to 0.6
Waste tonnes mined (millions)	Up to 0.2
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ (per tonne processed)	\$27.50 to \$31.00
UGP capital expenditure	Up to \$110 million
Sustaining capital expenditure	Up to \$11.5 million
Average exchange rate – Botswana Pula per United States Dollar	14.0

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

The table above reflects the natural variability in the resource, including both recovered grade and diamond quality, which may influence the revenue guidance for 2026. In 2026, the Company expects to process 2.6 to 3.0 million tonnes of ore including waste, primarily from stockpiled materials. The assumptions for carats recovered and sold as well as tonnes of ore processed are consistent with achieved plant performance in recent years. Stockpiled material (North, Centre, South Lobe) from working stockpiles and life-of-mine stockpiles will provide mill feed until 2027 when UGP development ore is scheduled to start offsetting stockpiles with high-grade ore from the UGP. Full scale underground production is planned for H1 2028.

In 2026, capital costs for the UGP are expected to be up to \$110 million. Expenditures in 2026 will focus predominantly on shaft equipping, and advancing lateral development. Surface works will focus on the removal of stage and ropes, and headgear change over.

Sustaining capital is expected to be up to \$11.5 million with a focus on the replacement and refurbishment of key asset components and tailings advancement.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

In the normal course of business, the Company is inherently exposed to currency and commodity price risk, as well as inflation. The Company's financial instruments are exposed to certain financial risks, including currency, liquidity, credit, interest, and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At December 31, 2025, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$6.4 million in net income for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income for the period.

Liquidity risk

Liquidity risk is the risk of the Company's potential inability to meet financial obligations as they mature. The Company manages this risk through regular cash flow forecasting at the operational level, aggregated at the corporate level to determine capital needs. Rolling liquidity forecasts are prepared and monitored to ensure sufficient cash is available for short- and long-term operational requirements. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity support such as financings, accessing the CORA and funding support provided by Nemesia.

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at December 31, 2025, \$1.0 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$45.9 million is due beyond twelve months. The WCF is classified as current due to the Clean Down. The maturity date for the WCF is September 30, 2031. Further details regarding the Company's liquidity risk are disclosed under the heading "*Nature of Operations and Going Concern*" and "*Credit Facilities*" in Notes 1 and 9 to the Annual Financial Statements.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tenders or on the Clara platform.

A large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through the Clara platform (five days). The Company maintains legal title over goods shipped to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability. The carrying amount of financial assets recorded in the Annual Financial Statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates. The Company mitigates interest rate risk on its Project Facility through interest rate swaps that exchange a portion of the variable rate inherent in the term debt for a fixed rate as described above in the section "*Interest Rate Swap Agreements*" (see Note 9 of the Annual Financial Statements). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the interest rate swap derivative will however fluctuate in response to changing market interest rates that will result in a corresponding increase or decrease to profit or loss.

In September 2024, the Company amended interest rate swap contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.447% to 2.577% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate increases on 25% of its expected borrowings from the Project Facility, and amounts drawn from its WCF which remain subject to market interest rates (Term SOFR or a replacement benchmark).

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through the traditional tender process for rough diamonds.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 1,488,549,184 common shares outstanding, 12,429,985 share units, 5,104,832 deferred share units, and 8,544,547 stock options outstanding under its share-based incentive plans.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business which includes the acquisition, financing, development and operation of diamond properties and the construction of the UGP. The material risk factors and uncertainties, which should be considered in assessing the Company's activities, are described under the heading "*Risks and Uncertainties*" in the Company's most recent AIF and in the table "*Feasibility Study Risks Register: Main Project Risks*" in the 2025 Feasibility Study Technical Report which are available on SEDAR+ at www.sedarplus.ca. Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not party to any off-balance sheet arrangements.

SUBSEQUENT EVENTS

On January 29, 2026, the Company closed a non-brokered private placement for aggregate gross proceeds of C\$165.0 million. Pursuant to the January 2026 equity financing, a total of 1,031,250,000 common shares of the Company were sold at a price of C\$0.16 per common share, which included participation by Nemesia. All common shares issued pursuant to the January 2026 equity financing are subject to a four-month statutory hold period under applicable Canadian securities laws. The Company is continuing to evaluate additional financing options to support completion of the UGP.

On March 3, 2026, the Company and the Lenders entered into the Subsequent Waiver Agreement. The Subsequent Waiver Agreement approved a reduction of the required CORA balance from \$33.7 million to \$21.2 million.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements are described Note 3 of the Annual Financial Statements for the year ended December 31, 2025.

Management has identified uncertain tax positions as an area of judgement and estimation uncertainty. Lucara Botswana received an assessment from the Botswana Unified Revenue Service (“BURS”) for the fiscal years 2016 to 2020 related to the tax deductibility of certain expenditures associated with the Company’s operations in Botswana.

On February 24, 2026, the Company received a response to its objections from BURS in relation to the above tax assessments which allowed the tax deductibility of certain of the previously challenged expenditures. As a result, the Company reversed its previously recorded provision which included \$2.6 million against VAT receivables and a valuation allowance against certain losses of \$1.3 million. BURS maintained its position on two remaining matters, along with a related penalty. The Company intends to lodge appeals for the remaining disallowed expenditures and believes that its tax positions are valid. The ultimate outcome of an appeal of the remaining positions is uncertain and may have implications for the tax treatment of similar transactions in periods subsequent to those currently under assessment. Further details are provided in Note 15 of the Annual Financial Statements.

CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2025, there were no changes to the accounting policies described in Note 4 of the Annual Financial Statements.

In May 2024, the IASB issued targeted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments Disclosures* that clarify the timing of recognition and derecognition of certain financial assets and liabilities settled electronically, introduce new disclosures for instruments with contractual terms that can change cash flows, and update disclosures for equity instruments designated at fair value through other comprehensive income. The amendments are effective for annual periods beginning on or after January 1, 2026 and are not expected to have a material impact on the financial statements.

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure of Financial Statements* which replaces IAS 1, *Presentation of Financial Statements*. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company is currently assessing the effect of this new standard on its financial statements.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the Annual Financial Statements. Management is responsible for the integrity and objectivity of this document, ensuring the fair presentation of its financial results. The Audit Committee is responsible for reviewing the contents of this document along with the Annual Financial Statements to ensure the reliability and timeliness of the Company’s disclosure while providing another level of review for accuracy and oversight. The Board of Directors, based on recommendations from Lucara’s Audit Committee, reviews and approves the financial information contained in the Annual Financial Statements and this MD&A.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), is responsible for the design and operation of disclosure controls and procedures.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. As of December 31, 2025, the CEO and CFO have each concluded that the Company’s disclosure controls and procedures, as defined in NI 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

There have been no changes in the Company's disclosure controls and procedures during the year ended December 31, 2025 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS Accounting Standards. Management is also responsible for the design of the Company's internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. However, due to inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS Accounting Standards and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2025, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A contain "forward-looking information" and "forward-looking statements" as defined in applicable securities laws. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

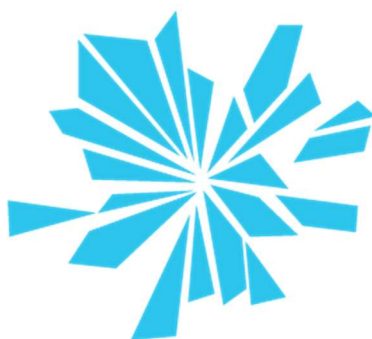
Forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the Company's ability to continue as a going concern, the Company's ability to continue operations, realize assets, and settle its liabilities as they become due, the project schedule and capital costs for the UGP, diamond sales projections and outlook disclosure under "2026 Outlook", the Company's ability to meet its obligations under the Facilities with its Lenders, future price stability, supply and demand of rough or polished diamonds, estimated capital costs, the focus of future expenditures, future forecasts of revenue and variable consideration in determining revenue, the outcome of tax assessments and the likelihood of recoverability of tax payments made, activities planned for the UGP in Q1, including to finalize production shaft equipping and headframe modifications, advance lateral development, equip shaft from 310-level station to surface, and continue operational readiness, estimation of mineral resources including the determination of the boundary between South Lobe M/PK(S) and EM/PK(S) domains due to the significant grade difference between these two domains, cost and timing of the development of deposits and estimated future production, currency exchange rates, rates of inflation, requirements

for and availability of additional capital, capital expenditures, operating costs, production and cost estimates, tax rates, timing of drill programs, government regulation of operations, environmental risks and compliance obligations, limitations on insurance coverage, and geopolitical and economic risks affecting the Company's operational viability including sanctions, trade restrictions and tariffs.

While these factors and assumptions are considered reasonable by the Company as at the date of this MD&A in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information and undue reliance should not be placed on such information. Such factors include, but are not limited to: the timing, scope and cost of additional grouting events at the UGP, the Company's ability to comply with the terms of the Facilities which are required to construct the UGP, the impact of the Covenant breaches, and any associated consequences, on the Company's business, whether the Lenders will demand payment of the Facilities because of the Covenant breaches, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the UGP, credit risk, price risk, that the estimated timelines to achieve mine ramp up and full production from the UGP can be achieved, that sufficient stockpiled ore of sufficient grade and value will be available to generate revenue prior to the achievement of commercial production from the UGP, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, expectations that the UGP and the pit steepening project will extend mine life, forecasts of additional revenues, future production activity, that depletion and amortization expense on assets will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered, the future price and demand for, and supply of, diamonds, expectations regarding the scheduling of activities for the UGP.

Forward-looking information and statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to several 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 due to a variety of risks, uncertainties, and other factors, including, without limitation, those referred to in this MD&A. The foregoing is not exhaustive of the factors that may affect any of our forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Certain risks which could impact the Company are discussed under the heading "*Risks and Uncertainties*" in this MD&A and in the Company's most recent AIF available at SEDAR+ at www.sedarplus.ca.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements contained in this MD&A are made as of the date of this MD&A and accordingly are subject to change after such date. Except as required by law, the Company disclaims any obligation to revise any forward-looking information and statements to reflect events or circumstances after the date of such information and statements. All forward-looking information and statements contained or incorporated by reference in this MD&A are qualified by the foregoing cautionary statements.



LUCARA

DIAMOND

Consolidated Financial Statements
Year Ended December 31, 2025



Independent auditor's report

To the Shareholders of Lucara Diamond Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lucara Diamond Corp. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

PricewaterhouseCoopers LLP
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Fax to mail: ca_vancouver_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment test of the mineral properties, plant and equipment for the Karowe Mine cash generating unit (Karowe CGU) Refer to note 3 - Significant accounting judgments, estimates and assumptions, note 4 - Summary of material accounting policies and Note 7 - Mineral properties, plant and equipment to the consolidated financial statements. As at December 31, 2025, the total net book value of mineral properties, plant and equipment amounted to \$597.2 million, which relates to the Karowe CGU. When impairment indicators exist, an impairment test is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. The Company has an ongoing impairment indicator for its mineral properties, plant and equipment. As at December 31, 2025, the Company's market capitalization was lower than the carrying value of its net assets. As a result, management performed an impairment test of the Karowe CGU at December 31, 2025. The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected to be derived from the mining properties and represents the CGU fair value less cost of disposal. As of December 31, 2025, no impairment was noted as the recoverable amount was higher than the carrying amount of the Karowe CGU. The determination of the recoverable amount calculated using a discounted cash flow model included the following significant assumptions: estimated long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones, operating and capital cost estimates and real discount rate.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Karowe CGU, which included the following: – Tested the appropriateness and mathematical accuracy of the discounted cash flow model. – Tested the underlying data used in the discounted cash flow model. – Evaluated the reasonableness of significant assumptions by (i) comparing the operating estimates to recent actual operating costs incurred; (ii) comparing the capital cost estimated to capital expenditures incurred and contracts where applicable; (iii) comparing estimated diamond prices to recent actual sales data, external market and industry data; and (iv) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the significant assumptions which included production volumes including exceptional stones, operating costs, and capital cost estimates to complete development of the UGP. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

Key audit matter	How our audit addressed the key audit matter
Management's estimates of the estimated long-term diamond prices including exceptional stones, production volumes including recoveries of exceptional stones, operating costs and capital cost estimates to complete development of the Karowe Underground Expansion Project ("UGP") are based on information compiled by qualified persons (management's experts).	– Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the real discount rate. – Tested the disclosures made in the consolidated financial statements with regard to the impairment test for the Karowe CGU.
We considered this a key audit matter due to the significant judgment by management in determining the recoverable amount of the Karowe CGU, and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assumptions. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia

March 3, 2026

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of U.S. Dollars)

	December 31, 2025	December 31, 2024
ASSETS		
Current assets		
Cash	\$ 31,920	\$ 22,788
Receivables and other (Note 5)	22,009	33,039
Derivative financial instrument (Note 9)	1,142	2,089
Inventories (Note 6)	49,510	31,301
	104,581	89,217
Inventories (Note 6)	22,368	37,637
Mineral properties, plant and equipment (Note 7)	597,166	473,727
Derivative financial instrument (Note 9)	2,565	6,309
Cost overrun reserve account (Note 9)	33,720	49,148
Other non-current assets (Notes 5 and 10)	12,310	4,795
TOTAL ASSETS	\$ 772,710	\$ 660,833
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 38,158	\$ 29,015
Working capital facility (Note 9)	30,000	25,000
Tax and royalties payable	1,888	7,227
Lease liabilities	970	831
	71,016	62,073
Project facility (Note 9)	190,000	180,000
Due to related party (Note 9)	43,000	15,000
Restoration provisions (Note 10)	21,622	17,640
Deferred income taxes (Note 15)	127,753	110,513
Other non-current liabilities	2,894	3,878
TOTAL LIABILITIES	456,285	389,104
EQUITY		
Share capital, unlimited common shares, no par value (Note 11)	349,410	348,401
Contributed surplus	10,330	9,513
Retained earnings	51,232	26,202
Accumulated other comprehensive loss	(94,547)	(112,387)
TOTAL EQUITY	316,425	271,729
TOTAL LIABILITIES AND EQUITY	\$ 772,710	\$ 660,833

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

Nature of Operations and Going Concern – Note 1
Commitments – Note 19

"Ian Gibbs"
Director

"Melissa Harmon"
Director

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In thousands of U.S. Dollars, except for share and per share amounts)

	2025		2024	
Revenues (Note 13)	\$	159,663	\$	203,876
Cost of goods sold				
Operating expenses		77,205		79,581
Royalty expenses (Note 13)		17,737		23,208
Depletion and amortization		13,622		16,636
		108,564		119,425
Income from mining operations		51,099		84,451
Other expenses				
Administration (Note 14)		14,446		14,814
Sales and marketing		3,666		3,069
Finance expenses		3,456		2,895
Loss (gain) on derivative instrument (Note 9)		4,691		(290)
Foreign exchange (gain) loss		(9,523)		6,913
Loss on extinguishment of debt facilities (Note 9)		-		10,529
Loss on disposal of assets (Note 7)		69		152
		16,805		38,082
Net income from continuing operations before tax		34,294		46,369
Income tax expense (recovery)				
Current income tax (Note 15)		(1,916)		480
Deferred income tax (Note 15)		10,095		2,277
		8,179		2,757
Net income from continuing operations		26,115		43,612
Net loss from discontinued operations (Note 8)		-		(3,708)
Net income for the year	\$	26,115	\$	39,904
Earnings per common share from continuing operations				
Basic	\$	0.06	\$	0.10
Diluted	\$	0.06	\$	0.09
Loss per common share from discontinued operations				
Basic and diluted	\$	-	\$	(0.01)
Weighted average common shares outstanding (millions)				
Basic		454.0		457.3
Diluted		470.1		468.0

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

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In thousands of U.S. Dollars)

		2025		2024
Net income for the year	\$	26,115	\$	39,904
Other comprehensive income				
<i>Items that will not be reclassified to net income</i>				
Change in fair value of marketable securities		(156)		(312)
Other comprehensive loss reclassified on disposal of marketable securities		1,085		-
Currency translation adjustment reclassified on disposal of subsidiary		-		988
<i>Items that may be subsequently reclassified to net income</i>				
Currency translation adjustment		16,911		(9,807)
		17,840		(9,131)
Comprehensive income for the year	\$	43,955	\$	30,773
Total comprehensive income (loss) attributable to shareholders of the Company from:				
Continued operations		43,955		34,481
Discontinued operations		-		(3,708)
	\$	43,955	\$	30,773

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

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In thousands of U.S. Dollars)

	2025	2024
Operating activities		
Net income for the year from continuing operations	\$ 26,115	\$ 43,612
Items not affecting cash:		
Depletion and amortization	14,322	17,341
Unrealized foreign exchange (gain) loss	(9,585)	5,955
Share based compensation	918	685
Loss on extinguishment of debt facilities	-	9,727
Unrealized loss (gain) on derivative instrument	4,691	(290)
Deferred income tax expense	10,095	2,277
Current income tax recovery	(2,558)	-
Deferred revenue	-	(20,000)
Finance expenses	2,953	2,606
Loss on disposal of assets	69	152
Inventory write-down	1,023	-
	48,043	62,065
Net changes in working capital:		
Receivables and other	8,229	(761)
Inventories	(205)	(1,348)
Trade payables and accrued liabilities	3,584	(4,350)
Tax and royalties payable	(5,607)	4,040
Net cash provided by continuing operating activities	54,044	59,646
Net cash used in discontinued operating activities	-	(3,344)
Financing activities		
Drawdown on working capital facility	5,000	10,000
Drawdown on project facility	10,000	70,000
Drawdown on limited standby undertaking	28,000	-
Withholding tax on share units vested	-	(67)
Lease payments	(1,891)	(1,590)
Funding of cost overrun reserve account	(12,572)	(30,574)
Withdrawal from cost overrun reserve account	28,000	-
Net cash provided by continuing financing activities	56,537	47,769
Net cash used in discontinued financing activities	-	(13)
Investing activities		
Investment in mineral properties, plant and equipment	(101,499)	(95,010)
Disposal of subsidiary, net of cash disposed of	-	718
Disposal of marketable securities	388	-
Funding of rehabilitation guarantee	(737)	-
Net cash used in continuing investing activities	(101,848)	(94,292)
Net cash used in discontinued investing activities	-	(59)
Effect of exchange rate change on cash	399	(256)
Increase in cash	9,132	9,451
Cash, beginning of the year	22,788	13,337
Cash, end of the year	\$ 31,920	\$ 22,788
Supplemental information		
Interest paid	\$ (25,013)	\$ (20,578)
Taxes paid	(641)	(412)
Shares returned to treasury on disposal of subsidiary	-	3,314
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties ⁽¹⁾	1,597	(1,580)
Changes in lease liabilities related to plant and equipment and mineral properties	1,993	(1,359)

⁽¹⁾ Included within accounts payable and accrued liabilities at each period end are additions to plant and equipment and mineral properties, acquired on normal course payment terms, of \$8.8 million at December 31, 2025 (December 31, 2024: \$7.2 million).

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

LUCARA DIAMOND CORP.**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(In thousands of U.S. Dollars, unless otherwise indicated)**

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2024	456,177,393	\$ 349,718	\$ 9,371	\$ (13,702)	\$ (103,256)	\$ 242,131
Net income for the year	-	-	-	39,904	-	39,904
Other comprehensive (loss)	-	-	-	-	(9,131)	(9,131)
Total comprehensive income (loss)	-	-	-	39,904	(9,131)	30,773
Shares issued for limited standby undertaking	1,900,000	553	-	-	-	553
Shares issued for debenture	2,925,000	847	-	-	-	847
Shares issued from share units vested	846,555	597	(597)	-	-	-
Withholding tax for share units vested	-	-	(67)	-	-	(67)
Shares returned to treasury	(10,000,000)	(3,314)	-	-	-	(3,314)
Share-based compensation	-	-	806	-	-	806
Balance, December 31, 2024	451,848,948	\$ 348,401	\$ 9,513	\$ 26,202	\$ (112,387)	\$ 271,729
Balance, January 1, 2025	451,848,948	\$ 348,401	\$ 9,513	\$ 26,202	\$ (112,387)	\$ 271,729
Net income for the year	-	-	-	26,115	-	26,115
Other comprehensive income	-	-	-	-	17,840	17,840
Total comprehensive income	-	-	-	26,115	17,840	43,955
Shares issued for debentures	3,660,387	601	-	-	-	601
Shares issued for share units vested	411,332	177	(177)	-	-	-
Shares issued for deferred share units	1,378,517	231	-	-	-	231
Other comprehensive loss reclassified on disposal of marketable securities	-	-	-	(1,085)	-	(1,085)
Share-based compensation	-	-	994	-	-	994
Balance, December 31, 2025	457,299,184	\$ 349,410	\$ 10,330	\$ 51,232	\$ (94,547)	\$ 316,425

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

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the “Company” or “Lucara”) is a diamond mining company focused on the development and operation of its Karowe Mine located in Botswana.

The Company’s common shares are listed on the Toronto Stock Exchange, NASDAQ First North Growth Market and Botswana Stock Exchanges under the symbol “LUC”. 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 2800, 1055 Dunsmuir Street, Vancouver, British Columbia.

Going Concern

During the year ended December 31, 2025, the Company recognized a net income from continuing operations of \$26.1 million and generated cash of \$54.0 million from continuing operating activities. As at December 31, 2025, the Company had cash of \$31.9 million and working capital (current assets less current liabilities) of \$33.6 million (December 31, 2024: \$27.1 million). On January 29, 2026, the Company closed a private placement equity financing (the “January 2026 equity financing”) for total gross proceeds of C\$165.0 million (Note 20).

The Company’s debt package (the “Facilities”) which is composed of the Project Facility of \$190.0 million and senior secured working capital facility (the “WCF”) of \$30.0 million are fully drawn. The Company did not comply with the covenants under the Facilities requiring a technically signed off financial model by June 30, 2025 (“Financial Model Covenant”), the execution of a lateral development contract by July 31, 2025 (“Lateral Development Contract Covenant”) and the requirement to provide a cost to complete certificate by August 31, 2025 (“Cost to Complete Covenant”), and the requirement to fully pay down the WCF for five successive business days at least once every 12 months (the “Clean Down” and collectively, the “Covenants”). On December 30, 2025, the Company and the lenders, a syndicate of six mandated lead arrangers (the “Lenders”) entered into an agreement to waive all Covenant breaches and events of default (the “Waiver Agreement”). The Waiver Agreement provided extensions to the following covenants: the Financial Model Covenant and the Lateral Development Contract Covenant to February 28, 2026, the Cost to Complete Covenant to March 31, 2026, and the Clean Down to June 30, 2026. As of the date these consolidated financial statements were approved by the Board of Directors, the Company is in full compliance with its Facilities, including the Financial Model Covenant and the Lateral Development Contract Covenant, with no outstanding Covenant breaches.

On March 3, 2026, the Company and the Lenders entered into a waiver agreement (the “Subsequent Waiver Agreement”). The Subsequent Waiver Agreement extends the Financial Model Covenant and Cost to Complete Covenant to July 15, 2026.

On January 30, 2026, the Company provided an update on the status of and estimate for the total costs of the UGP. The revised forecasted costs at completion are \$779.2 million, an increase of 14% from the prior estimate in July 2023. As at December 31, 2025, \$469.4 million of costs have been incurred for the UGP. Committed, not yet incurred, UGP costs are \$82.3 million at December 31, 2025 (Note 19). Completion of the UGP is currently being supported by continued operating cash flows from mining operations, the January 2026 equity financing, access to the cost overrun reserve account (the “CORA”), and guarantees from its largest shareholder, Nemesia S.à.r.l. (“Nemesia”) (Note 9). Access to the CORA and shareholder guarantees are subject to the receipt of certain approvals.

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

Management has assessed the Company's ability to continue as a going concern for at least twelve months from December 31, 2025. Based on this assessment, the Company estimates its working capital as at December 31, 2025, cash flow from operations, January 2026 equity financing, and other committed sources of liquidity will not be sufficient to meet the revised forecasted costs at completion for the UGP of \$779.2 million of which \$469.4 million of costs have been incurred. Given that committed sources of liquidity are not sufficient to meet the revised forecast and remaining cost to complete, the Company is not expected to comply with the Cost to Complete Covenant by July 15, 2026, unless additional financing is obtained or the Lenders grant a waiver or extension for the Cost to Complete Covenant. The Company is continuing to evaluate additional financing options to support completion of the UGP. While the Company has previously been successful in raising financing, future fundraising efforts may not succeed or may fall short of the required amounts. These conditions cast significant doubt on the Company's ability to continue as a going concern.

These consolidated financial statements have been prepared on a going concern basis which assumes the Company will continue operations, realize assets, and settle its liabilities as they become due.

These consolidated financial statements do not include adjustments that may be necessary if the Company is unable to continue normal operations; such adjustments could be material and affect asset recoverability, liability classification, expenses, and comprehensive income (loss).

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Other than changes due to new and amended standards and interpretations, the accounting policies adopted are consistently applied in all periods presented.

The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

These consolidated financial statements were approved by the Board of Directors for issue on March 3, 2026.

LUCARA DIAMOND CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

The following entities are included in these consolidated financial statements:

	Country of incorporation	Ordinary shares held	
		December 31, 2025	December 31, 2024
Lucara Botswana Proprietary Limited	Botswana	100%	100%
Wati Ventures Proprietary Limited	Botswana	100%	100%
Debwat Exploration Proprietary Limited	Botswana	100%	100%
Lucara Management Services Limited	United Kingdom	100%	100%
African Diamonds Limited.	United Kingdom	100%	100%
Lucara Diamond Holdings Inc.	Mauritius	100%	100%
Boteti Diamond Holdings Inc.	Mauritius	100%	100%

The Company has pledged the shares held in Lucara Botswana Proprietary Limited, through the various intermediate holding companies, to secure the Facilities (Note 9). The Company is not allowed to pledge the shares held as security for other borrowings.

Adoption of new accounting standards and accounting developments

New standards and interpretations not yet adopted

Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued targeted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. These amendments include the following:

- (a) clarify the date of recognition and derecognition of some financial assets and liabilities, with the exception for some financial liabilities settled through an electronic cash transfer system;
- (b) clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- (c) add new disclosures for certain instruments with contractual terms that can change cash flows; and
- (d) update the disclosures for equity instruments designated at fair value through other comprehensive income.

These amendments are effective for annual periods beginning on or after January 1, 2026. These amendments are not expected to have a material impact on the consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing. Further, operating expenses are presented directly on the face of the income statement – classified either by nature, by function or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows.

IFRS 18 will not impact the recognition and measurement of items in the financial statements, nor will it impact which items are classified in other comprehensive income and how these items are classified. The standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently assessing the effect of this new standard on its financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and judgements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company has identified the following areas where significant accounting judgements, estimates and assumptions have been made in the preparation of the consolidated financial statements:

Areas of accounting policy judgements

Satisfaction of performance obligations under the HB Trading BV sales arrangement

The Company has determined that, under the terms of the Company's diamond sales agreement with HB Trading BV ("HB"), control is transferred when the delivery and analysis of rough diamonds are completed. At this point the estimated initial polished value of the rough diamond is determined and HB assumes responsibility for its manufacturing, polishing and sale to an end buyer. Once the initial polished value is determined, the Company recognizes revenue if collectability is reasonably assured.

Mineral property valuation

The Company carries its mineral properties and plant and equipment at depleted and amortized cost, less any provision for impairment. The Company assesses at each reporting period whether there is an indication of impairment. Significant judgement is applied in assessing whether indicators of impairment exist that would require impairment testing. The Company has an ongoing indicator of impairment related to its mineral properties and plant and equipment, as its market capitalization is lower than its net book value. The Company conducted an impairment assessment at December 31, 2025, and no impairment was identified (Note 7).

Deferred taxes

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized and what tax rate is expected to be applied in the year when the related temporary differences reverse. Judgement is also required in the application of income tax legislation. These judgements are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision.

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Modification versus extinguishment of financial liabilities

Judgement is required in applying IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the credit facilities were a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original credit facilities.

Sources of estimation uncertainty

Uncertain tax positions

The Company recognizes that its tax obligations are subject to interpretation and judgement. Uncertain tax positions arise when there is uncertainty regarding the application of tax laws and regulations to the Company's transactions or positions. Estimates of uncertain tax positions are measured using the most likely amount or expected value approach, considering all available information.

Impairment

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts. Recoverable amounts are determined by reference to relevant market data, discounted future cash flows, and fair value less costs to sell. An impairment loss is recognized when the carrying amount of assets is no longer considered recoverable. Non-current assets that were previously impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Calculating the estimated recoverable amount of the cash-generating unit ("CGU") for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated production volumes, operating, and capital costs, diamond prices, and discount rates. Management relies on production history and geological experts to develop estimates of long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones as well as expected future operating and capital costs. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets. Changes in these assumptions could significantly impact the valuation of the Company's assets in the future.

Estimated variable consideration in determining revenue

Revenues include an estimate of variable consideration receivable under the terms of the Company's diamond sales agreement with HB. Variable consideration is a component of the transaction price and represents an area of management estimate. Under the diamond sales agreement, at the time of sale of a rough diamond, the Company receives an initial payment based on an estimated initial polished value. When the manufactured diamond is sold to an end buyer, HB is entitled to receive a fee and reimbursement for the cost of manufacturing. If the final sales price is higher than the estimated initial polished value a true up payment is payable to the Company. Any manufactured diamonds sold to an end buyer for less than the estimated initial polished value (after deductions for HB's fee and the cost of manufacturing) will result in the difference being refunded to HB. Variable consideration is estimated using the most likely approach. The transaction price is reassessed at each reporting period, including any adjustments to the amount of variable consideration recognized. The revenue recognized as the transaction price, including any variable consideration, is recognized within the constraint of "highly probable". In evaluating the most likely approach, significant estimates include market conditions, the current estimated polished value provided by HB and the probability that the variable consideration will be realized.

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Decommissioning and site restoration

The Company has obligations for site restoration and decommissioning related to the Karowe Mine. The restoration provision is based on cost estimates of the future decommissioning and site restoration activities estimated using mine closure plans which outline the activities that will be carried out to meet the obligations. The restoration provision requires significant estimates and assumptions because the obligations are dependent on the laws and regulations of the country in which the mine operates and are based on future expectations of the timing, extent and cost of required decommissioning and site restoration activities. The provision for decommissioning and site restoration is remeasured at the end of each reporting period for changes in estimates or circumstances.

Deferred taxes

The deferred tax provisions are calculated by the Company whilst the actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. Deferred tax liabilities arising from temporary differences are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits depends on management's estimates of future production and sales volumes, diamond prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures and other capital management transactions. These estimates and assumptions are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding income or expense to profit.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Subsidiaries are entities controlled by the Company. An entity is controlled by the Company when as a group; it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. For non wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as non-controlling interests in the equity section of the consolidated balance sheet. All intercompany balances and transactions have been eliminated on consolidation.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars. The functional currency of the parent company, Lucara Diamond Corp., is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

Group companies

The functional currency of the most significant subsidiary of the Company, Lucara Botswana Proprietary Limited ("Lucara Botswana"), is the Botswana Pula. The results and financial position of the group companies, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement.
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- (iii) All resulting exchange differences are recognized in other comprehensive income as currency translation adjustments.

(c) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. All recognized financial assets are measured subsequently at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

At initial recognition, the Company classifies its financial instruments in the following categories:

- (i) Fair value through profit or loss: Financial assets or liabilities measured at fair value through profit or loss are assets or liabilities which do not qualify as financial instruments at amortized costs or those not designated in hedge relationships. Derivatives, including interest rate swaps, are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations in the period in which they arise.
- (ii) Fair value through other comprehensive income: The Company has made an irrevocable election to designate its investments in marketable equity securities as classified at fair value through other comprehensive income. Fair values are determined by reference to quoted market prices at the reporting date. When investments in marketable securities are disposed of or impaired, the cumulative gains and losses recognized in other comprehensive income are not recycled to profit and loss and remain within equity.
- (iii) Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost include cash, trade receivables, the WCF and trade and royalties payable due to their short-term nature. Trade receivables and payables and royalties payable are non-interest bearing if paid when due and are recognized at their face amount, less, when material, a discount, except when fair value is materially different. Amounts drawn on the WCF and Project Facility are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost.

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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Inventories

Inventories, which include rough diamonds, ore stockpiles and parts and supplies, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes the costs of mining, processing and directly attributable mining overhead.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and selling expenses. The portion of the ore stockpile that is expected to be processed more than twelve months from year end is classified as non-current inventory.

(e) Plant and equipment

Plant and equipment are carried at cost, less accumulated amortization and accumulated impairment charges. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

For production plant and equipment, depreciation is recorded on a units-of-production basis. Depreciation on all other plant and equipment is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining life of the mine, if shorter. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Residual values and useful lives are reviewed annually. Gains and losses on disposals are calculated as proceeds received less the carrying amount and are recognized in the consolidated statements of operations.

The estimated useful lives of plant and equipment are as follows:

Furniture and office equipment	3 to 5 years straight line
Machinery and equipment	3 to 10 years straight line
Plant facilities	units of production based on recoverable reserves
Right-of-use assets	straight line over the shorter of the lease term and useful lives

(f) Mineral properties and capitalized production stripping costs

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Costs are amortized from the date of commencement of production of the mine on a units of production basis over estimated recoverable reserves. Costs associated with mineral properties include acquisition costs, evaluation and project investigation costs, development costs and borrowing costs. Mineral property costs are expensed as incurred until such time that the project demonstrates technical feasibility and commercial viability, and the Company has demonstrated a commitment to advance the project. Once this has been established, all further expenditures are capitalized as incurred.

During the production phase, mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized to mineral properties. Stripping costs incurred in the production phase of an open pit mine are accounted for as variable production costs. Stripping costs are capitalized and recorded as deferred stripping, a component of mineral properties, when the stripping activity provides access to sources of reserves or resources that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. The deferred stripping costs are capitalized based on actual versus expected strip ratios and depleted on a unit of production basis over the reserves that directly benefited from the stripping activity.

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Impairment of non-financial assets

At the end of each reporting period, the Company assesses whether there is an indication that an asset or group of assets within a cash generating unit ("CGU") may be impaired. When impairment indicators exist, an impairment assessment is conducted at the level at which an asset or group of assets generate independent cash inflows. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of the asset or CGU's fair value less costs to sell and its value in use. Non-financial assets that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

(h) Asset retirement obligations

The Company recognizes a liability for an asset retirement obligation on long-lived assets when a present legal or constructive obligation exists, as a result of past events and the amount of the liability is reasonably determinable. Asset retirement obligations are initially recognized as a liability based on estimated future cash flows discounted at a risk-free rate. This is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and amortized or depleted to operations over the life of the related asset.

(i) Income taxes

Income taxes are recognized in the statement of operations, except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity. Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred taxes are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the sliding tax rate that is expected at the time of reversal and the laws that have been enacted or substantively enacted by the year end.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where there is a legal right to do so, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

A deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each year end and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain tax positions and interest and penalties related to uncertain tax positions are accounted for under IFRIC 23, *Uncertainty over Income Tax Treatments*. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not recognition threshold it is then measured to determine the amount of benefit or liability to recognize in the financial statements. The tax position is measured as the amount of benefit or liability that is likely to be realized upon ultimate settlement. The Company assesses the validity of conclusions regarding uncertain tax positions on a quarterly basis to determine if facts or circumstances have arisen that might cause the Company to change their judgement regarding the likelihood of a tax position.

(j) Revenue recognition

Revenues from diamond sales are recognized when the purchaser obtains control of the diamond. For diamonds sold through tender or digital sales platforms, control is transferred when the Company receives payment for the diamonds sold and title is transferred to the purchaser according to contract terms.

The Company sells its large stone production (diamonds greater than 10.8 carats) under the diamond sales agreement with HB. For diamonds sold under this agreement, control is transferred once the stones are delivered and the analysis of the rough diamonds are agreed upon according to the contract terms to which the stones relate. Once the estimated initial polished value is determined, the Company recognizes revenue if collectability is reasonably assured. The initial purchase price paid for the rough diamonds are based on an estimated initial polished value with a true up paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently resolved. Final revenue is determined when the polished diamonds are sold to the end buyer.

(k) Share-based compensation

The Company grants share-based awards in the form of share options and share units in exchange for the provision of services. Stock options and equity-settled share units granted to employees are measured on the grant date. Stock options granted to non-employees are measured on the date that the goods or services are received. Share units which do not meet the criteria for equity-settlement are recorded as a liability and measured at fair value at each reporting period.

The fair value of the employee and non-employee services received in exchange for the grant of the options and share units is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options and share units granted and the vesting periods. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cash subscribed for the shares issued when options are exercised is credited to share capital, net of any directly attributable transaction costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Earnings per share

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds from the exercise of "in-the-money" share-based arrangements are used to purchase common shares at the average market price during the period.

(m) Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company leases various equipment, office spaces and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

(o) Discontinued operations

Discontinued operations are reported when a component of the Company, representing a separate major line of business or geographical area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element on the consolidated statements of operations for both the current and comparative periods.

LUCARA DIAMOND CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

5. RECEIVABLES AND OTHER

		2025		2024
Trade receivables	\$	9,478	\$	18,416
Value-added taxes ("VAT")		4,604		7,585
Prepayments		7,462		6,824
Other		465		214
Total current receivables and other	\$	22,009	\$	33,039
Non-current VAT receivables	\$	6,988	\$	-

Trade receivables at December 31, 2025 were \$9.5 million (December 31, 2024: \$18.4 million) due from HB.

VAT receivables include \$7.0 million at December 31, 2025 (December 31, 2024: \$5.0 million) relating to an income tax assessment dispute in Botswana. The VAT receivables under dispute are classified as non-current at December 31, 2025 and are included in other non-current assets on the consolidated statements of financial position (Note 15).

6. INVENTORIES

		2025		2024
Rough diamonds	\$	18,584	\$	14,987
Ore stockpiles		16,655		3,339
Parts and supplies		14,271		12,975
Total current inventories	\$	49,510	\$	31,301
Non-current inventories – ore stockpiles	\$	22,368	\$	37,637

Inventory expensed during the year ended December 31, 2025 totaled \$77.2 million (2024: \$79.6 million). Inventory write-downs of \$1.0 million were recognized during the year ended December 31, 2025 (2024: \$nil) relating to obsolete parts and supplies.

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7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2024	\$ 92,512	\$ 276,577	\$ 18,214	\$ 267,974	\$ 655,277
Additions	-	64,666	11,574	1,108	77,348
Borrowing cost capitalized	-	17,441	-	-	17,441
Adjustment to restoration provision	3,056	-	-	-	3,056
Disposals	-	-	-	(994)	(994)
Reclassifications	-	2,677	(25,688)	23,011	-
Translation differences	(3,755)	(13,448)	(301)	(11,776)	(29,280)
Balance, December 31, 2024	\$ 91,813	\$ 347,913	\$ 3,799	\$ 279,323	\$ 722,848
Additions	-	75,768	8,942	1,347	86,057
Borrowing cost capitalized	-	19,032	-	-	19,032
Adjustments to restoration provision	667	-	-	-	667
Disposals	-	-	-	(333)	(333)
Reclassifications	-	2,113	(6,846)	4,733	-
Translation differences	5,690	24,556	301	18,088	48,635
Balance, December 31, 2025	\$ 98,170	\$ 469,382	\$ 6,196	\$ 303,158	\$ 876,906
Accumulated depletion and amortization	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2024	\$ 81,844	\$ -	\$ -	\$ 161,205	\$ 243,049
Depletion and amortization	7,124	-	-	10,231	17,355
Disposals	-	-	-	(725)	(725)
Translation differences	(3,449)	-	-	(7,109)	(10,558)
Balance, December 31, 2024	\$ 85,519	\$ -	\$ -	\$ 163,602	\$ 249,121
Depletion and amortization	4,170	-	-	10,171	14,341
Disposals	-	-	-	(264)	(264)
Translation differences	5,415	-	-	11,127	16,542
Balance, December 31, 2025	\$ 95,104	\$ -	\$ -	\$ 184,636	\$ 279,740
Net book value					
As at December 31, 2024	\$ 6,294	\$ 347,913	\$ 3,799	\$ 115,721	\$ 473,727
As at December 31, 2025	\$ 3,066	\$ 469,382	\$ 6,196	\$ 118,522	\$ 597,166

Reclassifications relate to construction in progress put into use during the periods and depreciation on plant and equipment in use on the Karowe underground construction asset.

Borrowing costs of \$53.1 million (December 31, 2024: \$34.1 million) relating to the Karowe underground construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized initial arrangement costs related to the Facilities.

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7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

The Company has an ongoing impairment indicator for its mineral properties and plant and equipment, as the Company's market capitalization at December 31, 2025 was lower than the carrying amount of its net assets. An impairment assessment was conducted and no impairment was recorded since the fair value less cost of disposal (FVLCD) of the Karowe CGU exceeded its carrying amount. Impairment assessments incorporate estimates of recoverable reserves and resources, which rely on assumptions including production volumes, mining and processing recoveries, operating and capital costs, and long-term diamond prices. Determining the FVLCD involves Level 2 and Level 3 inputs and key assumptions include estimated long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones, operating and capital cost estimates from the Feasibility Study Technical Report and real discount rates of 7.0% to 8.0%.

8. DISCONTINUED OPERATIONS

On October 4, 2024, the Company sold its interest in Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as "Clara") including intangible assets. Total sale consideration comprised of \$3.0 million in cash less working capital adjustments of \$0.8 million, the return of 10,000,000 Lucara common shares (Note 11) and the elimination of contingent liabilities tied to certain sales performance metrics, EBITDA performance targets or a change of control, amounting to a share issuance obligation of 13,400,000 Lucara common shares. The 10,000,000 Lucara common shares were initially issued as partial consideration upon acquisition of Clara.

The following outlines the results of discontinued operations of Clara for the period from January 1, 2024 to the date of disposal, October 4, 2024.

Year ended December 31, 2024		
Revenue ⁽¹⁾	\$	2,223
Cost of sales ⁽¹⁾		3,382
Gross margin		(1,159)
Other expenses		1,196
Loss on disposal		1,353
Net loss from discontinued operations	\$	(3,708)

⁽¹⁾ Lucara continues to use Clara's platform to sell its Clara qualifying stones after the disposition of Clara, the revenue and cost of sales related to Lucara's diamonds has been included as part of continuing operations (See Note 13).

9. CREDIT FACILITIES

The movement in credit facilities is comprised of the following:

	Deferred financing fees	Project Facility	Working Capital Facility	Total
Balance, January 1, 2024	\$ 4,122	\$ (86,515)	\$ (35,000)	\$ (117,393)
Finance fees	2,922	-	-	2,922
Finance fees transfer	491	(491)	-	-
Transfer	-	(20,000)	20,000	-
Drawdown	-	(70,000)	(10,000)	(80,000)
Loss on extinguishment of debt facilities	(7,535)	(2,994)	-	(10,529)
Balance, December 31, 2024	\$ -	\$ (180,000)	\$ (25,000)	\$ (205,000)
Drawdown	-	(10,000)	(5,000)	(15,000)
Balance, December 31, 2025	\$ -	\$ (190,000)	\$ (30,000)	\$ (220,000)

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9. CREDIT FACILITIES (CONTINUED)

Senior Secured Facilities and Cost Overrun Reserve Account ("CORA")

On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara as sponsor and guarantor, amended its senior secured project financing debt package of \$220.0 million that was originally entered into in 2021 (the "Rebase Amendments"). The Facilities consist of the Project Facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development of the UGP and a \$30.0 million (\$50.0 million prior to amendment) senior secured WCF. The Rebase Amendments modified the repayment schedule, extended the maturity date of the WCF to September 30, 2031, and amended certain other terms. At the financial close of the Rebase Amendments, \$20.0 million that was outstanding on the WCF was transferred to the Project Facility.

The Project Facility has been used to fund the development, construction costs and construction phase operating costs of the UGP as well as financing costs on the Facilities during construction. The Project Facility matures on September 30, 2031, with quarterly repayments commencing on September 30, 2028. The Project Facility bears interest at a rate of Term Secured Overnight Financing Rate ("SOFR") plus margin of 6.5% annually until the project completion date, 6.0% annually from project completion to September 30, 2029, and 7.0% annually thereafter, with commitment fees for the undrawn portion of the facility of 35.0% of the margin on the average daily available commitment. As at December 31, 2025, the Project Facility was fully drawn.

The WCF may be used for working capital and other corporate purposes. The WCF bears interest at a rate of Term SOFR plus a margin of 6.5% annually until the project completion date, 6.25% from project completion to September 30, 2029, 7.25% thereafter, and commitment fees for the undrawn portion of the WCF of 35.0% of the margin on the average daily available commitment. The WCF matures on September 30, 2031. As at December 31, 2025, the WCF was fully drawn.

Upon the Rebase Amendments, the remaining balance of deferred financing fees and unamortized initial arrangement costs incurred with the initial arranging of the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment in the amount of \$10.5 million.

The Facilities contain multiple covenants, including the Financial Model Covenant, Lateral Development Contract Covenant, Cost to Complete Covenant and Clean Down. On December 30, 2025, the Lenders and the Company entered into a Waiver Agreement to waive all Covenant breaches and events of default. The Waiver Agreement provided extensions to the following covenants: the Financial Model Covenant and the Lateral Development Contract Covenant to February 28, 2026, the Cost to Complete Covenant to March 31, 2026, and the Clean Down to June 30, 2026. The Company has a 30-day cure period following the breach of a Covenant before it is considered an event of default. As of the date these consolidated financial statements were approved by the Board of Directors, the Company is in full compliance with its Facilities, including the Financial Model Covenant and the Lateral Development Contract Covenant, with no outstanding covenant breaches.

Under the Rebase Amendments, Nemesia provided funding support of up to \$63.0 million consisting of two components:

- i. \$28.0 million component as the amended limited standby undertaking to support liquidity shortfalls until UGP completion; and
- ii. \$35.0 million component as a liquidity guarantee to cover cost overruns.

During the year ended December 31, 2025, the Company drew \$28.0 million from the amended limited standby undertaking to fund UGP construction.

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9. CREDIT FACILITIES (CONTINUED)

The Company was required to and successfully placed \$61.7 million in the CORA prior to June 30, 2025 as a condition of the Facilities. The Lenders approved the Company to draw up to \$28.0 million from the CORA to fund UGP construction in exchange for Nemesia amending the terms of its limited shareholder standby undertaking which previously supported the requirement to fill the CORA to \$61.7 million by June 30, 2025. The amendment includes extending the undertaking until project completion and the new required CORA balance of \$33.7 million.

Interest rate swap agreements

On December 14, 2021, under the terms of the Project Facility, the Company became party to a series of interest rate swap agreements on 75% of the principal amount available, up to \$127.5 million. As part of the Rebase Amendments, a new interest rate swap agreement was signed on February 15, 2024, which covers the principal amount available up to \$142.5 million. The Company receives interest at the rate equivalent to the three-month USD Term SOFR and pays interest at a fixed rate ranging from 2.447% to 2.577% on a quarterly basis. The final interest rate swap matures on September 30, 2031.

As at December 31, 2025, the interest rate swaps had a total unrealized fair value of \$3.7 million (December 31, 2024: \$8.4 million), of which \$1.1 million has been classified as a current asset. The fair value of the interest rate swaps is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

Due to related party – debentures

During the year ended December 31, 2023, the Company drew \$15.0 million from its liquidity guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "First Debenture"). Subject to the receipt of all required regulatory approvals, for each \$500,000 outstanding under the First Debenture, the Company is required to issue 7,500 common shares per month at the prevailing market price to Nemesia until the amounts borrowed are repaid. On June 17, 2024, the Company and Nemesia entered into a supplemental agreement to amend the frequency of common share issuances to Nemesia from a monthly to a quarterly basis. The First Debenture matures on August 29, 2029.

During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"). For each \$500,000 drawn under the Second Debenture, the Company will issue 7,500 common shares per month, settled quarterly, to Nemesia until the amounts borrowed are repaid. The Second Debenture matures on June 30, 2031.

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10. RESTORATION PROVISIONS

The Company's restoration provisions relate to the rehabilitation of the Karowe Mine in Botswana. The provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments for the applicable geographical areas.

The Company has applied a pre-tax discount rate of 10.2% at December 31, 2025 (December 31, 2024: 8.4%) and an annual inflation rate of 4.5% at December 31, 2025 (December 31, 2024: 4.5%). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately \$43.1 million (December 31, 2024: \$39.4 million). The Company expects these liabilities to be settled between 2026 and 2040.

Balance, January 1, 2024	\$	13,738
Changes to rates and estimates		3,056
Accretion		1,525
Translation differences		(679)
Balance, December 31, 2024	\$	17,640
Changes to rates and estimates		667
Accretion		2,136
Translation differences		1,179
Balance, December 31, 2025	\$	21,622

The Company has deposited \$5.3 million (December 31, 2024: \$4.3 million) as security for a mine rehabilitation guarantee provided to the Botswana Department of Mines. The restricted deposit matures in August 2026 and is included in other non-current assets on the consolidated statements of financial position.

11. SHARE CAPITAL

During the year ended December 31, 2024, 4,825,000 common shares (\$1.4 million) were issued to Nemesia consisting of 1,900,000 common shares as consideration for increasing the limited standby undertaking and 2,925,000 common shares in relation to the Debenture (Note 9). Additionally, the Company returned 10,000,000 common shares (\$3.3 million) to treasury relating to the sale of Clara (Note 8).

During the year ended December 31, 2025, a total of 3,660,387 common shares with a fair value of \$0.6 million were issued to Nemesia in relation to the Debentures (Note 9).

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12. SHARE BASED COMPENSATION

a. Stock options

The Company's stock option plan (the "Option Plan") was approved by the Company's shareholders initially on May 13, 2015, with amendments approved on May 14, 2025. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted in 2024 and 2025 vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire five years from the date of grant.

	Number of shares issuable pursuant to stock options	Weighted average exercise price per share (CA\$)
Balance at January 1, 2024	6,544,000	\$ 0.68
Granted	2,965,000	0.37
Expired	(1,173,000)	0.77
Forfeited	(2,173,000)	0.58
Balance at December 31, 2024	6,163,000	\$ 0.55
Granted	4,176,325	0.40
Expired	(819,000)	0.79
Forfeited	(975,778)	0.63
Balance at December 31, 2025	8,544,547	\$ 0.45

As of December 31, 2025, the following stock options remain outstanding:

Outstanding Options				Exercisable Options		
Range of exercise prices (CA\$)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)
\$0.32 - \$0.43	6,140,547	3.84	0.39	676,662	3.19	0.36
\$0.44 - \$0.66	2,404,000	1.49	0.60	1,473,333	0.89	0.63
	8,544,547	3.148	\$ 0.45	2,149,995	1.62	\$ 0.54

During the year ended December 31, 2025, the Company recognized \$0.3 million (2024: \$0.3 million) in share-based compensation based on the vesting of options.

Stock option's fair values are estimated on grant date using Black-Scholes option pricing model with the following weighted average assumptions and resulting values:

	2025	2024
Assumptions:		
Risk-free interest rate (%)	2.54	3.74
Expected life (years)	3.35	3.53
Expected volatility (%)	47.52	45.61
Expected dividend (\$)	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	CA\$0.14	CA\$0.14

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12. SHARE BASED COMPENSATION (CONTINUED)**b. Restricted and performance share units**

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for management and employees. Amendments to the SU plan, including an increase in the common shares reserved for issuance upon the vesting of SUs to 22,000,000 were approved by shareholders at the May 14, 2025 annual meeting.

SUs typically vest three years from the date of grant and certain share units include performance metrics, some of which provide for annual vesting. Each SU entitles the holder to receive one common share, and the cumulative dividend equivalent SU earned during the SU's vesting period. The value of each SU at the vesting date is equal to the closing value of one Lucara common share plus the cumulative dividend equivalent which was earned over the vesting period.

During the year ended December 31, 2025, the Company recognized an expense of \$0.7 million (2024: \$0.5 million) in share-based compensation for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA\$)
Balance at January 1, 2024	3,614,000	\$ 0.65
Granted	6,819,000	0.36
Redeemed	(1,075,000)	0.75
Forfeited	(1,323,332)	0.59
Balance at December 31, 2024	8,034,668	\$ 0.40
Granted	5,634,384	0.39
Redeemed	(411,332)	0.56
Forfeited	(554,403)	0.54
Balance at December 31, 2025	12,703,317	\$ 0.38

c. Deferred share units ("DSUs")

The Company's deferred share unit plan was approved by the Company's shareholders initially on May 8, 2020. Amendments providing for the issuance of up to 8,000,000 DSUs to eligible directors were most recently approved on May 14, 2025. Directors can elect to receive up to 100% of their fees earned to be settled in DSUs, awarded quarterly. DSUs vest immediately and are paid out upon retirement from the Board of Directors of the Company. Each DSU entitles the holder to receive one common share and the cumulative dividend equivalent DSU earned prior to the payout date. The value of each DSU at the grant date is equal to the closing value of one Lucara common share. The DSU Plan provides that upon payout a director can elect to receive the value of the DSUs in cash or common shares of the Company. The DSUs are presented as other non-current liabilities on consolidated statements of financial position.

During the year ended December 31, 2025, the Company recognized a share-based compensation recovery of \$0.1 million (2024: \$0.1 million) related to the revaluation of DSUs.

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12. SHARE BASED COMPENSATION (CONTINUED)

	Number of DSUs	Estimated fair value (CA\$)
Balance at January 1, 2024	3,172,156	\$ 0.49
Granted	1,589,322	0.37
Redeemed	(1,113,852)	0.34
Balance at December 31, 2024	3,647,626	\$ 0.42
Granted	2,835,723	0.26
Redeemed	(1,378,517)	0.23
Balance at December 31, 2025	5,104,832	\$ 0.20

13. REVENUES

Lucara has three sales channels including a diamond sales agreement with HB, the Clara sales platform and tender sales.

	2025	2024
<i>Sales Channels</i>		
HB	111,187	142,741
Clara	9,084	11,145
Tender	39,392	49,990
	\$ 159,663	\$ 203,876

A royalty of 10% of the gross sales value of diamonds produced from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the year ended December 31, 2025, the Company incurred a royalty expense of \$17.7 million (2024: \$23.2 million).

During the year ended December 31, 2024, the Company sold the 549-carat Sethunya diamond and recognized \$20.0 million of previously deferred revenue as revenue.

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14. ADMINISTRATION

	2025	2024
Salaries and benefits	\$ 6,280	\$ 5,842
Professional fees	3,612	3,712
Insurance, office and general	1,372	1,188
Promotion	206	375
Stock exchange, transfer agent and shareholder communication	271	314
Travel	300	764
Share-based compensation (Note 12)	918	685
Depreciation	700	705
Sustainability and donations	787	1,229
	\$ 14,446	\$ 14,814

15. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to net income before tax. These differences result from the following items:

	2025	2024
Net income before tax	\$ 34,294	\$ 46,369
Combined basic federal and provincial rates	27.00%	27.00%
Expected income tax expense based on Canadian statutory income tax rates	9,259	12,520
Increase (decrease) due to:		
Differences in foreign tax rates	3,957	4,055
Differences in future expected foreign tax rates	(4,288)	(15,156)
Non-deductible expenses and other permanent differences	810	1,094
Change in deferred tax assets not recognized	406	(201)
Tax assets not previously recognized	(2,557)	-
Withholding taxes	592	445
Total income tax expense	\$ 8,179	\$ 2,757

The Company is subject to a variable tax rate in Botswana based on a profit and revenue ratio which increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). The Company has estimated the variable tax rate to be 32.5% in 2025 (2024: 33.1%) for deferred income taxes based on current financial performance and the life of mine plan.

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15. INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities recognized and not recognized in the consolidated statements of financial position are as follows:

Deferred income tax assets and liabilities recognized	2025	2024
<i>Deferred income tax assets</i>		
Non-capital losses	\$ 25,998	\$ 15,574
Accounts payable and other	20,774	7,070
Unrealized foreign exchange loss	-	1,271
Restoration provisions	6,587	5,480
Total deferred income tax assets	53,359	29,395
<i>Deferred income tax liabilities</i>		
Mineral properties, plant and equipment	177,358	139,908
Unrealized foreign exchange gain	3,754	-
Total deferred income tax liabilities	181,112	139,908
Deferred income tax liabilities, net	\$ 127,753	\$ 110,513
Deferred income tax assets not recognized		
Non-capital tax losses	\$ 36,896	\$ 34,370
Mineral properties, plant and equipment	103	-
Other deductible temporary differences	316	451
	\$ 37,315	\$ 34,821

As at December 31, 2025, the Company has non-capital losses for income tax purposes which expire as follows:

	2026	2027	2028	Subsequent to 2029	No expiry date	Total
Botswana	\$ -	\$ -	\$ -	\$ -	\$ 118,174	\$ 118,174
Canada	541	1,285	1,272	122,356	-	125,454
United Kingdom	-	-	-	-	5,923	5,923
	\$ 541	\$ 1,285	\$ 1,272	\$ 122,356	\$ 124,097	\$ 249,551

No tax benefit has been recognized for the Canadian and United Kingdom non-capital losses.

Various tax matters are outstanding from time to time. Judgements and assumptions regarding these matters are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations. If management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur. Lucara Botswana received an assessment from the Botswana Unified Revenue Service ("BURS") for the fiscal years 2016 to 2020 related to the tax deductibility of certain expenditures associated with the Company's operations in Botswana.

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15. INCOME TAXES (CONTINUED)

On February 24, 2026, the Company received a response to its objections from BURS in relation to the above tax assessments. BURS allowed the tax deductibility of certain of the previously challenged expenditures, and as a result the Company reversed its previously recorded provision which included \$2.6 million against VAT receivables and a valuation allowance against certain losses of \$1.3 million. BURS maintained its position on two remaining matters. A penalty on the assessed amounts has also been maintained. The Company intends to lodge appeals for the remaining disallowed expenditures and believes that its tax positions are valid. The Company's view is that an economic outflow in relation to the remaining matters is not probable and accordingly no provision has been recorded in these financial statements. The ultimate outcome of an appeal of the remaining positions is uncertain and may have implications for the tax treatment of similar transactions in periods subsequent to those currently under assessment.

16. RELATED PARTY TRANSACTIONS*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 named executive officers and members of its Board of Directors.

The remuneration of key management personnel was as follows:

		2025		2024
Salaries and wages	\$	2,589	\$	2,492
Short term benefits		17		32
Share based compensation		822		594
	\$	3,428	\$	3,118

Other related party transactions

During the year ended December 31, 2025, the Company incurred \$0.3 million (2024: \$0.8 million) primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At December 31, 2025, included in trade payables and accrued liabilities is \$0.5 million (December 31, 2024: \$0.4 million) for related services.

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17. SEGMENT INFORMATION

The Company's primary business activity is the operation of the Karowe diamond mine in Botswana. The Company has one operating segment: Karowe Mine.

The following are summaries of the Company's revenues, net income (loss) from continuing operations, capital expenditures and total assets by segment:

Year ended December 31, 2025			
	Karowe Mine	Corporate	Total
Revenues	\$ 159,663	\$ -	\$ 159,663
Operating expenses	(77,205)	-	(77,205)
Royalty expenses	(17,737)	-	(17,737)
Depletion and amortization	(13,622)	-	(13,622)
Income from mining operations	51,099	-	51,099
Finance expenses	(2,805)	(651)	(3,456)
Loss on derivative instrument	(4,691)	-	(4,691)
Foreign exchange gain (loss)	9,563	(40)	9,523
Loss on disposal of assets	(69)	-	(69)
Administrative and other	(11,383)	(6,729)	(18,112)
Income tax	(7,866)	(313)	(8,179)
Net income (loss) for the period from continuing operations	\$ 33,848	\$ (7,733)	\$ 26,115
Capital expenditures	\$ 101,499	\$ -	\$ 101,499
Total assets	\$ 770,426	\$ 2,284	\$ 772,710

Year ended December 31, 2024			
	Karowe Mine	Corporate	Total
Revenues	\$ 203,876	\$ -	\$ 203,876
Operating expenses	(79,581)	-	(79,581)
Royalty expenses	(23,208)	-	(23,208)
Depletion and amortization	(16,636)	-	(16,636)
Income from mining operations	84,451	-	84,451
Finance expenses	(1,966)	(929)	(2,895)
Gain on derivative financial instrument	290	-	290
Foreign exchange gain (loss)	(7,282)	369	(6,913)
Loss on disposal of assets	(152)	-	(152)
Loss on extinguishment	(10,529)	-	(10,529)
Administrative and other	(10,773)	(7,110)	(17,883)
Income tax	(2,387)	(370)	(2,757)
Net income (loss) for the year from continuing operations	\$ 51,652	\$ (8,040)	\$ 43,612
Capital expenditures	\$ 95,010	\$ -	\$ 95,010
Total assets	\$ 657,466	\$ 3,367	\$ 660,883

LUCARA DIAMOND CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

17. SEGMENT INFORMATION (CONTINUED)

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

	Plant and equipment		Mineral properties		Other	
	2025	2024	2025	2024	2025	2024
Canada	\$ 706	\$ 1,316	\$ -	\$ -	\$ -	\$ -
Botswana	124,050	118,204	472,410	354,207	70,963	97,889
	\$ 124,756	\$ 119,520	\$ 472,410	\$ 354,207	\$ 70,963	\$ 97,889

Depletion and amortization expense for Karowe Mine and Corporate during the year ended December 31, 2025 totaled \$13.9 million and \$0.4 million, respectively (2024: \$17.0 million and \$0.3 million).

During the year ended December 31, 2025, diamonds sold to HB generated 70% (2024: 70%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated. During the year ended December 31, 2025 and 2024, the Company generated 100% of revenue from sales originating in Botswana.

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) *Measurement categories and fair values*

Financial assets and liabilities have been classified into categories that determine their basis of measurement. Those categories are fair value through profit and loss; fair value through other comprehensive income and amortized cost.

The Company's financial instruments include cash and trade receivables, which are categorized as financial assets at amortized cost, and trade and royalties payable, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. Amounts drawn on the Facilities and due to related parties are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost. The Company's marketable securities are classified as financial instruments measured at fair value through other comprehensive income, with fair values derived from quoted prices in active markets for identical assets.

b) *Fair value hierarchy*

The following table classifies financial assets and liabilities that are recognized 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 in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data. No financial assets or liabilities are recognized at level 3.

	December 31,		December 31,	
	2025		2024	
Level 1: Fair value through other comprehensive income				
– Marketable Securities	\$	-	\$	498
Level 2: Derivative financial instruments	\$	3,707	\$	8,398

LUCARA DIAMOND CORP.

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18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

c) *Financial risk management*

The Company's financial instruments are exposed to certain financial risks, including currency, liquidity, credit, interest rate and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula.

At December 31, 2025, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$6.4 million in net income for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income for the period.

Liquidity risk

Liquidity risk is the risk of the Company's potential inability to meet financial obligations as they mature. The Company manages this risk through regular cash flow forecasting at the operational level, aggregated at the corporate level to determine capital needs. Rolling liquidity forecasts are prepared and monitored to ensure sufficient cash is available for short- and long-term operational requirements. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity support such as financings, accessing the CORA and funding support provided by Nemesia.

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at December 31, 2025, \$1.0 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$45.9 million is due beyond twelve months. The WCF is classified as current due to the Clean Down. The maturity date for the WCF is September 30, 2031. Further details regarding the Company's liquidity risks are disclosed in Notes 1 and 9.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tenders or on the Clara platform.

A large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through the Clara platform (five days). The Company maintains legal title over goods shipped to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

LUCARA DIAMOND CORP.

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FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates. The Company mitigates cash flow interest rate risk on its Project Facility through interest rate swaps that exchange a portion of the variable rate inherent in the term debt for a fixed rate (Note 9). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the interest rate swap derivative will however fluctuate in response to changing market interest rates that will result in a corresponding increase or decrease to profit or loss.

In September 2024, the Company amended interest rate swap contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.447% to 2.577% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate risks on 25% of its expected borrowings from the Project Facility, and amounts drawn from its WCF which remain subject to market interest rates (Term SOFR or a replacement benchmark).

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through the traditional tender process for rough diamonds. To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

19. COMMITMENTS

As at December 31, 2025, purchase orders and contracts resulting in commitments for future minimum payments for services to be provided related to the UGP amounted to \$82.3 million (December 31, 2024: \$79.2 million). The following table summarizes the approximate timing of the commitments (undiscounted) at December 31, 2025:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	Total
UGP commitments	\$ 37.9	38.8	5.6	-	-	\$ 82.3

As at December 31, 2025, minimum payments in relation to lease commitments amount to \$2.5 million (December 31, 2024: \$2.8 million). The following table summarizes the approximate timing of the undiscounted minimum lease payments at December 31, 2025:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	Total
Minimum lease payments	\$ 1.2	0.9	0.3	0.1	-	\$ 2.5

LUCARA DIAMOND CORP.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

20. SUBSEQUENT EVENTS

On January 29, 2026, the Company closed a non-brokered private placement for aggregate gross proceeds of C\$165.0 million. Pursuant to the January 2026 equity financing, a total of 1,031,250,000 common shares of the Company were sold at a price of C\$0.16 per common share, which included participation by Nemesia. All common shares issued pursuant to the January 2026 equity financing are subject to a four-month statutory hold period under applicable Canadian securities laws.

On March 3, 2026, the Company and the Lenders entered into the Subsequent Waiver Agreement. The Subsequent Waiver Agreement approved a reduction of the required CORA balance from \$33.7 million to \$21.2 million.



LUCARA

DIAMOND

Management's Discussion and Analysis
and
Consolidated Financial Statements
Year Ended December 31, 2024

LUCARA DIAMOND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2024

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. ("Lucara" or the "Company") and its subsidiaries' performance and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2024, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts are expressed in U.S. dollars unless otherwise indicated.

The technical information related to mineral resources in the MD&A was prepared under the supervision of Dr. Lauren Freeman (Ph.D., Pr. Sci Nat), Lucara's Vice-President, Mineral Resources, and a Qualified Person, as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

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 and, in the Company's, Annual Information Form ("AIF"). The AIF along with additional information about the Company and its business activities is available on SEDAR+ at www.sedarplus.ca.

The effective date of this MD&A is February 21, 2025.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type Ila diamonds from its 100% owned Karowe Diamond Mine in Botswana ("Karowe"). Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations. Lucara is certified by the Responsible Jewellery Council, complies with the Kimberley Process, and has adopted the IFC Performance Standards and the World Bank Group's Environmental, Health and Safety Guidelines for Mining (2007). Accordingly, the development of the Karowe underground project (the "UGP") adheres to the Equator Principles. Lucara is committed to upholding high standards while striving to deliver long-term economic benefits to Botswana and the communities in which the Company operates.

The Company's corporate office is in Vancouver, Canada and its common shares trade on the Toronto Stock Exchange ("TSX"), the Nasdaq First North Growth Market, and the Botswana Stock Exchange under the symbol "LUC".

HIGHLIGHTS – FISCAL 2024

- As of December 31, 2024, Karowe had operated for over three years without a lost time injury.
- Recoveries of two exceptional diamonds larger than 1,000 carats: the 2,488 carat¹ Motswedi and the 1,094 carat Seriti diamonds. The Company recovered an additional 1,476 carat non-gem diamond in January 2025.
- A total of 399,215 carats were sold, generating revenue of \$203.9 million including top-up payments as well as payments received for the sale of the Sethunya, a 549 carat Type IIA white gem quality diamond and the Eva Star, a 1,080 carat Type IIA diamond. The Company sold the stones for a combined sum of \$54.0 million and recognized \$44.0 million in revenue net of fees, excluding royalties.
- The recovery of 807 Specials (defined as rough diamonds larger than 10.8 carats) (2023: 602 Specials) equated to 7.6% (2023: 5.3%) by weight of the total recovered carats from ore processed in 2024.
- Significant progress was made in shaft sinking and shaft connection lateral development. During 2024, 702 metres ("m") were sunk consisting of 375 m in the production shaft and 327 m in the ventilation shaft. A total of

¹ The carats reflect the final cleaned weight of the rough stone. The stone was previously reported at 2,492-carats.

464 m of lateral development was completed, connecting the two shafts at the 670-level and 470-level. Each level is equivalent to a metre above sea level.

- At the end of Q4, the production shaft reached 731 metres below surface (“mbs”) out of a planned final depth of 770 mbs. The ventilation shaft reached 671 mbs out of a planned final depth of 722 mbs.
- A total of 94,713 carats were recovered in Q4 2024, including 91,046 carats from direct ore feed from the pit and stockpiles, at a recovered grade of 12.7 carats per hundred tonnes (“cpht”) and an additional 3,667 carats were recovered from processing of historic recovery tailings.
- All key operational and financial metrics from the Company’s 2024 Revised Guidance were achieved.
- On October 4, 2024, the Company sold its interest in Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as “Clara”) including all related intangible assets. The Company received \$3.0 million in cash less working capital adjustments and the return of 10,000,000 Lucara common shares as consideration for the sale.
- Operational highlights from the Karowe Mine included:
 - Ore and waste mined of 3.0 million tonnes (“Mt”) (2023: 2.7 Mt) and 0.9 Mt (2023: 3.1 Mt), respectively.
 - 2.9 Mt of ore processed (2023: 2.8 Mt), setting a new annual production record.
- Financial highlights for 2024 included:
 - Operating margins of 61% were achieved (2023: 58%). Higher operating margins resulted from revenue increasing by 18% while operating expenses increased by 9%.
 - Operating cost per tonne processed was \$27.14 per tonne, a decrease of 5.6% compared to 2023 cost per tonne processed of \$28.75 per tonne due to a lower volume of waste mined in 2024. The continued impact of inflationary pressures, particularly labour, has been well managed by the operation. A strong US dollar continues to offset a small increase in costs over the comparable period. Operating cost per tonne processed is a non-IFRS measure.
- Cash position and liquidity as at December 31, 2024:
 - \$22.8 million of cash and \$27.1 million of working capital (current assets less current liabilities).
 - \$180.0 million drawn on the \$190.0 million Project Facility (“Project Facility”) for the UGP with \$25.0 million drawn on the \$30.0 million Working Capital Facility (“WCF”) and a Cost Overrun Reserve Account (“CORA”) balance of \$49.1 million.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains cautiously optimistic despite current challenges. While the influx of Angolan rough diamonds and the subdued demand for polished diamonds, especially from China, have led to price corrections, particularly in smaller sizes, the industry sentiment suggests that the market may have reached its bottom during Q4 2024. A gradual recovery is expected to be driven by increasing demand for larger diamonds due to reduced production, and the overall long-term demand for natural diamonds.

While the diamond market is navigating a period of adjustment, it presents opportunities for strategic adaptation and growth. Indian diamond manufacturers are actively responding to evolving demand dynamics, exploring new markets and product segments, while prices of laboratory-grown diamonds have continued to decrease in 2024 with production outweighing demand for these products. Although De Beers and Alrosa's recent price adjustments have not yet spurred a significant uptick in demand, they demonstrate a commitment to market responsiveness and price stability. As the industry moves into 2025, buyers are exercising prudent inventory management while holding firm on polished prices, which could lead to a healthier and more sustainable market in the long run.

DIAMOND SALES

Karowe diamonds are sold through three sales channels: through a diamond sales agreement with HB Trading BV ("HB"), through quarterly tenders, and on the Clara sales platform.

HB Sales

Karowe's large, high value diamonds have historically accounted for approximately 60% to 70% of Lucara's annual revenues. In February 2024, Lucara entered into a New Diamond Sales Agreement ("NDSA") with HB, effective retroactively from December 1, 2023. Under this sales agreement, all +10.8 carat gem and near gem diamonds from the Karowe Mine of qualities that could directly enter the manufacturing stream are sold to HB. The initial purchase price paid for the rough diamonds are based on an estimated initial polished value with a true up paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The timing of payments varies based on the category of stones being delivered, as determined by the diamond's estimated initial polished value.

The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently been resolved. Final revenue is determined when the polished diamonds are sold by HB to the end buyer.

Quarterly Tenders

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats which are not sold on the Clara sales platform are sold as rough diamonds through quarterly tenders.

Clara

Clara is a digital sales platform which is designed to transact single diamonds between 1 and 10 carats, in higher colours and quality. On October 4, 2024, the Company sold this non-core asset, resulting in its classification as discontinued operations for the year ended December 31, 2024. Consideration included \$3.0 million in cash less working capital adjustments, the return of 10,000,000 Lucara common shares (valued at \$3.3 million) and cancellation of a 13,400,000 Lucara common shares issuance obligation related to sales performance metrics and change of control.

KAROWE UNDERGROUND PROJECT UPDATE

The UGP is designed to access the highest value portion of the Karowe orebody, with initial underground carat production predominantly from the eastern magmatic/pyroclastic kimberlite (south) ("EM/PK(S)") unit. The UGP is expected to extend the mine life to beyond 2040.

An update to the UGP schedule and budget was announced on July 16, 2023. The anticipated commencement of production from the underground is H1 2028. The revised forecast of costs at completion is \$683.4 million (including contingency). As at December 31, 2024, capital expenditures of \$347.9 million had been incurred and further capital commitments of \$79.2 million had been made.

With the 2023 update to the UGP schedule and budget, the Karowe Mine production and cash flow models were updated for the revised project schedule and cost estimate. Open pit mining is expected to continue until the end of 2025 and to provide mill feed during this time. Stockpiled material (North, Centre, South Lobe) from working stockpiles and life-of-mine stockpiles should provide uninterrupted mill feed until 2027 when UGP development ore is scheduled to start offsetting stockpiles with high-grade ore from the underground development. Full scale underground production is planned for H1 2028. The long-term outlook for diamond prices, combined with the potential for exceptional stone recoveries and the continued performance of the open pit could mitigate the modelled impact on project cash flows due to the changes in schedule. The Company continues to explore opportunities to further mitigate the modelled impact.

During 2024, the UGP achieved a twelve-month rolling Total Recordable Injury Frequency Rate of 0.57. The UGP to date Total Recordable Injury Frequency Rate up to December 31, 2024 was 0.54.

A total of \$64.7 million was spent on the UGP development in 2024 for the following surface infrastructure and ongoing shaft sinking activities:

The ventilation shaft 2024 development:

- Reached 671 mbs out of a planned final depth of 722 mbs.
- Completed 470-level³ station development.

The production shaft 2024 development:

- Reached 731 mbs out of a planned final depth of 770 mbs.

Related infrastructure 2024 development:

- Completed the construction and pre-commissioning of the permanent bulk air coolers at the production shaft in July 2024.
- Construction and fabrication of the permanent man and materials winder continued during the year, representing the last major component for the permanent winders.
- Commenced the adjudication and review of underground lateral development tender documents.
- Advanced mining engineering with a focus on supporting shaft sinking, underground infrastructure engineering, finalizing drilling level plans, and placed shaft steelwork orders in October 2024.

Activities planned for the UGP in Q1 2025 include the following:

- Production and ventilation shaft sinking to final depth of 770 mbs and 722 mbs, respectively.
 - Ventilation shaft – expect to sink to 355-level and commence station mining excavation, including top of fine ore bins, expect to commence sinking activities to 310-level.
 - Production shaft – plan to sink to 285-level and complete 285-level skip loading station.
- Continue winder building structure and construction of winder driver's cabin.
- Continue evaporation pond earthworks and civils and updated water model.
- Procurement of underground equipment, including an additional Load, Haul, Dump vehicle for the production shaft station 285-level development. Major components of the underground crusher and dewatering pumps are expected to be delivered to site.

³ Each level is equivalent to a metre above sea level.

FINANCING

Project Facility and Working Capital Facility

On January 9, 2024, the Company's wholly owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as the sponsor and the guarantor, amended its debt package that was originally entered into in 2021 ("Rebased Amendments"). The senior secured project financing debt package of \$220.0 million (the "Facilities") consists of a project finance facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development, construction costs and construction phase operating costs (the "Project Facility") of the UGP as well as financing costs on the Facilities, and a \$30.0 million (\$50.0 million prior to amendment) senior secured working capital facility (the "WCF") which is used for working capital and other corporate purposes. While the total quantum of the Facilities did not change, the repayment profile was extended in line with the rebase schedule released on July 16, 2023, and the Facilities maturity was extended to June 30, 2031. The Project Facility has quarterly repayments commencing on September 30, 2028. As of the date of this MD&A, the Facilities are fully drawn.

Interest rates

Both the Project Facility and the WCF bear interest at a rate of a USD Term Secured Overnight Financing Rate ("SOFR") plus a margin of 6.5% annually until the UGP project completion date, and 6.0% annually from the UGP project completion date to June 30, 2029. Thereafter, the margin increases to 7.0% annually for the Project Facility and 7.25% annually for the WCF. Commitment fees for the undrawn portion of the Project Facility and WCF are 35% of the margin per annum.

CORA

In addition, the Rebase Amendments required the Company to place \$61.7 million in the CORA as a condition of the Facilities prior to June 30, 2025, with specific provisions of how and when funds may be released from the CORA. The Company is required to fund the remaining balance with the proceeds net of fees and royalties from the sale of exceptional stones recovered after August 2023 (defined as an individual rough diamond which sells for more than \$10.0 million) and excess cashflow from operations.

As of December 31, 2024, the Company has drawn \$180.0 million from the Project Facility and \$25.0 million from the WCF and funded \$49.1 million into the CORA.

Nemesia

Under the terms of the Rebase Amendments, the Company's largest shareholder, Nemesia S.à.r.l. ("Nemesia") provided a limited standby undertaking of up to \$63.0 million. The limited standby undertaking consists of two components, namely: i) a \$28.0 million component for the undertaking to support the requirement to fill the CORA to \$61.7 million by June 30, 2025 and; ii) a \$35.0 million component for a funding shortfall guarantee in support of the UGP completion.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to \$15.0 million in aggregate in the event the Company's cash balance decreased below \$10.0 million. In November 2023, the Company drew \$15.0 million from Nemesia's liquidity support guarantee and issued a corresponding unsecured debenture (the "Debenture"). For each \$500,000 drawn down under the Debenture, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. As the scheduled issuance of the common shares would take Nemesia's shareholding in the Company above 20%, the requisite approval by the Company's disinterested shareholders of the common shares issuance to Nemesia was obtained at the May 10, 2024 - Annual and General and Special Meeting. On June 17, 2024, the Company and Nemesia entered into a supplemental agreement to amend the frequency of common share issuances to Nemesia from a monthly to a quarterly basis. As of the published date of this MD&A, Nemesia holds 25.9% of Lucara's total issued and outstanding shares.

As at December 31, 2024, the Company was in compliance with all covenants under the Facilities.

INTEREST RATE SWAP

In February and September 2024, the Company amended a series of interest rate swaps to the expected Project Facility drawdown schedule under the Rebase Amendments. The total interest rate swaps were amended to amounts up to \$142.5 million and the maturity was amended to September 26, 2030. The Company receives interest at the rate equivalent to the three-month USD Term SOFR plus a credit adjustment spread and pays interest at a fixed rate of between 2.447% and 2.577% on a quarterly basis.

As at December 31, 2024, the interest rate swaps had a total unrealized fair value of \$8.4 million (December 31, 2023: \$8.1 million), of which \$2.1 million has been classified as a current asset in the Statement of Financial Position. During 2024, the Company recorded a \$0.3 million gain (2023: loss of \$1.7 million) on this derivative financial instrument. Movements in the unrealized fair value are recorded through the Statements of Operations.

TABLE 1: FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats sold</i>	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Revenues	78.8	36.3	203.9	172.4
Operating expenses	(24.4)	(21.9)	(79.6)	(73.2)
Net income (loss) from continuing operations	38.5	(24.6)	43.6	(5.0)
Net income (loss) from discontinued operations	(1.5)	(12.1)	(3.7)	(15.2)
Earnings (loss) per share from continuing operations (basic)	0.09	(0.05)	0.10	(0.01)
Earnings (loss) per share from continuing operations (diluted)	0.08	(0.05)	0.09	(0.01)
Cash			22.8	13.3
CORA			49.1	18.6
Amounts drawn on WCF			25.0	35.0
Amounts drawn on Project Facility			180.0	90.0
Carats sold	112,615	111,523	399,215	379,287

The Company reported total 2024 revenues of \$203.9 million from the sale of 399,215 carats. In comparison, total 2023 revenues were \$172.4 million from the sale of 379,287 carats. In Q4 2024, the Company sold the Sethunya, a 549 carat Type IIA white gem-quality diamond, and the Eva Star, a 1,080 carat Type IIA diamond for a combined sum of \$54.0 million and recognized \$44.0 million in revenue net of fees, excluding royalties.

Net income from continuing operations for 2024 was \$43.6 million, compared to a net loss of \$5.0 million in 2023. The increase in net income from continuing operations for 2024 is primarily attributable to higher revenues due to the sale of the Sethunya and the Eva Star, lower administration and finance expenses, and lower tax expenses. The 2023 net loss was driven by a decline in net revenue, changes in tax positions, and adjustments to the fair value of derivative financial instruments. Net loss from discontinued operations was \$3.7 million in 2024, compared to \$15.2 million in 2023. The higher net loss from discontinued operations in 2023 was primarily due to the \$11.2 million impairment of Clara and higher operating costs.

Total operating expenses were slightly higher in 2024 (\$79.6 million) compared to 2023 (\$73.2 million) predominantly due to higher processing costs associated with inventory movements as operating expenses are recorded on a per carat basis and recognized as the carat is sold. Please see Table 4: “Select Financial Information” below for details on the expense line items which had the most significant impact on net income from continuing operations.

TABLE 2: QUARTERLY SALES RESULTS

<i>Revenue is in millions of U.S. dollars</i>	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Sales Channel				
HB	\$ 62.1	\$ 17.4	\$ 142.8	\$ 106.2
Tender ⁽¹⁾	13.2	16.9	50.0	53.7
Clara	3.5	2.0	11.1	12.5
Total Revenue	\$ 78.8	\$ 36.3	\$ 203.9	\$ 172.4

⁽¹⁾ Non-gem +10.8 carat diamonds and diamonds less than 10.8 carats that did not meet characteristics for sale on the Clara platform were sold through tender.

HB

For the three months ended December 31, 2024, the Company reported revenue of \$62.1 million from HB, compared to \$17.4 million for the same period in 2023. Revenue from HB accounted for 79% of total revenue recognized in Q4 2024, up from 48% in Q4 2023. This revenue includes “top-up” and “top-down” payments, which are made to the Company when the final polished diamond sales price differs from the estimated initial polished value. HB revenue increased in Q4 2024 due to the sale of the Sethunya and the Eva Star and throughout the year due to a higher volume of carats sold. In Q4 2024, the Company sold the Sethunya, a 549 carat Type IIA diamond recovered in 2020, and the Eva Star, a 1,080 carat Type IIA white-gem quality diamond recovered in 2023, recognizing \$44.0 million in revenue net of fees, excluding royalties. The Company previously received \$20.0 million, with an additional \$24.0 million due following this sale. Of this amount, \$16.0 million was received in Q4 2024, and the remaining \$8.0 million was received in 2025. As of December 31, 2024, the Company had \$18.4 million in trade receivables from HB, including the remaining \$8.0 million due from the sale of the Sethunya and the Eva Star.

Tender & Clara

For the three months ended December 31, 2024, sales through tender totaled \$13.2 million, compared to \$16.9 million in Q4 2023, while Clara sales totaled \$3.5 million, up from \$2.0 million in Q4 2023. A higher volume of carats were sold on the Clara platform in Q4 2024, whereas more carats were sold through quarterly tenders in Q4 2023. Both sales channels had lower average dollar-per-carat values compared to 2023, reflecting the decline in prices within the smaller-sized diamond categories.

TABLE 3: RESULTS OF OPERATIONS – KAROWE MINE

		Q4-24	Q3-24	Q2-24	Q1-24	Q4-23
Sales						
Revenues	\$M	78.8	44.3	41.3	39.5	36.3
Karowe carats sold	Carats	112,615	116,221	76,388	93,991	111,523
Production						
Tonnes mined (ore)	Tonnes	646,288	845,594	699,846	809,999	607,101
Tonnes mined (waste)	Tonnes	119,919	192,308	245,006	386,849	456,880
Tonnes processed	Tonnes	716,936	720,524	714,301	698,870	703,472
Average grade processed ⁽¹⁾	cpht ^(*)	12.7	13.4	12.9	11.7	14.0
Carats recovered ⁽¹⁾	Carats	91,046	96,597	92,419	81,611	98,177
Costs						
Operating cost per tonne of ore processed ⁽²⁾	\$	31.52	27.34	26.32	23.28	31.96
Capital Expenditures						
Sustaining capital expenditures	\$M	5.5	2.0	3.4	1.8	8.0
Underground project ⁽³⁾	\$M	17.8	17.7	11.2	17.9	28.0

(*) Carats per hundred tonnes

(1) Average grade processed is from direct processing carats and excludes carats recovered from re-processing historic recovery tailings.

(2) Operating cost per tonne of ore processed is a non-IFRS measure. See Table 6.

(3) Excludes qualifying borrowing cost capitalized.

FOURTH QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during the year ended December 31, 2024. As of December 31, 2024, the mine had operated over three years without a lost time injury. The rolling twelve-month Total Recordable Injury Frequency Rate for the Karowe Mine was 0.26 (2023: 0.19).

Environment and Social: The Company is developing and implementing a Tailing Management System in line with the requirements of the Global International Standard on Tailings Management (“GISTM”). The design for the Underground Life of Mine tailing facility feasibility study was completed in September 2024.

Production: Ore and waste mined during the fourth quarter of 2024 totaled 0.6 Mt and 0.1 Mt, respectively. During Q4 2024, tonnes processed were on target at 0.7 Mt at an average grade of 12.7 cpht, with a total of 91,046 carats recovered from processing which resulted in 94% recovery based on estimated mill feed resource grade. Ore processed was primarily from the South Lobe with small amounts of weathered kimberlite processed from the Centre and North stockpiles. In Q4 2024, the Company started and completed the execution of a pit steepening project which is expected to extend the life of the open pit by an additional eight months until the end of 2025.

Diamond Recoveries: A total of 195 Specials were recovered during the quarter, with 9 diamonds greater than 100 carats in weight. In the comparable 2023 quarter, a total of 153 Specials were recovered, with 1 diamond greater than 100 carats in weight. Recovered Specials equated to 6.3% (2023: 3.8%) of the weight percentage of total recovered carats from ore processed during Q4 2024.

All recovered stones, including the Motswedi and Seriti that remained unsold at the end of the reporting year, are accounted for at cost in inventory. Selling and monetizing the value contained in our 1,000+ carat diamond inventory may require considerable time given the complexities associated with the marketing, analysis, cutting and polishing and ultimate sales processes.

Karowe’s operating cash cost: Karowe’s operating cash cost for Q4 2024 (see “*Non-IFRS Financial Measures*”) was \$31.52 per tonne of ore processed (2023: \$31.96 per tonne of ore processed), in the mid-range of the 2024 annual forecast of \$28.50 to \$33.50 per tonne processed. Costs remained lower for the year as the strong US dollar continued to offset inflationary pressures from labour increases.

Overall performance: Mine performance during the fourth quarter remained consistent with the strong operational results achieved over the past several years. Mining and processing results were on plan during Q4 2024.

TABLE 4: SELECT FINANCIAL INFORMATION

<i>In millions of U.S. dollars except for per share</i>	Three months ended		Year ended		
	December 31,	December 31,	December 31,	December 31,	December 31,
	2024	2023	2024	2023	2022
Revenues	78.8	36.3	203.9	172.4	203.8
Operating expenses	(24.4)	(21.9)	(79.6)	(73.2)	(69.8)
Adjusted operating earnings⁽¹⁾	54.4	14.4	124.3	99.2	134.0
Royalty expenses	(9.4)	(4.5)	(23.2)	(20.1)	(24.1)
Administration	(5.2)	(6.3)	(14.8)	(19.1)	(18.6)
Sales and marketing	(1.0)	(1.6)	(3.1)	(3.5)	(2.9)
Depletion and amortization	(3.9)	(3.6)	(16.6)	(16.8)	(23.4)
Finance expenses	(0.8)	(1.0)	(2.9)	(4.2)	(3.7)
Foreign exchange (loss) gain	(10.8)	2.1	(6.9)	(5.1)	(3.9)
Gain (loss) on derivative financial instrument	4.0	(3.3)	0.3	(1.7)	10.7
Loss on disposal of assets	(0.2)	(0.9)	(0.2)	(0.9)	-
Loss on extinguishment of debt	-	-	(10.5)	-	-
Current and deferred income tax recovery (expense)	11.4	(19.9)	(2.8)	(32.8)	(24.4)
Net income (loss) from continuing operations	38.5	(24.6)	43.6	(5.0)	43.7
Continuing operations earnings (loss) per share (basic)	0.09	(0.05)	0.10	(0.01)	0.10
Continuing operations earnings (loss) per share (diluted)	0.08	(0.05)	0.09	(0.01)	0.10
Net loss from discontinued operations	(1.5)	(12.1)	(3.7)	(15.2)	(3.1)
Discontinued operations loss per share (basic and diluted)	(0.00)	(0.03)	(0.01)	(0.03)	(0.0)

(1) Adjusted operating earnings is a non-IFRS measure defined as revenues less operating expenses and excludes royalty expenses and depletion and amortization.

Revenues and royalties

Total revenue increased by 18% from \$172.4 million in 2023 to \$203.4 million in 2024. In 2024, 399,215 carats were sold, compared to 379,287 carats in 2023. The increase in revenue for both 2024 and the fourth quarter was driven by the sale of the Sethunya and the Eva Star and an increase in carats sold.

Royalties to the Government of Botswana are paid at the rate of 10% of the final gross sales price achieved from the sale of all Karowe diamonds, rough or polished.

Adjusted operating earnings

Adjusted operating earnings for the year ended December 31, 2024, totalled \$124.3 million, compared to \$99.2 million in 2023, the increase being driven by an 18% rise in revenue and a 5% increase in carats sold. While operating expenses rose slightly to \$79.6 million in 2024 (2023: \$73.2 million), this is attributed to the increase in sales from diamond inventory in 2024 compared to 2023. The movement of diamond inventory from 2023 to 2024 of 37,110 carats (2022 to 2023: 2,662 carats) resulted in an increase in the costs of sales that is reflected in higher operating expenses.

Adjusted operating earnings is a non-IFRS measure and is reconciled in Table 4: "Select Financial Information".

Administration

In 2024, the Company reported administration expenses of \$14.8 million, down 23% from \$19.1 million in 2023. This decrease is primarily attributed to \$1.1 million in exploration expenditures incurred in 2023, while no similar activities occurred in 2024. The decrease is further attributable to severance paid to former management in 2023.

Additionally, lower share-based compensation in 2024 contributed to the reduction, driven by fewer share units issued to key management and the revaluation of deferred share units.

Finance expenses

Finance expenses decreased from \$4.2 million in 2023 to \$2.9 million in 2024. This reduction is due to lower lease interest expenses resulting from a decrease in lease liabilities, as well as higher interest income from the CORA.

Derivative financial instrument

A \$0.3 million gain on a derivative financial instrument (2023: loss of \$1.7 million) relates to changes in the fair value of the interest rate swap in response to changing market interest rates (see *Note 9 of the audited consolidated financial statements for the year ended December 31, 2024*).

The Company records its interest rate swaps at fair value and as such, the movement in the fair value within any given period creates an adjustment to the Statement of Operations. As at December 31, 2024, the interest rate swaps had a total unrealized fair value of \$8.4 million (December 31, 2023: \$8.1 million), of which \$2.1 million has been classified as a current asset. The fair value of the interest rate swap is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

Deferred and current income tax expenses

Income tax expenses declined from \$32.8 million in 2023 to \$2.8 million in 2024, driven by changes in deferred tax assets and liabilities. Deferred income tax expenses were significantly higher in 2023 compared to 2024 due to movement in tax rates affecting deferred tax liabilities on plant and equipment, mineral properties, and deferred financing costs. Deferred income taxes during the year ended December 31, 2023 were further impacted from the result of tax assessments.

Loss on extinguishment of debt

On January 9, 2024, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, amended its senior secured project financing debt package of \$220.0 million that was originally entered into in 2021 (the "Facilities"). The Facilities consist of the Project Facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development of an underground project at the Karowe Mine and a \$30.0 million (\$50.0 million prior to amendment) senior secured working capital facility.

Upon the Rebase Amendments, the remaining balance of deferred financing costs and unamortized initial arrangement costs incurred with the initial arranging of the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment in the amount of \$10.5 million.

Net income from continuing operations

For the year ended December 31, 2024, net income from continuing operations was \$43.6 million, compared to a loss of \$5.0 million in 2023. The year-over-year change was primarily driven by higher income from mining operations due to the sale of the Sethunya and the Eva Star and a lower deferred income tax expense.

Net loss from discontinued operations

The net loss from discontinued operations for the year ending December 31, 2024, was \$3.7 million (2023: \$15.2 million). This loss is attributed to the Clara sales platform, which was disposed of on October 4, 2024, and is classified as discontinued operations for the year. The higher net loss in 2023 was primarily due to an \$11.2 million impairment on the Clara intangible assets.

TABLE 5: SELECT QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight most recent completed quarters:

Three months ended	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
A. Revenues	78,765	44,300	41,292	39,519	36,269	56,277	38,563	41,291
B. Administration expenses	(5,155)	(3,590)	(3,366)	(2,703)	(6,295)	(6,336)	(3,539)	(2,940)
C. Net (loss) income from continuing operations	38,502	155	11,905	(6,950)	(24,560)	11,678	6,111	1,812
D. (Loss) earnings per share (basic)	0.09	0.00	0.03	(0.02)	(0.05)	0.03	0.01	0.00

Quarterly revenue in the table above was recognized from three separate sales channels: through committed sales of +10.8 carat diamonds to HB, sales on the Clara platform, and sales of all non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which do not meet characteristics for sale on Clara, through regular tenders. Sales of Specials, but more particularly unique and high value Specials are the primary factor causing variation to the quarterly metrics. While the expected number of Specials can be predicted based on the resource model, the quality of the Specials recovered may vary significantly.

Net income achieved in each quarter is predominately impacted by the revenue earned during that quarter, while the impact of changes in operating expenses, depletion and amortization, fluctuating inventory levels, foreign exchange, gain/losses on derivative financial instruments, and income tax expenses introduce volatility to net income.

Lucara's quarterly financial performance in 2023 and 2024 was influenced by a variety of factors, including the sale of the Sethunya and the Eva Star in Q4 2024, reduced operating expenses, lower income from mining operations in Q3 2024, increased carat sales in Q2 2024, a loss on debt extinguishment in Q1 2024, higher administration expenses in Q4 2023 due to professional fees related to the termination of the previous sales agreement and the negotiation of the NDSA with HB. Quarter over quarter variances are also influenced by fluctuations in revenue, expenses, royalties, and gains/losses on derivatives, foreign exchange, and deferred taxes throughout the remaining quarters.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted operating earnings, and operating cost per tonne of ore processed, which are not measures recognized under IFRS Accounting Statements and do not have a standardized meaning prescribed by these standards. 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.

Adjusted operating earnings (see Table 4: "Select Financial Information") is the term the Company uses as an approximate measure of the earnings from the operations under an accrual basis of accounting and is defined as revenues less operating expenses, before royalty expenses and depletion and amortization.

Operating cost per tonne of ore processed is the term the Company uses to describe operating expenses per tonne processed on a cash basis. This is calculated as the operating cost of the Karowe Mine divided by tonnes of ore processed for the period. This ratio provides the user with the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS Accounting Standards is operating expenses.

TABLE 6: OPERATING COST PER TONNE OF ORE PROCESSED RECONCILIATION

In millions of U.S. dollars except for tonnes processed and operating cost per tonne processed

	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Operating expenses	24.3	22.3	79.40	78.6
Net change in rough diamond inventory, excl depletion and amortization	(1.7)	0.2	(2.2)	1.1
Net change in ore stockpile inventory, excl depletion and amortization	-	0.4	2.1	7.6
Corporate operating expenses	-	(0.4)	(1.9)	(5.4)
Total operating costs for ore processed	22.6	22.5	77.4	81.9
Tonnes processed	716,936	703,472	2,850,631	2,849,135
Operating cost per tonne of ore processed⁽¹⁾	31.52	31.96	27.14	28.75

⁽¹⁾ Operating cost per tonne processed for the period is a non-IFRS measure defined as the sum of operating expenses, capitalized production stripping costs, and the net changes in rough diamond inventories and ore stockpiles divided by the tonnes of ore processed for the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to expect to be able to fund all its contractual commitments with its operating cash flow, cash on hand and available capital resources including the CORA and limited standby undertaking. As at December 31, 2024, the Company had cash of \$22.8 million. Cash generated from continuing operating activities for the year ended December 31, 2024 was \$59.6 million (2023: \$65.8 million).

Working capital (current assets minus current liabilities excluding assets and liabilities held for sale) as at December 31, 2024 was \$27.1 million as compared to a deficit of \$16.6 million as at December 31, 2023. The increase is due to the \$20.0 million reclassification from WCF to long-term Project Facility in conjunction with the Rebase Amendments and the recognition of \$20.0 million in revenue previously recognized as deferred revenue.

Receivables and other on December 31, 2024 was \$33.0 million (December 31, 2023: \$35.1 million). The receivable balance on December 31, 2024 includes \$18.4 million (December 31, 2023: \$13.0 million) due from HB and represents rough diamond sales in 2024, as well as the value of diamond sales for which the transaction price was finalized and adjusted in Q4 2024. All amounts receivable from HB are current and expected to be received within twelve months following the period end.

Current liabilities decreased to \$62.1 million as of December 31, 2024 from \$102.5 million at December 31, 2023. The Company transferred \$20.0 million from WCF to the Project Facility as part of the Rebase Amendments. The decrease in accounts payable and accrued liabilities and deferred revenue further contributed to the decrease in current liabilities as of December 31, 2024.

Long-term liabilities consist of the Project Facility of \$180.0 million (December 31, 2023: \$86.5 million), restoration provisions of \$17.6 million (December 31, 2023: \$13.7 million), deferred income taxes of \$110.5 million (December 31, 2023: \$112.8 million), due to related party debenture of \$15.0 million (December 31, 2023: \$15.0 million), and other non-current liabilities of \$3.9 million (December 31, 2023: \$3.2 million) which consist of leases classified under IFRS 16: Leases and a liability for deferred share unit grants.

Financing activities during the year consisted of drawdowns on the Facilities, allocating funds to the CORA and principal payments on leases.

The Company's UGP and operational activities require significant investment of resources and capital. The Company allocates such resources and capital to support business objectives, and the availability of required resources and capital is subject to market conditions and the Company's financial position.

RELATED PARTY TRANSACTIONS

The Company enters into related party transactions that are in the normal course of business and does so on an arm's length basis.

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 named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

TABLE 7: RELATED PARTY TRANSACTIONS

	2024	2023
Salaries and wages	\$ 2,492	\$ 3,637
Short term benefits	32	34
Share based compensation	594	991
	\$ 3,118	\$ 4,662

Other related party transactions

During the year ended December 31, 2024, the Company incurred \$0.8 million (2023: \$nil), primarily relating to office rental, renovation and related services provided by companies associated with the Company's significant shareholder and director. At December 31, 2024, included in trade payables and accrued liabilities is \$0.4 million (2023: \$nil) for related services.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

A description of commitments can be found in Note 20 of the audited consolidated financial statements for the year ended December 31, 2024.

The Company has the following contractual obligations and capital commitments as at December 31, 2024:

TABLE 8: CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

<i>In millions of U.S. dollars</i>	Payments due by period⁽¹⁾			
	< 1 year	1 – 5 years	Thereafter	Total
Credit facilities ⁽²⁾	\$ 25.0	\$ -	\$ 180.0	\$ 205.0
Due to related party	-	15.0	-	15.0
Restoration provisions	-	-	39.4	39.4
Lease liabilities	1.1	1.7	-	2.8
Capital commitments	63.7	15.5	-	79.2
	\$ 89.8	\$ 32.2	\$ 219.4	\$ 341.3

⁽¹⁾ Reported on an undiscounted basis, before inflation.

⁽²⁾ The WCF requires the Company to fully pay down the WCF for five successive business days at least once every 12 months. A pay down and subsequent redraw of the WCF was completed in October 2024.

2025 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2025. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

Karowe Mine, Botswana

TABLE 9: 2025 DIAMOND SALES, PRODUCTION AND OUTLOOK

Karowe Diamond Mine	2025
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$195 to \$225
Diamond sales (thousands of carats)	400 to 420
Diamonds recovered (thousands of carats)	360 to 400
Ore tonnes mined (millions)	1.6 to 2.0
Waste tonnes mined (millions)	Up to 0.2
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ including waste mined (per tonne processed)	\$28.50 to \$31.00
Underground Project	Up to \$115 million
Sustaining capital	Up to \$13 million
Average exchange rate – Botswana Pula per United States Dollar	13.0

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

The table above reflects the natural variability in the resource production in both recovery and diamond quality which may impact revenue guidance for 2025.

For 2025, the Company's revenue forecast assumes that 79% of the carats recovered will come from the higher value M/PK(S) and EM/PK(S) units within the South Lobe, the sale of its diamond inventory, and the remaining carats recovered come from the Centre Lobe in accordance with the mine plan, generating revenue between \$195 and \$225 million. South Lobe material, while lower average grade than the Centre and North Lobes, has a higher weight percentage of +10.8 carat Specials.

In 2025, the Company expects to mine between 1.8 and 2.2 million ore tonnes including waste. Mined ore will be processed in combination with stockpiled materials in 2025. The assumptions for carats recovered and sold as well as the number of ore tonnes processed are consistent with achieved plant performance in recent years. Stockpiled material (North, Centre, South Lobe) from working stockpiles and life-of-mine stockpiles should provide uninterrupted mill feed until 2027 when UGP development ore is scheduled to start offsetting stockpiles with high-grade ore from the underground development. Full scale underground production is planned for H1, 2028.

The underground development is expected to extend Karowe's mine life to beyond 2040. In 2024, significant progress was made in shaft sinking and lateral development connecting the production and ventilation shafts, with the critical path ventilation shaft being ahead of the July 2023 rebase schedule. In 2025, capital costs for the UGP are expected to be up to \$115 million and will focus predominantly on shaft sinking activities to final depth, equipping of the production shaft and station development. Surface works will focus on permanent winders being installed and cold commissioned. Tendering of the underground lateral development contract along with underground equipment purchases will also be completed in 2025.

Sustaining capital are expected to be up to \$13 million with a focus on the replacement and refurbishment of key asset components, in addition to expansion of the tailings storage facility and pit steepening activities which will extend the mine's ability to extract South Lobe material from the pit in 2025.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

In the normal course of business, the Company is inherently exposed to currency and commodity price risk, as well as inflation. The Company's financial instruments are exposed to certain financial risks, including currency, liquidity, credit, interest, and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At December 31, 2024, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$6.7 million in net income for the year. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.7 million in net income for the year.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. To manage liquidity risk, regular cash flow forecasting is performed in the operating entities of the Company and aggregated in the head office to understand what level of capital is required. Rolling forecasts of the Company's liquidity requirements are prepared and monitored to assess whether there is sufficient cash available to meet the Company's short and long-term operational needs. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity which can be accessed through accessing the CORA and standby undertakings provided by Nemesia.

As at the date of the MD&A, the Project and Working Capital Facilities are fully drawn. As a condition of the Facilities Agreement, the Company is required to place \$61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at December 31, 2024, the CORA balance was \$49.1 million. This amount is classified within other non-current assets. Further details regarding the Company's liquidity risk are disclosed under the heading "*Liquidity and Capital Resources*" and in Note 1 to the audited consolidated financial statements for the year ended December 31, 2024.

Trade payable and accrued liabilities are predominately due within 60 days. Tax and royalties payable are predominately due within 15 days. As at December 31, 2024, the amount of the Company's contractual maturities for credit facilities, due to related party, and lease liabilities of \$25.8 million are due within twelve months, and \$198.9 million due beyond twelve months.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash and cash equivalents by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tender or on the Clara platform.

On September 28, 2023, the Company terminated the old sales agreement with HB. The NDSA was entered into with HB in February 2024 and governs deliveries of goods since December 1, 2023. Under the new diamond sales agreement terms, a large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through Clara (5 days). The Company maintains legal title over goods sold to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates.

The Company mitigates interest rate risk on its Project Facility through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate as described above in the section "*Interest Rate Swaps*" (see Note 9 of the audited consolidated financial statements for the year ended December 31, 2024). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding credit or charge to profit.

In September 2024, the Company amended interest rate swap contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.447% to 2.577% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate increases through 25% of its expected borrowings from the Project Facility, and amounts drawn from its WCF which remain subject to market interest rates (Term SOFR or a replacement benchmark).

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the NDSA agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 451,848,948 common shares outstanding, 8,034,668 share units, 3,647,626 deferred share units, and 5,496,000 stock options outstanding under its share-based incentive plans.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business which includes the acquisition, financing, exploration, development and operation of diamond properties and the construction of an underground mine at Karowe. The material risk factors and uncertainties, which should be considered in assessing the Company's activities, are described under the heading "*Risks and Uncertainties*" in the Company's most recent AIF which is available on SEDAR+ at www.sedarplus.ca. Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not party to any off-balance sheet arrangements.

SUBSEQUENT EVENTS

On January 3, 2025 and February 5, 2025, the Company drew \$10.0 million and \$5.0 million from the Project and Working Capital Facilities, respectively.

On January 3, 2025, 667,000 stock options with exercise prices ranging from C\$0.66 to C\$0.79 were cancelled.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements are described Note 3 of the audited consolidated financial statements for the year ended December 31, 2024.

CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2024, there were no changes to the accounting policies described in Note 4 of the audited consolidated financial statements.

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods starting January 1, 2025. In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure of Financial Statements* which replaces IAS 1, *Presentation of Financial Statements*. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company is currently assessing the effect of this new standard on its financial statements.

ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING DEVELOPMENTS

IFRS Accounting Standards pronouncements that have been issued but are not yet effective are listed below. The Company plans to apply the new standards or interpretations in the annual period for which it is first required.

The IASB amended IAS 1 *Presentation of Financial Statements* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendment issued in October 2022 clarifies that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The amendment is effective for annual periods beginning on or after January 1, 2024. The amendment had no impact on the presentation of the Company's debt facilities. The Company has modified certain disclosures for the adoption of this new IFRS Accounting Standard pronouncement.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures

On May 25, 2023, the IASB issued 'Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)' to add disclosure requirements that require entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments supplement requirements already in the IFRS Accounting Standards and require a company to disclose the terms and conditions, the amount of the liabilities that are part of the arrangements, ranges of payment due dates, and liquidity risk information.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company has adopted these new IFRS Accounting Standard amendments. As the Company is not subject to supplier finance arrangements the amendments have had no impact on the audited consolidated financial statements for the year ended December 31, 2024.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing. Further, operating expenses are presented directly on the face of the income statement – classified either by nature, by function or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The Company will adopt the new standard once it becomes effective.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the audited consolidated financial statements. Management is responsible for the integrity and objectivity of this document, ensuring the fair presentation of its financial results. The Audit Committee is responsible for reviewing the contents of this document along with the audited consolidated financial statements to ensure the reliability and timeliness of the Company’s disclosure while providing another level of review for accuracy and oversight. The Board of Directors, based on recommendations from Lucara’s Audit Committee, reviews and approves the financial information contained in the audited consolidated financial statements and this MD&A.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), is responsible for the design and operation of disclosure controls and procedures.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. As of December 31, 2024, the CEO and CFO have each concluded that the Company’s disclosure controls and procedures, as defined in NI 52-109 – *Certification of Disclosure in Issuer’s Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS Accounting Standards. Management is also responsible for the design of the Company’s internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. However, due to inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS Accounting Standards and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of December 31, 2024, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A contain "forward-looking information" and "forward-looking statements" as defined in applicable securities laws. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

Forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the Company's ability to continue as a going concern, the project schedule and capital costs for the UGP, diamond sales, projection and outlook disclosure under "2025 Outlook", the Company's ability to meet its obligations under the Rebase Amendments with its Lenders, the impact of supply and demand of rough or polished diamonds, estimated capital costs, future forecasts of revenue and variable consideration in determining revenue, the impact of the HB and Clara sales arrangements on the Company's projected revenue and sales channels and HB's ability to meet its payment obligations to the Company, the outcome of tax assessments and the likelihood of recoverability of tax payments made, estimation of mineral resources, cost and timing of the development of deposits and estimated future production, interest rates, including expectations regarding the impact of market interest rates on future cash flows and the fair value of derivative financial instruments, currency exchange rates, rates of inflation, credit risk, price risk, requirements for and availability of additional capital, capital expenditures, operating costs, production and cost estimates, tax rates, timing of drill programs, government regulation of operations, environmental risks and the Company's ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, and the potential impacts of economic and geopolitical risks, including potential impacts from the ongoing world conflicts, and the resulting indirect economic impacts that strict economic sanctions may have. While these factors and assumptions are considered reasonable by the Company as at the date of this MD&A in light of management's experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information and undue reliance should not be placed on such information. Such factors include, but are not limited to: the timing, scope and cost of additional grouting events at the UGP, the Company's ability to comply with the terms of the Facilities which are required to construct the UGP, including future funding requirements to the CORA, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the UGP, that the estimated timelines to achieve mine ramp up and full production from the UGP can be achieved, that sufficient stockpiled ore will be available to generate revenue prior to the achievement of commercial production of the Karowe underground mine, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample

diamond content, expectations that the UGP and the pit steepening project will extend mine life, forecasts of additional revenues, future production activity, that depletion and amortization expense on assets will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered, the future price and demand for, and supply of, diamonds, expectations regarding the scheduling of activities for the UGP.

Forward-looking information and statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to several 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 due to a variety of risks, uncertainties, and other factors, including, without limitation, those referred to in this MD&A. The foregoing is not exhaustive of the factors that may affect any of our forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Certain risks which could impact the Company are discussed under the heading “*Risks and Uncertainties*” in this MD&A and in the Company’s most recent AIF available at SEDAR+ at www.sedarplus.ca.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements contained in this MD&A are made as of the date of this MD&A and accordingly are subject to change after such date. Except as required by law, the Company disclaims any obligation to revise any forward-looking information and statements to reflect events or circumstances after the date of such information and statements. All forward-looking information and statements contained or incorporated by reference in this MD&A are qualified by the foregoing cautionary statements.



Independent auditor's report

To the Shareholders of Lucara Diamond Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lucara Diamond Corp. and its subsidiaries (together, the Company) as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2024 and 2023;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
PwC Place, 250 Howe Street, Suite 1400, Vancouver, British Columbia, Canada V6C 3S7
T.: +1 604 806 7000, F.: +1 604 806 7806, Fax to mail: ca_vancouver_main_fax@pwc.com

"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment test of the mineral properties, plant and equipment for the Karowe Mine cash generating unit (Karowe CGU) <i>Refer to note 3 – Significant accounting judgments, estimates and assumptions, note 4 – Summary of material accounting policies and note 7 – Mineral properties, plant and equipment to the consolidated financial statements.</i> As at December 31, 2024, the total net book value of mineral properties, plant and equipment amounted to \$473.7 million, which relates to the Karowe CGU. When impairment indicators exist, an impairment test is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. During the year, management identified impairment indicators due to the Company's market capitalization being lower than the net book value. As a result, management performed an impairment test of the Karowe CGU as at December 31, 2024. The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected to be derived from the mining properties and represents the CGU fair value less cost of disposal. As of December 31, 2024, no impairment was noted as the recoverable amount was higher than the carrying amount of the Karowe CGU.	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Karowe CGU, which included the following: – Tested the appropriateness and mathematical accuracy of the discounted cash flow model. – Tested underlying data used in the discounted cash flow model. – Evaluated the reasonableness of significant assumptions by (i) comparing the operating and capital cost estimates to recent actual operating costs and capital expenditures incurred; (ii) comparing estimated diamond prices to recent actual sales data, external market and industry data; and (iii) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the significant assumptions, which included production volumes including high-values stones, operating costs and capital cost estimates to complete development of the UGP. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit



Key audit matter	How our audit addressed the key audit matter
The determination of the recoverable amount calculated using a discounted cash flow model included the following significant assumptions: estimated diamond prices, production volumes including high-value stones, operating and capital cost estimates, and discount rate. Management's estimates of the estimated diamond prices, production volumes including high-value stones, operating costs and capital cost estimates to complete development of the Karowe Underground Expansion Project (UGP) are based on information compiled by qualified persons (management's experts). We considered this a key audit matter due to the significant judgment by management in determining the recoverable amount of the Karowe CGU, including the use of management's experts and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assumptions. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.	evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings. – Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the discount rate. • Tested the disclosures made in the consolidated financial statements with regard to the impairment test for the Karowe CGU.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or



conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 21, 2025

	December 31, 2024	December 31, 2023
ASSETS		
Current assets		
Cash	\$ 22,788	\$ 13,337
Receivables and other (Note 5)	33,039	35,050
Derivative financial instrument (Note 9)	2,089	3,010
Inventories (Note 6)	31,301	34,534
	89,217	85,931
Inventories (Note 6)	37,637	38,719
Mineral properties, plant and equipment (Note 7)	473,727	412,228
Intangible assets (Note 8)	-	6,211
Deferred financing fees (Note 9)	-	4,122
Derivative financial instrument (Note 9)	6,309	5,097
Cost overrun reserve account (Note 9)	49,148	18,574
Other non-current assets	4,795	4,921
TOTAL ASSETS	\$ 660,833	\$ 575,803
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 29,015	\$ 42,580
Deferred revenue (Note 13)	-	20,000
Working capital facility (Note 9)	25,000	35,000
Tax and royalties payable	7,227	3,444
Lease liabilities	831	1,472
	62,073	102,496
Project facility (Note 9)	180,000	86,515
Due to related party (Note 9)	15,000	15,000
Restoration provisions (Note 10)	17,640	13,738
Deferred income taxes (Note 15)	110,513	112,763
Other non-current liabilities	3,878	3,160
TOTAL LIABILITIES	389,104	333,672
EQUITY		
Share capital, unlimited common shares, no par value (Note 11)	348,401	349,718
Contributed surplus	9,513	9,371
Retained earnings (deficit)	26,202	(13,702)
Accumulated other comprehensive loss	(112,387)	(103,256)
TOTAL EQUITY	271,729	242,131
TOTAL LIABILITIES AND EQUITY	\$ 660,833	\$ 575,803

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

Commitments – Note 20
Subsequent events – Note 21

"Ian Gibbs"
Director

"David Dicaire"
Director

LUCARA DIAMOND CORP.**CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023****(In thousands of U.S. Dollars, except for share and per share amounts)**

		2024		2023
Revenues (Note 13)	\$	203,876	\$	172,400
Cost of goods sold				
Operating expenses		79,581		73,212
Royalty expenses (Note 13)		23,208		20,056
Depletion and amortization		16,636		16,779
		119,425		110,067
Income from mining operations		84,451		62,333
Other expenses				
Administration (Note 14)		14,814		19,110
Sales and marketing		3,069		3,462
Finance expenses		2,895		4,221
(Gain) loss on derivative instrument (Note 9)		(290)		1,712
Foreign exchange loss		6,913		5,093
Loss on extinguishment of debt facilities (Note 9)		10,529		-
Loss on disposal of assets (Note 7)		152		943
		38,082		34,541
Net income from continuing operations before tax		46,369		27,792
Income tax expense				
Current income tax		480		3,483
Deferred income tax		2,277		29,268
		2,757		32,751
Net income (loss) from continuing operations		43,612		(4,959)
Net loss from discontinued operations (Note 8)		(3,708)		(15,232)
Net income (loss) for the year	\$	39,904	\$	(20,191)
Earnings (loss) per common share from continuing operations				
Basic	\$	0.10	\$	(0.01)
Diluted	\$	0.09	\$	(0.01)
Loss per common share from discontinued operations				
Basic and diluted	\$	(0.01)	\$	(0.03)
Weighted average common shares outstanding (millions)				
Basic		457.3		454.8
Diluted		468.0		454.8

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

LUCARA DIAMOND CORP.**CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In thousands of U.S. Dollars)

	2024		2023	
Net income (loss) for the year	\$	39,904	\$	(20,191)
Other comprehensive (loss) income				
<i>Items that will not be reclassified to net income</i>				
Change in fair value of marketable securities		(312)		150
<i>Items that may be subsequently reclassified to net income</i>				
Currency translation adjustment		(9,807)		(8,766)
Currency translation adjustment reclassified on disposal of subsidiary		988		-
		(9,131)		(8,616)
Comprehensive income (loss) for the year	\$	30,773	\$	(28,807)
Total comprehensive income (loss) attributable to shareholders of the Company from:				
Continued operations		34,481		(13,575)
Discontinued operations		(3,708)		(15,232)
	\$	30,773	\$	(28,807)

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

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(In thousands of U.S. Dollars)

	2024	2023
Operating activities		
Net income (loss) for the year from continuing operations	\$ 43,612	\$ (4,959)
Items not affecting cash:		
Depletion and amortization	17,341	17,222
Unrealized foreign exchange loss	5,955	4,429
Share-based compensation	685	1,440
Loss on extinguishment of debt facilities	9,727	-
Unrealized (gain) loss on derivative instrument	(290)	1,712
Deferred income tax expense	2,277	29,268
Recognition of deferred revenue	(20,000)	-
Finance expenses	2,606	1,626
Loss on disposal of assets	152	943
	62,065	51,681
Net changes in working capital:		
Receivables and other	(761)	(5,302)
Inventories	(1,348)	(9,309)
Trade payables and accrued liabilities	(4,350)	18,880
Deferred revenue	-	8,000
Tax and royalties payable	4,040	1,815
Net cash provided by continuing operating activities	59,646	65,765
Net cash used in discontinued operating activities	(3,344)	(2,408)
Financing activities		
Drawdown on working capital facility	10,000	20,000
Drawdown on project facility	70,000	25,000
Drawdown on debenture	-	15,000
Withholding tax on share units vested	(67)	(461)
Lease payments	(1,590)	(1,540)
Funding of cost overrun reserve account	(30,574)	(18,000)
Net cash provided by continuing financing activities	47,769	39,999
Net cash used in discontinued financing activities	(13)	(338)
Investing activities		
Investment in mineral properties, plant and equipment	(95,010)	(115,682)
Disposal of subsidiary, net of cash disposed of	718	-
Net cash used in continuing investing activities	(94,292)	(115,682)
Net cash used in discontinued investing activities	(59)	(112)
Effect of exchange rate change on cash	(256)	(305)
Increase (decrease) in cash	9,451	(13,081)
Cash, beginning of the year	13,337	26,418
Cash, end of the year	\$ 22,788	\$ 13,337
Supplemental information		
Interest paid	\$ (20,578)	\$ (14,607)
Taxes paid	(412)	(8,494)
Shares returned to treasury on disposal of subsidiary	3,314	-
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties ⁽¹⁾	(1,580)	(3,079)
Depletion and amortization included in inventories	(2,757)	(3,606)

⁽¹⁾ Included within accounts payable and accrued liabilities at each period end are additions to plant and equipment and mineral properties, acquired on normal course payment terms, of \$7.2 million at December 31, 2024 (December 31, 2023: \$8.2 million).

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

LUCARA DIAMOND CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (in thousands of U.S. Dollars, unless otherwise indicated)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2023	453,566,923	\$ 348,083	\$ 10,129	\$ 6,489	\$ (94,640)	\$ 270,061
Net loss for the year	-	-	-	(20,191)	-	(20,191)
Other comprehensive loss	-	-	-	-	(8,616)	(8,616)
Total comprehensive loss	-	-	-	(20,191)	(8,616)	(28,807)
Shares issued for debenture	1,027,500	264	-	-	-	264
Shares issued from share units vested	1,582,970	1,371	(1,371)	-	-	-
Withholding tax for share units vested	-	-	(461)	-	-	(461)
Share-based compensation	-	-	1,074	-	-	1,074
Balance, December 31, 2023	456,177,393	\$ 349,718	\$ 9,371	\$ (13,702)	\$ (103,256)	\$ 242,131
Net income for the year	-	-	-	39,904	-	39,904
Other comprehensive loss	-	-	-	-	(9,131)	(9,131)
Total comprehensive income (loss)	-	-	-	39,904	(9,131)	30,773
Shares issued for limited standby undertaking	1,900,000	553	-	-	-	553
Shares issued for debenture	2,925,000	847	-	-	-	847
Shares issued from share units vested	846,555	597	(597)	-	-	-
Withholding tax for share units vested	-	-	(67)	-	-	(67)
Shares returned to treasury	(10,000,000)	(3,314)	-	-	-	(3,314)
Share-based compensation	-	-	806	-	-	806
Balance, December 31, 2024	451,848,948	\$ 348,401	\$ 9,513	\$ 28,085	\$ (112,387)	\$ 271,729

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

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

1. NATURE OF OPERATIONS AND LIQUIDITY

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the “Company” or “Lucara”) is a diamond mining company focused on the development and operation of its Karowe Mine located in Botswana.

The Company’s common shares are listed on the Toronto Stock Exchange (the “TSX”), NASDAQ First North Growth Market and Botswana Stock Exchanges under the symbol “LUC”. 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 2800, 1055 Dunsmuir Street, Vancouver, British Columbia.

During the year ended December 31, 2024, the Company generated net income from continuing operations of \$43.4 million and generated cash of \$59.6 million from continuing operating activities. As at December 31, 2024, the Company had cash of \$22.8 million and working capital (current assets less current liabilities) of \$27.1 million.

The Company’s schedule and budget for the Karowe Underground Expansion Project (the “UGP”) anticipates commencement of underground production in the first half of 2028 with a completion cost forecast of \$683.4 million. As at December 31, 2024, capital expenditures of \$347.9 million had been incurred. Committed, not yet incurred, costs under the UGP are \$79.2 million at December 31, 2024 (Note 20).

On January 9, 2024, the Company completed an agreement with its lenders to modify the debt package (the “Facilities”) for the UGP. The agreement includes increasing the project finance facility from \$170.0 million to \$190.0 million (the “Project Facility”), reducing the senior secured working capital facility (the “WCF”) from \$50.0 million to \$30.0 million, extending the maturity date of the WCF to June 30, 2031, and amending certain other terms (the “Rebase Amendments”). The WCF requires the Company to fully pay down the WCF for five successive business days at least once every 12 months. A pay down and subsequent redraw of the WCF was completed in October 2024. During the year ended December 31, 2024, the Company drew \$70.0 million under the Project Facility and \$10.0 million under the WCF.

Prior to June 30, 2025, the Company is required to place \$61.7 million in a cost overrun reserve account (the “CORA”) as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was \$49.1 million as at December 31, 2024. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and cashflow from operations.

Under the terms of the Project Facility, the Company’s largest shareholder, Nemesia S.à.r.l. (“Nemesia”) provided a limited standby undertaking of up to \$63.0 million. The standby undertaking consists of two components: i) \$28.0 million component is for the undertaking to support the requirement to fill the CORA to \$61.7 million by June 30, 2025 and; ii) \$35.0 million component is for a funding shortfall guarantee in support for the UGP completion.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(i) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Other than changes due to new and amended standards and interpretations, the accounting policies adopted are consistently applied in all periods presented.

These financial statements were approved by the Board of Directors for issue on February 21, 2025.

The following entities are included in these consolidated financial statements:

	Country of incorporation	Ordinary shares held	
		December 31, 2024	December 31, 2023
Lucara Botswana Proprietary Limited	Botswana	100%	100%
Wati Ventures Proprietary Limited	Botswana	100%	100%
Debwat Exploration Proprietary Limited	Botswana	100%	100%
Clara Diamond Solutions Limited Partnership ⁽¹⁾	Canada	-	100%
Clara Diamond Solutions GP Inc. ⁽¹⁾	Canada	-	100%
Clara Diamond Solutions BV ⁽¹⁾	Belgium	-	100%
Lucara Management Services Limited	United Kingdom	100%	100%
African Diamonds Limited.	United Kingdom	100%	100%
Lucara Diamond Holdings Inc.	Mauritius	100%	100%
Boteti Diamond Holdings Inc.	Mauritius	100%	100%

⁽¹⁾ On October 4, 2024, the Company disposed of its interest in Clara Diamond Solutions BV, Clara Diamond Solutions Limited Partnership, and Clara Diamond Solutions GP Inc. (Note 8)

The Company has pledged the shares held in Lucara Botswana Proprietary Limited, through the various intermediate holding companies, to secure the Facilities (Note 9). The Company is not allowed to pledge the shares held as security for other borrowings.

(ii) Adoption of new accounting standards and accounting developments

Amendments to IAS 1 Presentation of Financial Statements

The IASB amended IAS 1 *Presentation of Financial Statements* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendment issued in October 2022 clarifies that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The amendment is effective for annual periods beginning on or after January 1, 2024. The amendment had no impact on the presentation of the Company's debt facilities. The Company has modified certain disclosures for the adoption of this new IFRS Accounting Standard pronouncement.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures

On May 25, 2023, the IASB issued 'Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)' to add disclosure requirements that ask entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments supplement requirements already in the IFRS Accounting Standards and require a company to disclose the terms and conditions, the amount of the liabilities that are part of the arrangements, ranges of payment due dates; and liquidity risk information.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company has adopted these new IFRS Accounting Standard amendments. As the Company is not subject to supplier finance arrangements the amendments have no impact on the consolidated financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing. Further, operating expenses are presented directly on the face of the income statement – classified either by nature, by function or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The Company will adopt the new standard once it becomes effective.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to use judgement in applying its accounting policies and make estimates and assumptions about the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company has identified the following areas where significant accounting judgements, estimates and assumptions have been made in the preparation of the consolidated financial statements:

Areas of accounting policy judgements

(a) Satisfaction of performance obligations under the HB Trading BV sales arrangement

The Company has determined that, under the terms of the Company's diamond sales agreement with HB Trading BV ("HB"), control is transferred when the delivery and analysis of rough diamonds are completed. At this point the estimated initial polished value of the rough diamond is determined and HB assumes responsibility for its manufacturing, polishing and sale to an end buyer. Once the initial estimated initial polished value is determined, the Company recognizes revenue if collectability is reasonably assured.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) *Assessment of impairment indicators*

The Company carries its mineral properties and plant and equipment at depleted and amortized cost less any provision for impairment. The Company assesses at each reporting period whether there is an indication of impairment. Significant judgement is applied in assessing whether indicators of impairment exist that would necessitate impairment testing. The Company has an ongoing indicator of impairment of its mineral properties, and plant and equipment due to its market capitalization being lower than its net book value. The Company conducted an impairment assessment at December 31, 2024 and no impairment was noted.

(c) *Deferred taxes*

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized and what tax rate is expected to be applied in the year when the related temporary differences reverse. Judgement is also required in the application of income tax legislation. These judgements are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision.

(d) *Going concern and liquidity risk*

Management is required to exercise judgement with respect to evaluating the Company's ability to continue as a going concern and to ensure that disclosures relating to liquidity are appropriate. To this end, the Company manages liquidity risk by maintaining an adequate level of cash to meet its short-term ongoing obligations, ensuring access to credit facilities, and reviews its actual expenditures and forecast cash flows on a regular basis. Changes in demand for rough and/or polished diamonds and diamond prices, amount, and timing of capital costs on the UGP, production levels and related costs, foreign exchange rates and other factors all impact the Company's liquidity position.

(e) *Assets held for sale and discontinued operations*

The Company uses its judgement to determine whether an asset or disposal group is available for immediate sale in its present condition and whether the sale is highly probable and therefore should be classified as held for sale in the consolidated statements of financial position. The Company also used judgement to determine whether a component of the Company that either has been disposed of or is classified as held for sale meets the criteria of a discontinued operation. The key area that involved management judgement in this determination is whether the component represents a separate major line of business or geographical area of operations.

(f) *Modification versus extinguishment of financial liabilities*

Judgement is required in applying IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the credit facilities are a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original credit facilities.

Sources of estimation uncertainty

(a) *Estimated recoverable reserves and resources*

Mineral reserve and resource estimates are based on various assumptions relating to operating matters. These include production costs, mining and processing recoveries, cut-off grades, long term diamond prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be affected by forecast commodity prices, diamond prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves geological and geophysical studies and economic data and the reliance on a number of assumptions.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(a) *Estimated recoverable reserves and resources (continued)*

The estimates of the reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

Estimated recoverable reserves are used to determine the depletion and amortization of plant and equipment at the operating mine site, in accounting for deferred stripping costs and mineral properties, determining a deferred tax rate and in performing impairment testing. Therefore, changes in the assumptions used could affect the carrying value of assets, depletion and amortization, changes in the deferred tax rate, and impairment charges recognized in the statement of operations.

(b) *Impairment*

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts. Recoverable amounts are determined by reference to relevant market data, discounted future cash flows, and fair value less costs to sell. An impairment loss is recognized when the carrying amount of assets is no longer considered recoverable. Non-current assets that were previously impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Calculating the estimated recoverable amount of the cash-generating unit ("CGU") for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated production volumes, operating, and capital costs, diamond prices, and discount rates. Management relies on production history and geological experts to develop estimates of production volumes and diamond prices, as well as expected future operating and capital costs. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets. Changes in these assumptions could significantly impact the valuation of the Company's assets in the future.

(c) *Uncertain tax positions*

The Company recognizes that its tax obligations are subject to interpretation and judgement. Uncertain tax positions arise when there is uncertainty regarding the application of tax laws and regulations to the Company's transactions or positions. Estimates of uncertain tax positions are measured using the most likely amount or expected value approach, considering all available information.

(d) *Estimated variable consideration in determining revenue*

Revenues include an estimate of variable consideration receivable under the terms of the Company's diamond sales agreement with HB. Variable consideration is a component of the transaction price and represents an area of management estimate. Under the diamond sales agreement, at the time of sale of a rough diamond, the Company receives an initial payment based on an estimated initial polished value. When the manufactured diamond is sold to an end buyer, HB is entitled to receive a fee and reimbursement for the cost of manufacturing. If the final sales price is higher than the estimated initial polished value a true up payment is payable to the Company. Any manufactured diamonds sold to an end buyer for less than the estimated initial polished value (after deductions for HB's fee and the cost of manufacturing) will result in the difference being refunded to HB.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(d) Estimated variable consideration in determining revenue (continued)

Variable consideration is estimated using the most likely approach. The transaction price is reassessed each reporting period, including any adjustments to the amount of variable consideration recognized. The revenue recognized as the transaction price, including any variable consideration, is recognized within the constraint of "highly probable". In evaluating the most likely approach, significant estimates include market conditions, the current estimated polished value provided by HB and the probability that the variable consideration will be realized.

(e) Decommissioning and site restoration

The Company has obligations for site restoration and decommissioning related to the Karowe Mine. The restoration provision is based on cost estimates of the future decommissioning and site restoration activities estimated using mine closure plans or other similar studies which outline the activities that will be carried out to meet the obligations. The restoration provision requires significant estimates and assumptions because the obligations are dependent on the laws and regulations of the country in which the mine operates and are based on future expectations of the timing, extent and cost of required decommissioning and site restoration activities. The provision for decommissioning and site restoration is remeasured at the end of each reporting period for changes in estimates or circumstances.

(f) Deferred taxes

The deferred tax provisions are calculated by the Company whilst the actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. Deferred tax liabilities arising from temporary differences are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future production and sales volumes, diamond prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures and other capital management transactions. These estimates and assumptions are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) Consolidation

These consolidated financial statements include the accounts of the Company and all of its subsidiaries. Subsidiaries are entities controlled by the Company. An entity is controlled by the Company when as a group; it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company's interest is less than 100%, the Company recognizes non-controlling interests. All intercompany balances and transactions have been eliminated on consolidation.

(b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars. The functional currency of the parent company, Lucara Diamond Corp., is the Canadian dollar.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (continued)

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

Group companies

The functional currency of the most significant subsidiary of the Company, Lucara Botswana Proprietary Limited ("Lucara Botswana"), is the Botswana Pula. The results and financial position of the group companies, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement.
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- (iii) All resulting exchange differences are recognized in other comprehensive income as currency translation adjustments.

(c) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. All recognized financial assets are measured subsequently at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

At initial recognition, the Company classifies its financial instruments in the following categories:

- (i) Fair value through profit or loss: Financial assets or liabilities measured at fair value through profit or loss are assets or liabilities which do not qualify as financial instruments at amortized costs or those not designated in hedge relationships. Derivatives, including interest rate swaps, are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations in the period in which they arise.
- (ii) Fair value through other comprehensive income: The Company has made an irrevocable election to designate its investments in marketable equity securities as classified at fair value through other comprehensive income. Fair values are determined by reference to quoted market prices at the reporting date. When investments in marketable securities are disposed of or impaired, the cumulative gains and losses recognized in other comprehensive income are not recycled to profit and loss and remain within equity.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) *Financial instruments (continued)*

- (iii) Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost include cash, trade receivables, credit facilities and trade and royalties payable and are included in current classification due to their short-term nature. Trade receivables and payables and royalties payable are non-interest bearing if paid when due and are recognized at their face amount, less, when material, a discount, except when fair value is materially different. Amounts drawn on the credit facilities are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost.

(d) *Inventories*

Inventories, which include rough diamonds, ore stockpiles and parts and supplies, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes the costs of mining, processing and directly attributable mining overhead.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and selling expenses. The portion of the ore stockpile that is expected to be processed more than twelve months from year end is classified as non-current inventory.

(e) *Plant and equipment*

Plant and equipment are stated at cost less accumulated amortization and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization of each asset is calculated using the straight line or unit of production method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of plant and equipment are as follows:

Furniture and office equipment	3 to 5 years straight line
Machinery and equipment	4 to 12 years straight line
Plant facilities	units of production based on recoverable reserves
Right-of-use assets	straight line over the shorter of the lease term and useful lives

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds from the sale of an asset with the carrying amount and are recognized in the statement of operations.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(f) Mineral properties and capitalized production stripping costs

Mineral properties are carried at cost, less accumulated depletion and any impairment charges. Costs are amortized from the date of commencement of production of the mine on a units of production basis over estimated recoverable reserves. Costs associated with mineral properties include acquisition costs, evaluation and project investigation costs, development costs and borrowing costs.

Mineral property costs are expensed as incurred until such time that the project demonstrates technical feasibility and commercial viability, and the Company has demonstrated a commitment to advance the project. Once this has been established, all further expenditures are capitalized as incurred.

During the production phase, mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized to mineral properties. Stripping costs incurred in the production phase of an open pit mine are accounted for as variable production costs. Stripping costs are capitalized and recorded as deferred stripping, a component of mineral properties, when the stripping activity provides access to sources of reserves or resources that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. The deferred stripping costs are capitalized based on actual versus expected strip ratios and depleted on a unit of production basis over the reserves that directly benefited from the stripping activity.

(g) Intangible assets

Intangible assets with finite lives consist of acquired trademarks, copyrights, patents and intellectual property that are initially capitalized at the purchase price plus any other directly attributable costs. These assets are amortized using the straight-line method over their estimated useful lives.

Development expenditures relating to intangible assets are capitalized only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Judgement is required in determining the technical and commercial feasibility and in assessing the probability of future economic benefits. Amortization related to capitalized development costs is classified within depletion and amortization under operating expenses.

(h) Impairment of non-financial assets

Long lived assets are reviewed at each reporting period for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are not yet available for use are reviewed for impairment annually. When impairment indicators exist, an impairment assessment is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Non-financial assets that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Provisions

Asset retirement obligations

The Company recognizes a liability for an asset retirement obligation on long-lived assets when a present legal or constructive obligation exists, as a result of past events and the amount of the liability is reasonably determinable. Asset retirement obligations are initially recognized as a liability based on estimated future cash flows discounted at a risk-free rate. This is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and amortized or depleted to operations over the life of the related asset.

(j) Income taxes

Income taxes are recognized in the statement of operations, except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity.

Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred taxes are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the sliding tax rate that is expected at the time of reversal and the laws that have been enacted or substantively enacted by the year end.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where there is a legal right to do so, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each year end and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain tax positions and interest and penalties related to uncertain tax positions are accounted for under IFRIC 23, *Uncertainty over Income Tax Treatments*. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not recognition threshold it is then measured to determine the amount of benefit or liability to recognize in the financial statements. The tax position is measured as the amount of benefit or liability that is likely to be realized upon ultimate settlement. The Company assesses the validity of conclusions regarding uncertain tax positions on a quarterly basis to determine if facts or circumstances have arisen that might cause the Company to change their judgement regarding the likelihood of a tax position.

LUCARA DIAMOND CORP.

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Share capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

(l) Revenue recognition

Revenues from diamond sales are recognized when the purchaser obtains control of the diamond. For diamonds sold through tender or digital sales platforms, control is transferred when the Company receives payment for the diamonds sold and title is transferred to the purchaser according to contract terms.

The Company sells its large stone production (diamonds greater than 10.8 carats) under the diamond sales agreement with HB. For diamonds sold under this agreement, control is transferred once the stones are delivered and the analysis of the rough diamonds are agreed upon according to the contract terms to which the stones relate. Once the estimated initial polished value is determined, the Company recognizes revenue if collectability is reasonably assured. The initial purchase price paid for the rough diamonds are based on an estimated initial polished value with a true up paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently resolved. Final revenue is determined when the polished diamonds are sold to the end buyer.

(m) Share-based compensation

The Company has share-based compensation plans, under which the entity receives services as consideration for equity instruments (stock options or share units) of the Company.

Stock options and equity-settled share units granted to employees are measured on the grant date. Stock options granted to non-employees are measured on the date that the goods or services are received. Share units which do not meet the criteria for equity-settlement are recorded as a liability and measured at fair value at each reporting period.

The fair value of the employee and non-employee services received in exchange for the grant of the options and share units is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options and share units granted and the vesting periods. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cash subscribed for the shares issued when options are exercised is credited to share capital, net of any directly attributable transaction costs.

(n) Earnings (loss) per share

Earnings (loss) per share is calculated by dividing the income or loss attributable to the shareholders of the Company by the weighted average number of common shares issued and outstanding during the year. Diluted income per share is calculated using the treasury stock method. In periods of loss basic and diluted earnings per share are the same as dilutive instruments have an anti-dilutive effect.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

(o) Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company leases various office spaces and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(p) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

(q) Discontinued operations and assets held for sale

Non-current assets and disposal groups are classified as assets held for sale if it is probable that the value of these assets will be recovered primarily through sale rather than continued use. They are recorded at the lower of carrying amount and fair value less cost of disposal. Impairment losses on initial classified as assets held for sale and subsequent gains and losses on remeasurement are recognized in the consolidated statements of operations. Once classified as held for sale, intangible assets and property and equipment are no longer amortized. The assets and liabilities are presented as held for sale in the consolidated statements of financial position when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and management is committed to the sale, which should be expected to be completed within one year from the date of classification.

Discontinued operations are reported when a component of the Company, representing a separate major line of business or geographical area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element on the consolidated statements of operations for both the current and comparative periods. When a disposal group is classified as held for sale, assets and liabilities are aggregated and presented as separate line items on the consolidated statements of financial position.

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5. RECEIVABLES AND OTHER

		2024		2023
Trade receivables	\$	18,416	\$	12,981
Value-added and income taxes		7,585		13,927
Prepayments		6,824		8,012
Other		214		130
	\$	33,039	\$	35,050

Trade receivables at December 31, 2024 were \$18.4 million (December 31, 2023: \$13.0 million) due from HB.

Value-added and income taxes receivable include \$5.0 million on December 31, 2024 (December 31, 2023: \$5.0 million) that relates to an income tax assessment dispute in Botswana.

6. INVENTORIES

		2024		2023
Rough diamonds	\$	14,987	\$	19,217
Ore stockpiles		3,339		2,038
Parts and supplies		12,975		13,279
Total current inventories	\$	31,301	\$	34,534
Non-current inventories – ore stockpiles	\$	37,637	\$	38,719

Inventory expensed during the year ended December 31, 2024 totaled \$79.6 million (2023: \$73.2 million). There was no inventory write-downs during the years ended December 31, 2024 and 2023.

LUCARA DIAMOND CORP.

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7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2023	\$ 97,557	\$ 224,860	\$ 19,140	\$ 226,864	\$ 568,421
Additions	-	92,128	12,993	1,292	106,413
Borrowing cost capitalized	-	9,285	-	-	9,285
Adjustment to restoration provision	(472)	-	-	-	(472)
Disposals	-	-	(943)	(391)	(1,334)
Reclassifications	-	(38,832)	(12,073)	50,905	-
Translation differences	(4,573)	(10,864)	(903)	(10,696)	(27,036)
Balance, December 31, 2023	\$ 92,512	\$ 276,577	\$ 18,214	\$ 267,974	\$ 655,277
Additions	-	64,666	11,574	1,108	77,348
Borrowing cost capitalized	-	17,441	-	-	17,441
Adjustment to restoration provision	3,056	-	-	-	3,056
Disposals	-	-	-	(994)	(994)
Reclassifications	-	2,677	(25,688)	23,011	-
Translation differences	(3,755)	(13,448)	(301)	(11,776)	(29,280)
Balance, December 31, 2024	91,813	347,913	3,799	279,323	722,848

Accumulated depletion and amortization	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2023	\$ 78,287	-	-	157,765	\$ 236,052
Depletion and amortization	7,266	-	-	11,071	18,337
Disposals	-	-	-	(317)	(317)
Translation differences	(3,709)	-	-	(7,314)	(11,023)
Balance, December 31, 2023	\$ 81,844	-	-	161,205	\$ 243,049
Depletion and amortization	7,124	-	-	10,231	17,355
Disposals	-	-	-	(725)	(725)
Translation differences	(3,449)	-	-	(7,109)	(10,558)
Balance, December 31, 2024	85,519	-	-	163,602	249,121

Net book value					
As at December 31, 2023	\$ 10,668	\$ 276,577	\$ 18,214	\$ 106,769	\$ 412,228
As at December 31, 2024	\$ 6,294	\$ 347,913	\$ 3,799	\$ 115,721	\$ 473,727

Reclassifications relate to plant and equipment put into use during the periods and depreciation on plant and equipment in use on the Karowe underground construction asset.

Total borrowing costs of \$34.1 million relating to the Karowe Underground Construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized initial arrangement costs related to the facilities prior to the Rebase Amendments.

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7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

The Company has an ongoing impairment indicator of its mineral properties, and plant and equipment due to its market capitalization being lower than the net book value. The Company conducted an impairment assessment at December 31, 2024 and the recoverable amount of the Karowe CGU was determined. The net book value of the mineral properties, plant and equipment related to the Karowe CGU was \$473.7 million. The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected to be derived and represents the CGU's fair value less cost of disposal ("FVLCD"). The determination of the FVLCD requires use of Level 2 and Level 3 valuation inputs. Significant assumptions to determine the FVLCD include estimated production volumes, operating and capital cost estimates from the Feasibility Study Technical Report, estimated diamond prices reflecting achieved pricing and market trends and discount rates ranging from 10.75% to 11.50%. The expected production volumes includes high-value stones, estimated on a basis consistent with historical recoveries. No impairment was noted as the FVLCD was higher than the carrying amount of the Karowe CGU.

8. SALE OF CLARA - INTANGIBLE ASSETS AND DISCONTINUED OPERATIONS**Cost**

Balance, January 1, 2023	\$	22,511
Development expenditures		112
Translation differences		499
Balance, December 31, 2023	\$	23,122
Development expenditures		59
Disposal		(22,838)
Translation differences		(343)
Balance, December 31, 2024	\$	-

Accumulated amortization and impairment

Balance, January 1, 2023	\$	4,287
Amortization		1,306
Impairment of intangible assets		11,200
Translation differences		118
Balance, December 31, 2023	\$	16,911
Amortization		232
Disposal		(17,006)
Translation differences		(137)
Balance, December 31, 2024	\$	-

Net book value

As at December 31, 2023	\$	6,211
As at December 31, 2024	\$	-

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8. SALE OF CLARA - INTANGIBLE ASSETS AND DISCONTINUED OPERATIONS (CONTINUED)

The following outlines the results of discontinued operations from the Clara for the period from January 1, 2023 to the date of disposal, October 4, 2024.

Year ended - December 31,		2024		2023
Revenue ⁽¹⁾	\$	2,223	\$	4,971
Cost of sales ⁽¹⁾		3,382		6,888
Gross margin		(1,159)		(1,917)
Other expenses		1,196		2,015
Impairment of intangible assets		-		11,200
Loss on disposal		1,353		-
Net loss from discontinued operations	\$	(3,708)	\$	(15,232)

⁽¹⁾Lucara continues to use Clara's platform to sell its Clara qualifying Lucara stones after the disposition of Clara, thus the revenue and cost of sales related to Lucara's diamonds has been included as part of continuing operations (See Note 13).

On October 4, 2024, the Company sold its interest in Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as "Clara") including intangible assets. Total sale consideration comprised of \$3.0 million in cash less working capital adjustments of \$0.8 million, the return of 10,000,000 Lucara common shares (Note 11) and the elimination of liabilities tied to certain sales performance metrics, EBITDA performance targets or a change of control, amounting to a share issuance obligation of 13,400,000 Lucara common shares. The 10,000,000 Lucara common shares were initially issued as partial consideration when Lucara acquired the Clara platform.

At December 31, 2023, the Company identified an indicator of impairment. The recoverable amount of the Clara CGU was based on the fair value less cost of disposal ("FVLCD") expected to be derived from the sale of the platform. The determination of FVLCD required use of Level 1 valuation inputs. The impairment assessment resulted in an impairment expense of \$11.2 million recorded in net loss from discontinued operations.

On September 28, 2022, the Company's former wholly-owned subsidiary, Clara, with Lucara Diamond Corp. as guarantor, entered into a revolving credit facility agreement of \$4.0 million. The revolving credit facility was fully repaid during the year ended December 31, 2023. Effective July 2024, the Clara revolving credit facility was fully released and cancelled.

9. CREDIT FACILITIES

The movement in credit facilities are comprised of the following:

	Deferred financing fees		Project Facility		Working Capital Facility		Total
Balance, January 1, 2023	\$ 5,410	\$	(62,151)	\$	(15,000)	\$	(71,741)
Amortization of financial fees	-		(765)		-		(765)
Financing fees	113		-		-		113
Finance fees transfer	(1,401)		1,401		-		-
Drawdown	-		(25,000)		(20,000)		(45,000)
Balance, December 31, 2023	\$ 4,122	\$	(86,515)	\$	(35,000)	\$	(117,393)
Finance fees	2,922		-		-		2,922
Finance fees transfer	491		(491)		-		-
Transfer	-		(20,000)		20,000		-
Drawdown	-		(70,000)		(10,000)		(80,000)
Loss on extinguishment of debt facilities	(7,535)		(2,994)		-		(10,529)
Balance, December 31, 2024	\$ -	\$	(180,000)	\$	(25,000)	\$	(205,000)

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9. CREDIT FACILITIES (CONTINUED)

Senior secured project facility (Project Facility)

On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, amended its senior secured project financing debt package of \$220.0 million that was originally entered into in 2021. The Facilities consist of the Project Facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development of an underground expansion at the Karowe Mine and a \$30.0 million (\$50.0 million prior to amendment) senior secured WCF. The debt package is with a syndicate of five mandated lead arrangers (the "Lenders").

The amendments modified the repayment schedule, extended the maturity date of the WCF to June 30, 2031, and amended certain other terms (the "Rebase Amendments"). At the financial close of the Rebase Amendments, \$20.0 million that was outstanding on the WCF was transferred to the Project Facility.

The Project Facility may be used to fund the development, construction costs and construction phase operating costs of the UGP as well as financing costs on the Facilities during construction. The Project Facility matures on June 30, 2031, with quarterly repayments commencing on September 30, 2028. As at December 31, 2024, \$180.0 million of the \$190.0 million facility was drawn. The Project Facility bears interest at a rate of Term Secured Overnight Financing Rate ("SOFR") plus margin of 6.5% annually until the project completion date, 6.0% annually from project completion to June 30, 2029, and 7.0% annually thereafter, with commitment fees for the undrawn portion of the facility of 35.0% of the margin on the average daily available commitment.

The WCF may be used for working capital and other corporate purposes. As at December 31, 2024, \$25.0 million of the \$30.0 million facility was drawn. The WCF bears interest at a rate of Term SOFR plus a margin of 6.5% annually until the project completion date, 6.25% from project completion to June 30, 2029, 7.25% thereafter, and commitment fees for the undrawn portion of the WCF of 35.0% of the margin on the average daily available commitment. The WCF matures on June 30, 2031.

Upon the Rebase Amendments, the remaining balance of deferred financing costs and unamortized initial arrangement costs incurred with the initial arranging of the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment in the amount of \$10.5 million. As at December 31, 2024, the Company was in compliance with all covenants under the Facilities.

Under the Rebase Amendments, Nemesia provided a limited standby undertaking of up to \$63.0 million. The limited standby undertaking consists of two components:

- i) The \$28.0 million component for the undertaking to support the requirement to fill the CORA to \$61.7 million by June 30, 2025; and
- ii) The \$35.0 million component for a funding shortfall guarantee in support of the UGP completion.

For each \$500,000 drawn under the limited standby undertaking, the Company will issue 7,500 common shares per month settled quarterly to Nemesia until the amounts borrowed are repaid. A further 600,000 common shares will be issued if the undertaking is activated.

Interest rate swap agreements

On December 14, 2021, under the terms of the Project Facility, the Company became party to a series of interest rate swap agreements on 75% of the principal amount available, up to \$127.5 million.

LUCARA DIAMOND CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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9. CREDIT FACILITIES (CONTINUED)

As part of the Rebase Amendments signed on January 9, 2024, a new interest rate swap agreement was signed on February 15, 2024, which covers the principal amount available up to \$142.5 million. The Company receives interest at the rate equivalent to the three-month USD Term SOFR and pays interest at a fixed rate ranging from 2.447% to 2.577% on a quarterly basis. The final interest rate swap matures on June 30, 2031.

As at December 31, 2024, the interest rate swaps had a total unrealized fair value of \$8.4 million (December 31, 2023: \$8.1 million), of which \$2.1 million has been classified as a current asset. The fair value of the interest rate swaps is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

Due to related party – debenture

In November 2023, the Company drew \$15.0 million from its liquidity support guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "Debenture"). Subject to the receipt of all required regulatory approvals, for each \$500,000 outstanding under the Debenture, the Company is required to issue 7,500 common shares per month at the prevailing market price to Nemesia until the amounts borrowed are repaid. On June 17, 2024, the Company and Nemesia entered into a supplemental agreement in terms of which common shares would be issued to Nemesia on a quarterly, instead of a monthly basis. The Debenture matures August 29, 2029.

10. RESTORATION PROVISIONS

The Company's restoration provisions relate to the rehabilitation of the Karowe Mine in Botswana. The provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments for the applicable geographical areas.

The Company has applied a pre-tax discount rate of 8.4% at December 31, 2024 (December 31, 2023: 8.7%) and an annual inflation rate of 4.5% at December 31, 2024 (December 31, 2023: 4.5%). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately \$39.4 million (December 31, 2023: \$34.2 million).

Balance, January 1, 2023	\$	13,649
Changes to rates and estimates		(472)
Accretion		1,205
Translation differences		(644)
Balance, December 31, 2023	\$	13,738
Changes to rates and estimates		3,056
Accretion		1,525
Translation differences		(679)
Balance, December 31, 2024	\$	17,640

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11. SHARE CAPITAL

During the year ended December 31, 2023, 1,027,500 common shares (\$0.3 million) were issued to Nemesia consisting of 900,000 common shares for the activation and withdrawal of the Debenture and 127,500 common shares for payment of interest on the Debenture (Note 9).

During the year ended December 31, 2024, 4,825,000 common shares (\$1.4 million) were issued to Nemesia consisting of 1,900,000 common shares as consideration for increasing the limited standby undertaking and 2,925,000 common shares for payment of interest on the Debenture (Note 9). Additionally, the Company returned 10,000,000 common shares (\$3.3 million) to treasury relating to the sale of Clara (Note 8).

12. SHARE BASED COMPENSATION

a. Stock options

The Company's stock option plan (the "Option Plan") was approved by the Company's shareholders initially on May 13, 2015, with amendments approved on May 12, 2023. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted in 2023 cliff vest following a three-year period and expire five years from the date of grant. Options granted in 2024 vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire five years from the date of grant.

	Number of shares issuable pursuant to stock options	Weighted average exercise price per share (CA\$)
Balance at January 1, 2023	6,414,000	\$ 0.89
Granted	2,412,000	0.57
Expired	(1,134,000)	1.64
Forfeited	(1,148,000)	0.65
Balance at December 31, 2023	6,544,000	\$ 0.68
Granted	2,965,000	0.37
Expired	(1,173,000)	0.77
Forfeited	(2,173,000)	0.58
Balance at December 31, 2024	6,163,000	\$ 0.55

Options granted to acquire common shares are outstanding at December 31, 2024 as follows:

Outstanding Options				Exercisable Options		
Range of exercise prices CA\$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)
\$0.32 - \$0.60	3,678,000	3.88	0.44	396,000	3.16	0.57
\$0.61 - \$0.79	2,485,000	0.68	0.72	2,278,999	0.64	0.73
	6,163,000	2.59	\$ 0.55	2,674,999	1.01	\$ 0.70

During the year ended December 31, 2024, the Company recognized \$0.3 million (2023: \$0.3 million) in share-based compensation based on the vesting of option.

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12. SHARE BASED COMPENSATION (CONTINUED)

Stock option's fair values are estimated on grant date using Black-Scholes option pricing model with the following weighted average assumptions and resulting values:

	2024	2023
Assumptions:		
Risk-free interest rate (%)	3.74	2.99
Expected life (years)	3.53	4.54
Expected volatility (%)	45.61	49.81
Expected dividend (\$)	Nil	Nil
Results:		
Weighted average fair value of options granted (<i>per option</i>)	CA\$0.14	CA\$0.25

b. Restricted and performance share units

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for certain management team members. Amendments to the SU plan, including a decrease in the common shares reserved for issuance upon the vesting of SUs to 17,000,000 were approved by Shareholders at the May 12, 2023 annual meeting.

SUs typically vests three years from the date of grant and certain share units include performance metrics, some of which provide for annual vesting. Each SU entitles the holder to receive one common share, and the cumulative dividend equivalent SU earned during the SU's vesting period. The value of each SU at the vesting date is equal to the closing value of one Lucara common share plus the cumulative dividend equivalent which was earned over the vesting period.

During the year ended December 31, 2024, the Company recognized \$0.5 million (2023: \$0.8 million) in share-based payments for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA\$)
Balance at January 1, 2023	7,056,000	\$ 0.71
Granted	3,337,000	0.57
Redeemed	(2,876,001)	0.74
Cancelled	(3,902,999)	0.62
Balance at December 31, 2023	3,614,000	\$ 0.65
Granted	6,819,000	0.36
Redeemed	(1,075,000)	0.75
Cancelled	(1,323,332)	0.59
Balance at December 31, 2024	8,034,668	\$ 0.40

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12. SHARE BASED COMPENSATION (CONTINUED)

c. Deferred share units ("DSUs")

The Company's deferred share unit plan was approved by the Company's Shareholders initially on May 8, 2020. Amendments providing for the issuance of up to 4,500,000 DSUs to eligible directors were most recently approved on May 12, 2023. Directors can elect to receive up to 100% of their fees earned in DSUs, awarded quarterly. DSUs vest immediately and are paid out upon retirement from the Board of Directors of the Company. Each DSU entitles the holder to receive one common share and the cumulative dividend equivalent DSU earned prior to the payout date. The value of each DSU at the grant date is equal to the closing value of one Lucara common share. The DSU Plan provides that upon payout a director can elect to receive the value of the DSUs in cash or common shares of the Company. DSUs are recorded as liabilities on the consolidated statements of financial position.

During the year ended December 31, 2024, the Company recognized a share-based payment recovery of \$0.1 million (2023: \$0.4 million expense) related to the revaluation DSUs granted.

	Number of DSUs	Estimated fair value (CA\$)
Balance at January 1, 2023	2,116,103	\$ 0.50
Granted	1,056,053	\$ 0.47
Balance at December 31, 2023	3,172,156	\$ 0.49
Granted	1,589,322	\$ 0.37
Redeemed	(1,113,852)	\$ 0.34
Balance at December 31, 2024	3,647,626	\$ 0.42

13. REVENUE

Lucara has three sales channels including a diamond sales agreement with HB, the Clara platform and tender sales.

	2024	2023
<i>Sales Channels</i>		
HB	142,741	106,185
Clara	11,145	12,507
Tender	49,990	53,708
Total revenue	\$ 203,876	\$ 172,400

A royalty of 10% of the gross sales value of diamonds produced from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the year ended December 31, 2024, the Company incurred a royalty expense of \$23.2 million (2023: \$20.1 million).

During the year ended December 31, 2024, the Company sold the 549-carat Sethunya diamond and recognized \$20.0 million of deferred revenue as revenue.

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14. ADMINISTRATION

	2024	2023
Salaries and benefits	\$ 5,842	\$ 6,331
Professional fees	3,712	4,797
Insurance, office and general	1,188	1,228
Promotion	375	1,052
Stock exchange, transfer agent and shareholder communication	314	334
Travel	764	614
Share-based compensation (Note 12)	685	1,440
Depreciation	705	815
Sustainability and donations	1,229	1,255
Exploration	-	1,244
	\$ 14,814	\$ 19,110

15. INCOME TAXES

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to net income before tax. These differences result from the following items:

	2024	2023
Net income before tax	\$ 46,369	\$ 27,792
Combined basic federal and provincial rates	27.00%	27.00%
Expected income tax expense based on Canadian statutory income tax rates	12,520	7,504
Increase (decrease) due to:		
Differences in foreign tax rates	4,055	9,778
Differences in future expected foreign tax rates	(15,156)	7,660
Non-deductible expenses and other permanent differences	1,094	1,407
Change in deferred tax assets not recognized	(201)	1,669
Other	-	3,793
Withholding taxes	445	940
Total income tax expense	\$ 2,757	\$ 32,751

The Company is subject to a variable tax rate in Botswana based on a profit and revenue ratio which increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). The Company has estimated the variable tax rate to be 33.1% in 2024 (2023: 37.8%) for deferred income taxes based on current financial performance and the life of mine plan which includes the Karowe underground expansion.

LUCARA DIAMOND CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

15. INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities recognized and not recognized in the consolidated statements of financial position are as follows:

Deferred income tax assets and liabilities recognized	2024	2023
<i>Deferred income tax assets</i>		
Non-capital losses	\$ 15,574	\$ 16,325
Accounts payable and other	7,070	2,059
Unrealized foreign exchange loss	1,271	978
Restoration provisions	3,881	3,022
Total deferred income tax assets	27,796	22,384
<i>Deferred income tax liabilities</i>		
Mineral properties, plant and equipment	136,482	135,147
Deferred income tax liabilities	136,482	135,147
Deferred income tax liabilities, net	\$ 108,686	\$ 112,763
Deferred income tax assets not recognized		
Non-capital tax losses	\$ 34,370	\$ 35,346
Mineral properties, plant and equipment	-	379
Other deductible temporary differences	451	262
	\$ 34,821	\$ 35,987

As at December 31, 2024, the Company has non-capital losses for income tax purposes which expire as follows:

	2025	2026	2027	Subsequent to 2027	No expiry date	Total
Botswana	\$ -	\$ -	\$ -	\$ -	\$ 70,794	\$ 70,794
Canada	-	516	1,225	114,137	-	115,878
United Kingdom	-	-	-	-	5,578	5,578
	\$ -	\$ 516	\$ 1,225	\$ 114,137	\$ 76,372	\$ 191,250

No tax benefit has been recognized for the Canadian and United Kingdom non-capital losses.

Various tax matters are outstanding from time to time. Judgements and assumptions regarding these matters are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations. If management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur. Lucara Botswana received an additional assessment from the Botswana Unified Revenue Service for the fiscal years 2016 to 2020 related to the tax deductibility of certain expenditures associated with the Company's operations in Botswana. The additional taxes, interest and penalties assessed for the fiscal years 2016 to 2020 were approximately \$7.0 million. The Company has paid the additional assessment and filed a notice of objection. The Company believes that its tax positions are valid and intends to vigorously defend its tax filing positions.

LUCARA DIAMOND CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

16. EARNINGS (LOSS) PER COMMON SHARE*a) Basic*

Basic earnings per common share is calculated by dividing the net income or loss attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the year.

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the year), based on the exercise prices attached to the stock options. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of stock options. Share units are, by their nature, dilutive and included in the calculation on a weighted average basis during the year.

		2024	2023
Net income (loss) for the year from continuing operations	\$	43,612	\$ (4,959)
Net loss from discontinued operations		(3,708)	(15,232)
Weighted average number of common shares outstanding		457,314,547	454,781,585
Adjustment for share units		10,646,229	-
Weighted average number of common shares for diluted earnings per share		467,960,776	454,781,585
Basic earnings (loss) per share from continuing operations	\$	0.10	\$ (0.01)
Diluted earnings (loss) per share from continuing operations		0.09	(0.01)
Basic and diluted loss from discontinued operations	\$	(0.01)	\$ (0.03)

17. RELATED PARTY TRANSACTIONS*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 named executive officers and members of its Board of Directors.

The remuneration of key management personnel was as follows:

		2024	2023
Salaries and wages	\$	2,492	\$ 3,637
Short term benefits		32	34
Share based compensation		594	991
	\$	3,118	\$ 4,662

Other related party transactions

During the year ended December 31, 2024, the Company incurred \$0.8 million (2023: \$nil), primarily relating to office rental, renovation and related services provided by companies associated with the Company's significant shareholder and director. At December 31, 2024, included in trade payables and accrued liabilities is \$0.4 million (December 31, 2023: \$nil) for related services.

LUCARA DIAMOND CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

18. SEGMENT INFORMATION

The Company's primary business activity is the operation of an open-pit diamond mine in Botswana. The Company has one operating segment: Karowe Mine. Clara which was previously included in the Corporate operating segment was disposed of during the year ended December 31, 2024 (Note 8).

The following are summaries of the Company's revenues, net income (loss) from continuing operations, capital expenditures and total assets by segment:

2024			
	Karowe Mine	Corporate	Total
Revenues	\$ 203,876	\$ -	\$ 203,876
Income (loss) from operations	84,451	-	84,451
Finance expenses	(1,966)	(929)	(2,895)
Gain on derivative financial instrument	290	-	290
Foreign exchange loss	(7,282)	369	(6,913)
Loss on disposal of assets	(152)	-	(152)
Loss on extinguishment	(10,529)	-	(10,529)
Administrative and other	(10,773)	(7,110)	(17,883)
Taxes	(2,387)	(370)	(2,757)
Net income (loss) for the year from continuing operations	\$ 51,652	\$ (8,040)	\$ 43,612
Capital expenditures	\$ 95,010	\$ -	\$ 95,010
Total assets	\$ 657,466	\$ 3,554	\$ 661,020

2023			
	Karowe Mine	Corporate	Total
Revenues	\$ 172,400	\$ -	\$ 172,400
Income (loss) from operations	62,536	(203)	62,333
Finance expenses	(3,852)	(369)	(4,211)
Loss on derivative financial instrument	(1,712)	-	(1,712)
Foreign exchange loss	(4,822)	(271)	(5,093)
Loss on disposal of assets	(943)	-	(943)
Administrative and other	(12,762)	(9,810)	(22,572)
Taxes	(32,489)	(262)	(32,751)
Net income (loss) for the year from continuing operations	\$ 5,956	\$ (10,915)	\$ (4,959)
Capital expenditures	\$ 115,682	\$ -	\$ 115,682
Total assets	\$ 566,382	\$ 9,421	\$ 575,803

During the year ended December 31, 2024, diamonds sold to HB generated 70% (2023: 62%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated.

During the year ended December 31, 2024 and 2023, the Company generated 100% of revenue from sales originating in Botswana.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

18. SEGMENT INFORMATION (CONTINUED)

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

	Plant and equipment		Mineral properties		Other	
	2024	2023	2024	2023	2024	2023
Canada	\$ 1,316	\$ 130	-	\$ -	-	\$ 7,022
Belgium	-	8	-	-	-	-
Botswana	118,204	124,845	354,207	287,245	97,889	70,622
	\$ 119,520	\$ 124,983	\$ 354,207	\$ 287,245	\$ 97,889	\$ 77,644

Depletion and amortization expense for Karowe Mine and Corporate during the year ended December 31, 2024 totaled \$17.0 million and \$0.3 million, respectively (2023: \$13.0 million and \$0.2 million).

19. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) *Measurement categories and fair values*

Financial assets and liabilities have been classified into categories that determine their basis of measurement. Those categories are fair value through profit and loss; fair value through other comprehensive income and amortized cost.

The Company's financial instruments include cash and trade receivables, which are categorized as financial assets at amortized cost, and trade and royalties payable, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. Amounts drawn on the credit facilities are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost. The value of the Company's financial instruments at fair value through other comprehensive income is derived from quoted prices in active markets for identical assets.

b) *Fair value hierarchy*

The following table classifies financial assets and liabilities that are recognized 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). No financial assets or liabilities are recognized at level 3.

	2024	2023
Level 1: Fair value through other comprehensive income		
– Investments	\$ 498	\$ 811
Level 2: Derivative financial instruments	\$ 8,398	\$ 8,107

c) *Financial risk management*

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

19. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

c) *Financial risk management (Continued)*

At December 31, 2024, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$6.7 million in net income for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.7 million in net income for the period.

Liquidity risk

The Company has in place a planning and forecasting process to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. To manage liquidity risk, regular cash flow forecasting is performed in the operating entities of the Company and aggregated in the head office to understand what level of capital is required. Rolling forecasts of the Company's liquidity requirements are prepared and monitored to assess whether there is sufficient cash available to meet the Company's short and long-term operational needs. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity support such as accessing the CORA and standby undertakings provided by Nemesia.

As a condition of the Facilities Agreement, the Company is required to place \$61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at December 31, 2024, the CORA balance was \$49.1 million.

Trade payable and accrued liabilities are predominately due within 60 days. Tax and royalties payable are predominately due within 15 days. As at December 31, 2024, the amount of the Company's contractual maturities for credit facilities, due to related party, and lease liabilities of \$25.8 million are due within twelve months, and \$198.9 million due beyond twelve months.

Further details regarding the Company's liquidity risk are disclosed in Note 1 and 9.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tenders or on the Clara platform.

On September 28, 2023, the Company terminated the old sales agreement with HB. A new diamond sales agreement was entered into with HB in February 2024 and governs deliveries of goods since December 2023. Under the new diamond sales agreement terms, a large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through Clara (5 days). The Company maintains legal title over goods shipped to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

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

19. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates.

The Company mitigates cash flow interest rate risk on its Project Facility through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 9). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding increase or decrease to net income.

In September 2024, the Company amended interest rate swap contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.447% to 2.577% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate increases on 25% of its expected borrowings from the Project Facility, and amounts drawn from its WCF which remain subject to market interest rates (Term SOFR or a replacement benchmark).

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

LUCARA DIAMOND CORP.**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

20. COMMITMENTS

As at December 31, 2024, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the UGP amounted to \$79.2 million (December 31, 2023: \$77.2 million). The following table summarizes the approximate timing of the commitments (undiscounted) at December 31, 2024:

<i>In millions of dollars</i>	2025	2026	2027	2028	2029	Total
Underground expansion project	\$ 63.7	14.9	0.4	0.2	0.0	\$ 79.2

As at December 31, 2024, minimum payments in relation to lease commitments amount to \$2.8 million (December 31, 2023: \$3.8 million). The following table summarizes the approximate timing of the undiscounted minimum lease payments at December 31, 2024:

<i>In millions of dollars</i>	2025	2026	2027	2028	2029	Total
Lease payments	\$ 1.1	0.7	0.7	0.3	0.1	\$ 2.8

21. SUBSEQUENT EVENTS

On January 3, 2025 and February 5, 2025, the Company drew \$10.0 million and \$5.0 million from the Project and Working Capital Facilities, respectively.

On January 3, 2025, 667,000 stock options with exercise prices ranging from C\$0.66 to C\$0.79 were cancelled.



LUCARA

DIAMOND

Management's Discussion and Analysis
and
Consolidated Financial Statements
Year Ended December 31, 2023

LUCARA DIAMOND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

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. To better understand the MD&A, it should be read in conjunction with the audited consolidated financial statements of the Company for the period ended December 31, 2023, which are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). All amounts are expressed in U.S. dollars unless otherwise indicated.

Disclosure of a scientific or technical nature in the MD&A was prepared under the supervision of Dr. John P. Armstrong (Ph.D., P.Geol.), Lucara's Vice-President, Technical Services, and a Qualified Person, as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

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.sedarplus.ca.

The effective date of this MD&A is February 20, 2024.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type Ila diamonds from its 100% owned Karowe Diamond Mine in Botswana ("Karowe"). Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Clara Diamond Solutions Limited Partnership ("Clara"), a wholly-owned subsidiary of Lucara, has developed a secure, digital sales platform which ensures diamond provenance from mine to finger. Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations. Lucara is certified by the Responsible Jewelry Council, complies with the Kimberley Process, and has adopted the IFC Performance Standards and the World Bank Group's Environmental, Health and Safety Guidelines for Mining (2007). Accordingly, the development of the Karowe underground expansion project (the "Karowe UGP") adheres to the Equator Principles. Lucara is committed to upholding high standards while striving to deliver long-term economic benefits to Botswana and the communities in which the Company operates.

The Company's corporate office is in Vancouver, Canada and its common shares trade on the Toronto Stock Exchange, the Nasdaq Stockholm Exchange, and the Botswana Stock Exchange under the symbol "LUC".

HIGHLIGHTS – FISCAL 2023

- The recovery of a 1,080 carat Type IIA white gem quality diamond in August, followed by a recovery of a 692 carat Type IIA diamond later in the month. The fourth +1000 carat stone recovered from the Karowe Mine.
- The Karowe Mine recorded record plant throughput of 2.8 million tonnes milled for the year.
- In January 2024, the successful execution of an amended project financing debt package of US\$220 million to amend the repayment profile in line with the rebase schedule released in July 2023 for the Karowe UGP.
- On February 18, 2024, the Company announced the signing of a new definitive sales agreement ("NDSA") with HB Trading BV ("HB") in respect of all qualifying diamonds produced in excess of 10.8 carats in size from the Karowe Mine.
- All key operational and financial metrics from the Company's 2023 Revised Guidance were achieved.
- Total revenue of \$177.4 million, in line with revised guidance, was achieved in 2023 and is reflective of a combination of natural variability in the quality of large goods recovered, and a delay in sales of large goods to HB.

- During Fiscal 2023, a total of 379,287 carats of rough diamonds (2022: 327,028) from Karowe were sold through the Company's three sales channels, generating revenue of \$153.0 million before top-up payments of \$19.4 million (2022: \$165.4 million before top-up payments of \$38.4 million).
- Operating cost per tonne processed⁽¹⁾ was \$28.75, an increase of 3% over the 2022 cost per tonne processed of \$27.94. Despite increased mining and continued inflationary pressures, particularly for labour, a strong US dollar partially offset an increase in costs over the comparable period.
- Operational highlights from the Karowe Mine for 2023 included:
 - Ore and waste mined of 2.7 million tonnes ("Mt") (2022: 3.3Mt) and 3.1 million tonnes (2022: 1.5Mt), respectively.
 - 2.8 million tonnes (2022: 2.8Mt) of ore processed.
 - A total of 395,134 carats recovered, including 18,509 carats from the processing of historic recovery tailings, (2022: 335,769 carats) at a recovered grade of 13.2 carats per hundred tonnes ("cpht") of direct milled ore (2022: 12.1 cpht).
 - A total of 602 Specials (stones larger than 10.8 carats in size) were recovered, with 22 diamonds greater than 100 carats including five diamonds greater than 300 carats.
 - Recovered Specials equated to 5.3% of the total recovered carats from ore processed during 2023 (2022 – 7.2%).
 - The Karowe Mine has operated continuously for over three years without a lost time injury.
 - The twelve-month Total Recordable Injury Frequency Rate of 0.19 (2022: 0.40) at the end of Q4 2023 reflects a continued focus on leading indicators and safe performance.
- Financial highlights for 2023 included:
 - Revenues of \$177.4 million (2022: \$212.9 million) were achieved despite a weaker rough diamond market. Fourth quarter pricing stabilized in smaller goods and increases of 5% were observed compared to the third quarter of 2023, albeit approximately 19% below prices observed in the fourth quarter of 2022. Revenue reflects the weighting of Lucara's revenue towards larger goods where pricing was observed to be more stable. The performance reflects the increased volume of material processed from the North and Centre lobes in the first half of the year. During 2023, 26% of the carats processed were recovered from the Centre Lobe, 3% from the North Lobe and 71% were recovered from South Lobe ore (2022: 100% South Lobe ore). In comparison to the revenue earned in 2022, current year revenue reflected a more diverse product mix with a return to Centre and North Lobe processing during the year.
 - Operating margins of 56% were achieved (2022: 63%). A strong operating margin continues to be achieved through cost reduction initiatives assisted by a strong U.S. dollar.
 - Adjusted EBITDA⁽¹⁾ was \$54.4 million (2022: \$86.7 million), with the decrease attributable to the change in revenue.
 - Net loss was \$20.2 million (2022: net income of \$40.4 million), resulting in a loss per share of \$0.04 (2022: earnings of \$0.09). The change to a net loss is due to the decrease in revenue, an impairment of intangible assets, and a significant non-cash deferred tax expense as the investment in the underground expansion project continues.
 - The Company identified an impairment indicator for the Company's Clara sales platform and completed an impairment test based on the fair value less cost of disposal expected to be derived from the platform. An impairment was recognized on the intangible asset by \$11.2 million in Q4 2023.
 - Cash flow from operating activities was \$63.4 million (2022: \$96.2 million).

⁽¹⁾ Operating cash cost per tonne processed and adjusted EBITDA are non-IFRS measures (See "Use of Non-IFRS Financial Performance Measures").

- During 2023, the Company invested \$101.3 million into the Karowe UGP, including capitalized borrowing costs:
 - Shaft sinking, lateral development and grouting programs were the focus in both the ventilation and production shafts in Q4 2023. At the end of 2023, the production and ventilation shafts were both at 348 metres below collar or 666 metres above sea level ("masl") and the process of establishing the first shaft stations and lateral connection between the two shafts (670 level) had commenced.
 - During Q4 2023, the ventilation shaft sank 76 metres, the 718 slinging cubby was completed, the 670-level station was established, and the lateral station development commenced. Total lateral development in Q4 2023 was 97 metres. During the quarter, development equipment, including a Kubota, a Sandvik DD321 boom jumbo drill and a Caterpillar R1300G 7-tonne load, haul, dump ("LHD") unit were mobilized at the 670-level for lateral development mining. Sinking and lateral development was in the Thlabala mudstones in dry conditions.
 - Production shaft activities included sinking a total of 114 metres and establishing the 670-level station, catwalk and initiating lateral development. A total of 30 metres of lateral development was completed. Sinking and lateral development in Q4 2023 was in the Thlabala mudstones in dry conditions.
 - Commissioning of the temporary bulk air coolers at each shaft was completed and construction of the permanent bulk air coolers at the production shaft continued.
 - Detailed engineering and fabrication of the permanent men and materials winder commenced during the quarter, representing the last major component for the permanent winders.
- Cash position and liquidity as at December 31, 2023:
 - Cash and cash equivalents of \$13.3 million.
 - Working capital deficit (current assets less current liabilities) of \$16.6 million.
 - Cost overrun facility ("COF") of \$18.6 million.
 - \$90.0 million drawn on the \$170.0 million Project Loan ("Project Loan") for the Karowe UGP.
 - \$35.0 million drawn on the \$50.0 million working capital facility ("WCF").
- On January 9, 2024, the Company announced that it had signed amended documentation in relation to the senior secured project financing debt package of US\$220 million (the "Facilities") executed in July 2021 (the "Rebase Amendments"). The project facility portion had been increased from \$170.0 million to \$190 million, while the working capital facility had decreased from \$50.0 million to \$30.0 million. While the total quantum of the Facilities has not changed, the repayment profile has been extended in line with the rebase schedule released on July 17, 2023, and the maturity of the WCF has been extended to June 30, 2031.
- During 2023, the Company announced the appointment of William Lamb as Chief Executive Officer in August, and Glenn Kondo as Chief Financial Officer, effective January 1, 2024. Eira Thomas and Zara Boldt departed during 2023.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains positive, anchored on improving fundamentals around supply and demand as many of the world's largest mines reach their end of life. Currently, slower than anticipated economic growth in China and a voluntary import ban on rough diamonds into India in Q4 2023, dampened the recovery of rough diamond prices towards the end of 2023. Changes in global economic conditions, consumer demand, geopolitical events, and industry-specific dynamics resulted in a challenging market in 2023 with reduced demand and downward pressure on both polished and rough diamond pricing, especially in the smaller size classes. Restricted supply by the largest producers towards the end of 2023, together with the Group of Seven discussions surrounding sanctions on rough diamonds from Russia, resulted in small levels of price recovery at the end of 2023.

Sales of lab-grown diamonds increased steadily through 2023 with many smaller retail outlets increasingly adopting these diamonds as a product. Lab-grown stones have established themselves in the marketplace and over time will continue to take up increasing market share in the smaller to medium sized goods. The longer-term market

fundamentals for natural diamonds remain positive, pointing to continued price growth as demand is expected to outstrip future supply, which is now declining globally.

SALES CHANNELS

Karowe diamonds are sold through three separate and distinct sales channels: through the HB sales agreement arrangements (terminated as of September 28, 2023; reinstated in February 2024), on the Clara digital sales platform and through quarterly tenders.

HB Sales

Karowe's large, high value diamonds have historically accounted for approximately 60% to 70% of Lucara's annual revenues. In September 2023, Lucara terminated the definitive sales agreement executed with HB in November 2022 (for all +10.8 carat diamonds recovered from Karowe) due to HB's material breach of its financial commitments. The rough diamonds delivered to HB prior to the termination of the agreement continued to be manufactured and sold as polished diamonds. The Company retains a contractual right to receive "top-up" payments from polished diamond sales for goods delivered prior to the termination of the agreement. The Company continued to sell its +10.8 carat production through this established sales channels while it continued to work with the management of HB on options for a new Diamond Sales Agreement which is subject to pre-approval from the Government of the Republic of Botswana.

Under the sales arrangements with HB, +10.8 carat gem and near gem diamonds from the Karowe Mine of qualities that could directly enter the manufacturing stream are sold to HB at prices based on the estimated polished outcome of each diamond. The estimated polished value is determined through state-of-the-art scanning and planning technology, with an adjusted amount payable on actual achieved polished sales, less a fee and the cost of manufacturing. All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats in weight which did not meet the criteria for sale on Clara will continue to be sold as rough through a quarterly tender.

Additional consideration, in the form of a "top-up" payment, is payable to the Company if the final sales price of the polished diamond sold is higher than the initial estimated polished price. Any manufactured diamonds sold to an end buyer for less than the initial estimated polished price (after deductions for HB's fee and the cost of manufacturing) will result in the difference being refunded to HB.

Top-up payments, net of manufacturing costs, are payable when polished diamonds are sold to an end buyer and the sales prices achieved exceeds the initial purchase price paid to Lucara. Top-up payments primarily relate to carats delivered in previous quarters. The amount and timing of top up payments received is impacted by the complexity of certain rough diamonds and the qualitative assumptions that are part of the initial planning process. At various points during the manufacturing process, the stones are re-assessed, and adjustments may be made to the manufacturing plan, with the objective of maximizing the final sales price.

Payments owing for the final polished sales price and top-up payments received are estimated, after deductions for HB's fee and the cost of manufacturing, when determining the transaction price recognized for accounting purposes. This estimate is updated at each period end until the transaction price is confirmed. Timing of deliveries to HB and polished sales by HB have had the most significant impact on the timing of revenue recognition.

Sethunya Diamond

In 2021, amidst strengthening prices for large, high value diamonds, a strategic decision was taken to defer the sale of the Sethunya (549 carats), one of the finest, gem quality diamonds produced from the Karowe Mine to date. In mid-2022, Lucara and HB agreed to a series of prepayments. As at December 31, 2023, the Company had received prepayments of \$20.0 million from HB for the Sethunya. These prepayments have been recorded as deferred revenue on the Statement of Financial Position.

Clara Sales Platform

Clara is Lucara's 100% owned proprietary, secure web-based digital marketplace which is best suited to transact diamonds between 1 and 15 carats, in higher colours and quality. The Clara platform matches buyers to sellers on a stone-by-stone basis based on polished demand and is the only sales platform in the world that uses technology to provide complete assurance on diamond provenance. Clara continues to gain interest as the financial benefits

of purchasing rough diamonds in this innovative way are realized for all participants and, buyers become more focused on transparency and traceability of diamonds from mine to retail.

Total volume transacted on the platform was \$18.5 million in 2023, with non-Karowe goods representing 32% of the total sales volume transacted. The number of buyers on the platform reached 104 as of December 31, 2023.

Quarterly Tenders

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats in weight which did not meet the criteria for sale on Clara are being sold as rough through quarterly tenders. Viewings take place in both Gaborone, Botswana and Antwerp, Belgium.

KAROWE UNDERGROUND PROJECT UPDATE

The Karowe UGP is designed to access the highest value portion of the Karowe orebody, with initial underground carat production predominantly from the highest value eastern magmatic/pyroclastic kimberlite (south) ("EM/PK(S)") unit. The Karowe UGP is expected to extend mine life to at least 2040.

On July 16, 2023, an update to the Karowe UGP schedule and budget was announced ([link to news release](#)). This update was initiated in response to slower than planned ramp up to expected sinking rates in 2022, and, to account for time incurred to complete grouting programs while mining through the water-bearing geological zones. These chemical grouting programs took longer than anticipated due to a combination of high-water volumes in the sandstone lithologies between 870 and 752 metres above sea level in depth (144 metres to 262 metres below the shaft collar) and technical challenges associated with the transition to main sinking.

The updated schedule incorporates a 28% increase in the duration of construction, extending the anticipated commencement of production from the underground from H2 2026 to H1 2028. The revised forecast of costs at completion is \$683.0 million (including contingency), a 25% increase to the May 2022 estimated capital cost of \$547 million. The increase of \$136.0 million in estimated capital to reach project completion is predominantly related to increased schedule duration and related labour costs (approximately 56% of the total increase), grouting costs (approximately 20% of the total increase), with the balance of the increase attributable to owner's costs, procurement, and indirect project costs. As at December 31, 2023, capital expenditures of \$310.5 million had been incurred and capital commitments of \$77.2 million had been made.

The Karowe UGP remains technically and economically feasible, however, the impact of actual and modelled delays changes the revenue profile due to the use of stockpiled ore for mill feed between 2025 and 2027 rather than high-grade ore from the underground as previously planned. Open pit mining will continue until mid-2025 and provide mill feed during this time. Stockpiled material (North, Centre, South Lobe) from working stocks and life of mine stockpiles will provide uninterrupted mill feed until late 2026 when Karowe UGP development ore will begin to offset stockpiles with underground production feed planned for H1 2028. The long-term outlook for diamond prices, combined with the potential for exceptional stone recoveries and the continued strong performance of the open pit could mitigate the modelled impact on project cash flows due to the schedule slippage. The Company continues to explore opportunities to further mitigate the modelled impact.

With the update announced July 16, 2023, the Karowe Mine production and cash flow models were updated for the revised project schedule and cost estimate.

During the year ended December 31, 2023, a total of \$101.3 million was spent on the Karowe UGP development, capitalized borrowing costs, surface infrastructure, grouting programs, and ongoing shaft sinking activities. The following activities were completed during Q4 2023, including:

- Main sinking in the production and ventilation shafts:
 - The ventilation shaft reached 348 metres below collar, with a planned final depth of 731 metres. The shaft is currently 61 metres or approximately 26 days ahead of the July 2023 schedule update (combined vertical and lateral metres).
 - The production shaft reached 348 metres below collar, with a planned final depth of 765 metres. The production shaft is 11 metres or approximately 24 days behind the July 2023 schedule update (combined vertical and lateral) mainly due to an unscheduled grouting event in Q3 2024, which is not a critical path schedule item.

- At the end of 2023, both shaft bottoms were at 348 metres below collar (666 masl) having completed the first shaft stations at the 670-level and engaged in the start of 670-level lateral development.
- During Q4 2023, the ventilation shaft sank 76 metres, completed the 718 slinging cubby and established the 670-level station, catwalk and was engaged in level development. Total lateral developed in Q4 2023 was 97 metres. During the quarter, a Kubota, Sandvik DD321 two boom jumbo drill and a Caterpillar RG1300G 7-tonne LHD were slung down in the ventilation shaft to the 670-level for development mining.
- Production shaft activities included sinking a total of 114 metres and establishing the 670-level station, catwalk and initiating lateral development. A total of 30 metres of lateral development was completed.
- Commissioning of the temporary bulk air coolers at each shaft was completed and construction of the permanent bulk air coolers at the production shaft continued.
- Detailed engineering and fabrication of the permanent men and materials winder commenced during the quarter, representing the last major component for the permanent winders.
- Both shafts have completed sinking through the water-bearing Ntane and Mosolotane sandstones. Sinking and lateral development during the fourth quarter took place in the Thalbala mudstone in dry conditions, no water was reported during probe drilling events.
- Contract for fabrication of the permanent men and materials winder was signed during the quarter, representing the last major component for the permanent winders.
- Mining engineering advanced with a focus on supporting shaft sinking, underground infrastructure engineering and finalizing level plans.
- The impact of implementing a behavioural-based safety training program, Safe Start®, in Q4 2022 has been evident in 2023. During 2023, the UGP achieved a twelve-month rolling Total Recordable Injury Frequency Rate of 0.19. Project to date Total Recordable Injury Frequency Rate at December 31, 2023 was 0.55.

The capital cost expenditure for the underground expansion in 2024 is up to \$100 million – see “2024 Outlook” below.

Activities for the Karowe UGP in Q1 2024 include the following:

- Resumption of sinking within the ventilation and production shafts.
- Completion of mining and construction activities on the 670 level station, including connection of the two shafts and establishment of electrical substation, sump and de-watering pumps and ventilation doors.
- Planned grouting events at the base of the Tlapana carbonaceous shale and top of Mea formation is expected during the period in the production shaft.
- Procurement of underground equipment, including dewatering pumps, underground crush and convey systems and the permanent stage winder.
- Commissioning of the permanent bulk air cooler system.
- Preparation of tender documents for the underground lateral development work; and,
- Continuation of detailed design and engineering of the underground mine infrastructure and layout.

The update to the UGP schedule that extended the anticipated duration of construction and increased the estimated capital cost was considered to be an indicator of impairment at June 30, 2023 for the Karowe Cash Generating Unit (“CGU”). No further indicators were identified at December 31, 2023. As a result of an impairment indicator being identified, the recoverable amount of the Karowe CGU was estimated and compared against its carrying value. No impairment was identified (*see Note 24 of the consolidated financial statements for year ended December 31, 2023*).

SOURCES OF FINANCING

On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as the sponsor and the guarantor, amended its debt package that was originally entered into in 2021. The Facilities

consist of a project finance facility of \$190.0 million (previously \$170.0 million) to fund the development of an UGP at the Karowe Mine, and a \$30.0 million (previously \$50.0 million) senior secured working capital facility (the "WCF") which is used to support ongoing operations.

The Project Loan may be used to fund the development, construction costs and construction phase operating costs of the Karowe UGP as well as financing costs on the Facilities. The Project Loan now matures on June 30, 2031, with quarterly repayments commencing on September 30, 2028.

As at December 31, 2023, \$90.0 million was drawn from the Project Loan and \$35.0 million was drawn from the WCF. Following the Rebase Amendments, the Company has drawn \$125.0 million from the Project Loan and \$15.0 million from the WCF. The Company has drawn an additional \$15.0 million from the Project Loan and \$10.0 million from the WCF in Q1 2024.

Effective June 30, 2023, the Facilities were amended to replace the interest rate of LIBOR with Term Secured Overnight Financing Rate ("SOFR") plus a credit adjustment spread. The Facilities accrue interest at Term SOFR plus a margin as outlined below.

The Project Loan has a margin of 6.5% annually until the project completion date, 6.0% annually from the project completion date to June 30, 2029, and 7.0% annually thereafter. Commitment fees for the undrawn portion of the Project Loan are 35% of the margin per annum.

The WCF may be used for working capital and other corporate purposes. This facility has a margin of 6.5% annually until the project completion date, 6.25% annually from the project completion date to June 30, 2029, and 7.25% annually thereafter. Commitment fees for the undrawn portion of the WCF are 35% of the margin per annum. The WCF now matures on June 30, 2031.

Following the Rebase Amendments, the Company is required to place \$61.7 million in the COF as a condition of the Facilities prior to June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released from the COF. The COF balance was \$18.6 million as at December 31, 2023, and now stands at \$36.9 million. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and excess cashflow from operations.

Under the terms of the Rebase Amendments to the Project Loan, the Company's largest shareholder, Nemesia S.a.r.l. ("Nemesia") provided a limited standby undertaking of up to \$63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the COF to \$61.7 million (\$28.1 million at the effectiveness of the Rebase Amendments) by June 30, 2025 and ii) in the event of a funding shortfall, support up to \$35.0 million occurring up to project completion.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to \$15.0 million in aggregate in the event the Company's cash balance decreased below \$10.0 million while discussions with the Lenders were ongoing in 2023. During Q4 2023, the full liquidity guarantee of \$15.0 million was drawn, and Nemesia was issued 450,000 common shares as consideration for providing this funding. For each \$500,000 drawn down under the Liquidity Guarantee, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. As at December 31, 2023, 127,500 common shares have been issued under the amounts drawn on the debenture. Following year-end, with the effectiveness of the Rebase Amendments, \$15.0 million was drawn from the Project Loan and contributed to the COF.

As part of the Rebase Amendments, the Lenders had granted certain waivers and extensions to the Company as at December 31, 2023. As at December 31, 2023, the Company was in compliance with all covenants under the Facilities.

INTEREST RATE SWAP

On December 14, 2021, under the terms of the Project Loan, the Company became party to a series of interest rate swap agreements on 75% of the principal amount available, up to \$127.5 million. Structured around the expected Project Loan drawdown schedule, the Company receives interest at the rate equivalent to the three-month USD LIBOR and pays interest at a fixed rate of 1.682% on a quarterly basis. The interest rate swaps mature on March 31, 2028. Effective June 30, 2023, the interest rate swaps were amended to replace LIBOR with Term SOFR plus a credit adjustment spread.

As at December 31, 2023, the interest rate swaps had a total unrealized fair value of \$8.1 million (December 31, 2022: \$9.8 million), of which \$3.0 million has been classified as a current asset in the Statement of Financial Position. For the year ended December 31, 2023, the Company recorded a \$1.7 million loss (2022: gain of \$10.7 million) on this derivative financial instrument. Movements in the unrealized fair value are recorded through the Statements of Operations.

In February 2024, the interest rate swaps were aligned to the expected Project Loan drawdown schedule under the Rebase Amendments with the interest rate swaps amended to amounts up to \$142.5 million and maturity extended to June 30, 2031. The Company receives interest at the rate equivalent to the three-month USD Term SOFR plus a credit adjustment spread and pays interest at a fixed rate of between 2.421 and 2.447% on a quarterly basis.

CLARA REVOLVING CREDIT FACILITY

On September 28, 2022, the Company's wholly owned subsidiary, Clara, with Lucara Diamond Corp. as guarantor, entered into a revolving credit facility agreement of \$4.0 million with FirstRand Bank Limited, acting through its Rand Merchant Bank Division (the "Clara Facility").

The Clara Facility is used for inventory and working capital purposes. The facility was extended in September 2023 for a one-year period and matures on September 28, 2024. As at December 31, 2023, \$nil (December 31, 2022: \$0.3 million) of the facility was drawn. The facility bears interest at SOFR plus a margin of 6.0%.

FINANCIAL HIGHLIGHTS

Table 1

<i>In millions of U.S. dollars, except carats or otherwise noted</i>	Three months ended December 31,		Year ended December 30,	
	2023	2022	2023	2022
Revenues	\$ 36.5	42.5	\$ 177.4	212.9
Operating expenses	(22.3)	(18.5)	(78.6)	(79.3)
Net (loss) income for the period	(36.7)	7.1	(20.2)	40.4
(Loss) earnings per share (basic and diluted)	(0.07)	0.02	(0.04)	0.09
Operating cash flow per share ⁽¹⁾	0.00	0.03	0.11	0.19
Cash on hand	13.3	26.4	13.3	26.4
Cost overrun facility (restricted cash)	18.6	-	18.6	-
Amounts drawn on WCF ⁽²⁾	35.0	15.0	35.0	15.0
Amounts drawn on Project Loan	90.0	65.0	90.0	65.0
Revenue from the sale of Karowe diamonds	36.3	40.1	172.4	203.8
Carats sold from Karowe	111,523	81,264	379,287	327,028

⁽¹⁾ Operating cash flow per share before working capital adjustments is a non-IFRS measure. See "Use of Non-IFRS Performance Measures" below.

⁽²⁾ Excludes amounts drawn from the Clara Facility.

Q4 2023 Analysis

The Company recognized total revenues of \$36.5 million in Q4 2023. This included \$36.3 million from the sale of 111,523 carats from Karowe (including top-up payments of \$6.8 million) as well as \$0.2 million from the sale of third-party goods on the Clara platform. In comparison, the Company achieved total revenues of \$42.5 million in Q4 2022 which included \$40.1 million from the sale of 81,264 carats from Karowe and top-up payments of \$3.6 million, and \$2.4 million in revenue from third party goods sold through the Clara platform. The 14% decrease in quarterly revenue was driven by i) a decrease in the recovery of carats greater than 10.8 carats in size in the fourth quarter due to the natural variability of the resource, ii) a softening of prices for smaller goods, and iii) an inventory build following the termination of the Diamond Sales Agreement with HB at the end of the third quarter.

While a softer diamond market in 2023 resulted in lower achieved prices for the goods less than 10.8 carats in size, when compared to 2022, increasing prices were observed in the fourth quarter. On a like-for-like comparison, prices increased 5% from realized prices in the third quarter of 2023. The average price for goods less than 10.8 carats in

Q4 2023 was \$165 per carat, a decrease of 19% from the average price per carat of \$203 per carat in Q4 2022. The Company's product mix (which is weighted to larger, high value goods of sizes greater than 10.8 carats) is impacted less by price movements in the smaller goods. Under the sales agreement with HB, Karowe's +10.8 production accounted for 60% (2022: 60%) of total revenues recognized in 2023.

Total operating expenses were higher in Q4 2023 (\$22.3 million) compared to Q4 2022 (\$18.5 million) predominantly due to inventory movements with a large volume of carats sold in the fourth quarter of 2023 (+37%) and higher total mining costs due to increased production volumes versus the comparable quarter. Operating expenses are recorded on a per carat basis and recognized as the carat is sold. The timing of the sale of carats can affect when amounts are recognised between inventory and operating expenses.

Total operating expenses are comparable for the year (2023 - \$78.6 million; 2022 - \$79.3 million) predominantly due to the benefit from the stronger U.S. Dollar (+8%) offsetting inflationary pressures. On a total operating cost per tonne processed basis, costs are mostly comparable when quoted in US dollars (increase of 3%). On a total operating cost per tonne processed basis, in Botswana Pula terms, costs were up 11% from Q4 2022 to Q4 2023, inclusive of a 20% increase in the volume of tonnes mined and inflation. There have been minimal power cost increases in Botswana in the past year and fuel costs have been variable throughout 2023 with both increasing and decreasing prices. Fuel costs increased at the end of the third quarter of 2023. Please see Table 5: "Select Financial Information" below for details on the expense line items which had the most significant impact on net loss of \$20.2 million (2022: net income \$40.4 million) in the year.

QUARTERLY SALES RESULTS

Table 2

Q4 2023 - Sales Channel	Rough Carats Sold	Revenue US\$ M
HB Arrangements	1,629	\$ 10.6
Clara ⁽¹⁾	1,757	2.0
Tender ⁽²⁾	108,137	16.9
Subtotal – Karowe diamonds sold	111,523	\$ 29.5
HB top-up payments		6.8
Total Revenue – Karowe Diamonds		\$ 36.3
3 rd party goods (Clara) ⁽¹⁾		0.2
Total Revenue – Q4 2023		\$ 36.5

Q4 2022 - Sales Channel	Rough Carats Sold	Revenue US\$ M
HB Arrangements	2,812	\$ 20.5
Clara ⁽¹⁾	2,188	3.8
Tender ⁽²⁾	76,264	12.2
Subtotal – Karowe diamonds sold	81,264	\$ 36.5
HB top-up payments		3.6
Total Revenue – Karowe Diamonds		\$ 40.1
3 rd party goods (Clara) ⁽¹⁾		2.4
Total Revenue – Q4 2022		\$ 42.5

(1) Four sales were completed on Clara in Q4 2023 (Q4 2022: three), with the sale of third-party goods continuing to supplement the total volume transacted.

(2) Non-gem +10.8 carat diamonds and diamonds less than 10.8 carats in size which did not meet characteristics for sale on Clara were sold through tender.

HB Arrangements – Q4 2023

For the three months ended December 31, 2023, the Company recorded revenue of \$17.4 million from the HB arrangements (inclusive of top-up payments of \$6.8 million), as compared to revenue of \$24.1 million (inclusive of top-up payments of \$3.6 million) for the three months ended December 31, 2022. The fourth quarter saw a reduction in the goods delivered to HB as a result of the termination of the diamond sales agreement at the end of the third quarter. The company continued to sell diamonds to HB under similar terms while discussions were ongoing

regarding the new sales agreement. Revenue was affected by a 92% recovery factor achieved in 2023, 8% below plan. Revenue in the fourth quarter was also affected by the natural variability in the value of large stones recovered in any given period. As a result of these factors, revenue to HB decreased to 48% of total revenue recognized in the fourth quarter of 2023 (60% - Q4 2022). The product mix in Q4 2023 was predominantly from the South Lobe ore body, with some contribution from the Centre Lobe (Q4 2022 – 100% South Lobe ore).

Karowe's +10.8 carat production, sold through HB, accounted for 60% (2022: 60%) of total revenue recognized in 2023.

An increase in top-up payments in Q4 2023 versus the comparative quarter can be attributed primarily to the number of high value diamonds delivered to HB in the third quarter which were sold during the comparative period. Top-up values will typically increase as the more valuable stones move through production and are sold. The higher top-ups recognized in Q4 2023 reflect the value of the stones delivered earlier in the year, with a very strong performance in June 2023 from the product mix in Q2 2023.

Recovered Specials for the year equated to 3.8% of the weight percentage of total recovered carats from ore processed during Q4 2023, with 71% of carats recovered coming from the South Lobe, 26% recovered from the Centre Lobe, and 3% recovered from the North Lobe (Q4 2022: 8.2%; 98% South Lobe ore; 2% Centre and North Lobes). Natural variability in the quality profile of the +10.8ct production in any production period or fiscal quarter results in fluctuations in recorded revenue and associated top-ups. This result is consistent with the resource model and expected.

The large stone diamond market fundamentals continued to support healthy prices from the multi-year highs observed at the peak in Q1 2022, despite an overall softening of demand in the market.

Clara

During Q4 2023, the sales volume transacted was \$2.3 million (Q4 2022: \$6.6 million), as lower volumes and lower value goods were sold (due to the shift in product mix from the Karowe Mine). Some sales are recognized on a net revenue basis. A softer market was observed with the voluntary import ban on rough diamonds in India during the fourth quarter. Prices increased 5% overall in December with a resumption of purchasing across most size categories; however, prices remained lower than Q4 2022. Price stability continues to be observed in the stones between 5 to 10.8 carats in size.

Quarterly Tender

A total of 108,137 carats were sold in the December 2023 tender, generating revenues of \$16.9 million or \$156 per carat (Q4 2022 tender: \$12.2 million from the sale of 76,264 carats or \$133 per carat). Rough diamond prices saw a strong rebound in the fourth quarter of 2023 following the significant decrease observed earlier in 2023 as market fundamentals strengthened. A 19% increase from the third quarter tender was observed owing to price increases and product mix offered in the fourth quarter tender.

ANNUAL SALES RESULTS

Table 3

2023 - Sales Channel	Rough Carats Sold	Revenue US\$ M
HB Agreements	10,456	\$ 86.8
Clara ⁽¹⁾	9,123	12.5
Tender ⁽²⁾	359,708	53.7
Subtotal – Karowe diamonds sold	379,287	\$ 153.0
HB top-up payments		19.4
Total Revenue – Karowe Diamonds		\$ 172.4
3 rd party goods (Clara) ⁽¹⁾		5.0
Total Revenue – 2023		\$ 177.4

2022 - Sales Channel	Rough Carats Sold	Revenue US\$ M
HB Agreements	11,037	\$ 90.3
Clara ⁽¹⁾	10,677	21.8
Tender ⁽²⁾	305,314	53.3
Subtotal – Karowe diamonds sold	327,028	\$ 165.4
HB top-up payments		38.4
Total Revenue – Karowe Diamonds		\$ 203.8
3 rd party goods (Clara) ⁽¹⁾		9.1
Total Revenue – 2022		\$ 212.9

(1) Seventeen sales were completed on Clara in 2023 (2022: fifteen), with the sale of third-party goods continuing to supplement the total volume transacted.

(2) Non-gem +10.8 carat diamonds and diamonds less than 10.8 carats in size which did not meet characteristics for sale on Clara were sold through tender.

HB Sales Arrangements

At December 31, 2023, the amount of diamond sales to HB that was considered variable was \$20.9 million (December 31, 2022: \$36.9 million) and predominantly consisted of deliveries made in 2023. Variable consideration is a component of the transaction price and represents an area of significant management estimate and judgment. The variable consideration will be confirmed as the rough diamonds to which it relates are manufactured, polished, and sold.

Clara

In 2023, 17 sales (2022: 15 sales) took place with a total sales volume transacted of \$18.5 million, a 48% decrease from the \$35.7 million transacted in 2022. A large trial with a third-party producer accounted for the change in volume and value transacted, along with a shift in product mix at Karowe which had less goods eligible for sale on Clara. Goods which do not qualify for sale on Clara are sold through the tender process.

RESULTS OF OPERATIONS – KAROWE MINE

Table 4:

	UNIT	Q4-23	Q3-23	Q2-23	Q1-23	Q4-22
Sales						
Revenues from the sale of Karowe diamonds	US\$M	36.3	56.2	38.6	41.3	40.1
Karowe carats sold	Carats	111,523	111,673	72,717	83,374	81,264
Production						
Tonnes mined (ore)	Tonnes	607,101	869,188	682,636	541,400	484,705
Tonnes mined (waste)	Tonnes	456,880	954,226	907,051	761,295	199,385
Tonnes processed	Tonnes	703,472	724,640	720,345	700,678	690,946
Average grade processed ⁽¹⁾	cpht ^(*)	14.0	13.6	12.6	12.8	12.5
Carats recovered ⁽¹⁾	Carats	98,177	98,311	90,497	89,640	86,655
Costs						
Operating cost per tonne of ore processed ⁽²⁾	US\$	31.96	28.62	27.97	26.65	26.20
Capital Expenditures						
Sustaining capital expenditures	US\$M	8.0	3.2	2.4	0.8	9.9
Underground expansion project ⁽³⁾	US\$M	28.0	20.3	22.5	30.5	22.3

(*) carats per hundred tonnes

(1) Average grade processed is from direct milling carats and excludes carats recovered from re-processing historic recovery tailings from previous milling.

(2) Operating cost per tonne of ore processed is a non-IFRS measure. See Table 8.

(3) Includes qualifying borrowing cost capitalized.

FOURTH QUARTER OVERVIEW – OPERATIONS - KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during the three months ended December 31, 2023. As of December 31, 2023, the mine had operated for over three years without a lost time injury. The twelve-month Total Recordable Injury Frequency Rate was 0.19 (Q4 2022: 0.40).

Environment and Social:

- There were no reportable environmental matters during the fourth quarter of 2023.
- Work continues as part of Lucara Botswana's adoption of the "Towards Sustainable Mining" initiative (an initiative developed by the Mining Association of Canada and adopted by the Botswana Chamber of Mines).
- In Q4 2023, an ISO 45001 surveillance audit was completed, with high levels of compliance observed.
- The development and implementation of an updated tailings framework aligned to the Global International Standard for Tailings Management ("GISTM") continued. In accordance with GISTM, a site visit was conducted by a three-person Independent Technical Review Board, and work continues toward full implementation. A feasibility study commenced for the Underground Life of Mine tailing facility, with expected completion in 2024.

Production: Ore and waste mined during the fourth quarter of 2023 totaled 0.6 million tonnes and 0.5 million tonnes respectively. During Q4 2023, tonnes processed was on target at 0.7 million tonnes at an average grade of 14.0 cpht, with a total of 98,177 carats recovered from direct milling. Carats recovered from direct milling ore was 97% of plan. With the achievement on plan in the fourth quarter, the plant hit a record year of tonnes milled. Ore processed was 73% from the South Lobe, 22% from the Centre Lobe, and 5% from the North Lobe. Predominantly the feed has been from the South Lobe since the 2021 production year.

Diamond Recoveries: A total of 153 Specials were recovered, with one diamond greater than 100 carats in weight. Recovered Specials equated to 3.8% of the weight percentage of total recovered carats from ore processed during Q4 2023 (Q4 2022 – 8.6%).

Karowe's operating cash cost: Karowe's operating cash cost for Q4 2023 (see "*Use of Non-IFRS Financial Performance Measures*") was \$31.96 per tonne of ore processed (Q4 2022: \$26.20 per tonne of ore processed), below the 2023 annual forecast of \$32.50-\$35.50 per tonne processed. The increase in cost per tonne of ore compared to the prior year processed reflects the greater total amount of mining completed in the fourth quarter (+56%) and higher costs incurred in the fourth quarter. The benefit of a comparatively stronger U.S. Dollar (+8%) was offset by cost inflation (-11%). A cost optimization process commenced in Q2 2023.

Overall performance: Mine performance during the fourth quarter remained consistent with the strong operational results achieved over the past several years. Mining and processing results were on plan for 2023.

SELECT FINANCIAL INFORMATION

Table 5:

<i>In millions of U.S. dollars unless otherwise noted</i>	2023	2022	2021
Revenues	\$ 177.4	212.9	230.1
Operating expenses	(78.6)	(79.3)	(80.3)
Adjusted operating earnings⁽¹⁾	98.8	133.6	149.8
Royalty expenses	(20.1)	(24.1)	(24.9)
Administration	(19.6)	(19.1)	(19.5)
Exploration	(1.2)	(0.8)	-
Sales and marketing	(3.5)	(2.9)	(2.9)
Adjusted EBITDA⁽²⁾	54.4	86.7	102.5
Depletion and amortization	(18.3)	(25.0)	(49.7)
Finance expenses	(4.5)	(3.7)	(3.7)
Foreign exchange loss	(5.2)	(3.9)	(2.8)
(Loss) gain on derivative financial instrument	(1.7)	10.7	(0.9)
Impairment of intangible asset	(11.2)	-	-
Loss on disposal of assets	(0.9)	-	-
Current income tax expense	(3.5)	(0.3)	(1.5)
Deferred income tax expense	(29.3)	(24.1)	(20.1)
Net (loss) income for the period	(20.2)	40.4	23.8
(Loss) earnings per share (basic)	(0.04)	0.09	0.06
Operating cash flow per share⁽³⁾	0.11	0.19	0.24

(1) Adjusted operating earnings is a non-IFRS measure defined as revenues less operating expenses and excludes royalty expenses and depletion and amortization.

(2) Adjusted EBITDA is a non-IFRS measure defined as earnings before depletion and amortization, finance expenses, foreign exchange, financial instrument fair value adjustments, disposal of assets and taxation.

(3) Operating cash flow per share is a non-IFRS measure. See Non-IFRS Measures.

(4) Numbers may not foot due to rounding.

Revenues and royalties

Total revenue decreased 17%, from \$212.9 million in 2022 to \$177.4 million in 2023. During the year ended December 31, 2023, Lucara recognized revenue of \$172.4 million from the sale of 379,287 carats from Karowe (including top-up payments of \$19.4 million) and generated \$5.0 million from the sale of third-party goods on the Clara platform. In comparison, the Company achieved total revenues of \$212.9 million in 2022 which included \$165.4 million from the sale of 327,028 carats from Karowe, top-up payments of \$38.4 million, and generated \$9.1 million in revenue from third party goods sold through the Clara platform.

Royalties to the Government of Botswana are paid at the rate of 10% of the final gross sales price achieved from the sale of all diamonds, rough or polished.

Adjusted Operating Earnings and Expenses

Adjusted operating earnings for the year ended December 31, 2023 were \$98.8 million (2022: \$133.6 million) after operating expenses of \$78.6 million (2022: \$79.3 million). The decrease in operating expenses is attributed to several variables: an 8% depreciation of the Botswana Pula against the U.S. dollar, decreased fuel costs beginning in Q2 2023 followed by high increases in Q3 2023, partially offset by the impact of higher labour and fuel costs. Carats sold increased by 15%. The proportion of total tonnes mined was higher in 2023 compared to 2022 (+20%) with a lower proportion of ore mined in 2023 compared to 2022 (-18%). Power cost increases that were anticipated did not materialize in 2023.

Ore tonnes processed totalled 2,849,135 during 2023 was 3% higher than the 2,770,039 tonnes processed in 2022, and achieved a life of plant record for tonnes milled. The recovery of 376,625 carats from direct milled ore in 2023 was 12% higher than the 335,769 carats recovered in 2022. This increase is attributed to a higher average grade in 2023 of 13.2 cpht (2022: 12.1 cpht). The mine call factor achieved in 2023 was 8% below plan.

Adjusted Operating Earnings is a non-IFRS measure and is reconciled in Table 5: "Select Financial Information".

Depletion and amortization

In 2023, the Company recorded depletion and amortization expense of \$18.3 million (2022: \$25.0 million). This non-cash expense decreased 27% from the comparative period. In Q4 2022, as part of a regular review of assumptions, the Company completed a reassessment of the useful life of all the plant and equipment assets. The depletion and amortization expense on assets which are primarily amortized on a unit of production basis will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered. Depletion and amortization expense on assets put into use on the Karowe UGP is capitalized to the project. The foreign exchange rate movement from the strengthening of the USD (+8%) also decreased the expense in 2023.

Derivative financial instrument

A \$1.7 million loss on a derivative financial instrument (2022: gain of \$10.7 million) relates to changes in the fair value of the interest rate swap in response to changing market interest rates (*see Note 10 of the consolidated financial statements for the year ended December 31, 2023*). The Company holds its interest rate swaps at fair value and as such, the movement in the fair value within any given period creates an adjustment to the Statement of Operations. As at December 31, 2023, the interest rate swaps were in an asset position, with a fair value of \$8.1 million (December 31, 2022: \$9.8 million) on the Statements of Financial Position, with \$3.0 million classified as a current asset based on the timing of expected settlement.

Net loss

Net loss for the year ended December 31, 2023 was \$20.2 million (2022: net income of \$40.4 million) with the change from the comparable period predominantly related to the decrease in net revenue, after royalties, of \$31.5 million, a change in tax position, an impairment of its intangible asset and a change in the fair value of the derivative financial instrument.

As noted above, the derivative financial instrument generated a loss to the Company of \$1.7 million, with a \$12.4 million change in the amount from a gain of \$10.7 million in 2022 to a \$1.7 million loss in 2023, contributed to the change in net income. The derivative remains in a positive position for the Company; however, the Statement of Income absorbs the volatility in the movement of the forward curve associated with the interest rate swap at any given point in time.

During 2023, management identified impairment indicators with its mineral properties, plant and equipment, and its intangible assets. Management's impairment evaluation resulted in the Company recognizing an impairment of intangible assets of \$11.2 million in relation to the cash-generating unit of the Clara sales platform.

Adjusted Earnings Before Interest, Tax, Depletion and Amortization (Adjusted EBITDA)

Adjusted EBITDA for the year ended December 31, 2023 was \$54.4 million compared to \$86.7 million in 2022. The change in earnings is directly attributable to the change in revenue, after royalties, of \$31.5 million.

Adjusted EBITDA is a non-IFRS measure and is reconciled in *Table 5: "Select Financial Information"*.

Operating Cash Flow per Share

For the year ended December 31, 2023, operating cash flow per share was \$0.11 (2022: \$0.19). The decrease in operating cash flow per share is primarily related to the decrease in revenue. The Company continues to generate a strong operating cash flow per share and generated an operating margin of 56% in 2023 (2022: 63%).

Operating cash flow per share is a non-IFRS measure and is reconciled in Table 7 below to the most directly comparable measure calculated in accordance with IFRS, which is cash flow from operating activities.

SELECT QUARTERLY FINANCIAL INFORMATION

Table 6: The following table sets out selected consolidated financial information for each of the eight most recent completed quarters:

Three months ended	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22	Mar-22
A. Revenues	36,542	56,944	41,125	42,760	42,465	49,926	52,348	68,195
B. Administration expenses	(6,670)	(6,768)	(4,012)	(3,417)	(5,138)	(4,220)	(4,005)	(5,756)
C. Net income	(36,685)	10,544	4,996	954	7,103	1,831	12,532	18,968
D. (Loss) earnings per share (basic)	(0.07)	0.02	0.01	0.00	0.02	0.00	0.03	0.04

Quarterly revenue in the table above was recognized from three separate sales channels: through committed sales of +10.8 carat diamonds to HB, sales on Clara, the Company's secure web based digital sales platform, and, through regular tenders of our smaller stones. Sales of Specials, but more particularly the unique and high value Specials are the primary factor causing variation to the quarterly metrics.

Diamond prices improved significantly through late 2021 before peaking in Q1 2022. While softening from the peak, diamond prices remained strong through most of 2022 in response to supply constraints in certain size classes and strong demand, despite ongoing economic and other uncertainties. Lower revenue in 2023 resulted from a combination of weaker prices, lower recoveries of Specials and plant feed (more Centre and North lobe ore in 2023).

Net income achieved in each quarter is most impacted by the revenue earned during that quarter, while the impact of changes in depreciation, fluctuating inventory levels, foreign exchange gains and losses, the gain or loss on derivative financial instruments, and income tax expenses introduce volatility to net income.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted EBITDA, adjusted operating earnings, operating cash flow per share, and operating cost per tonne of ore processed, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position.

Adjusted EBITDA (see Table 5: "*Select Financial Information*") is the term the Company uses as an approximate measure of the Company's pre-tax operating cash flow and is generally used to measure performance and evaluate trends of individual assets. Adjusted EBITDA comprises earnings before depletion and amortization, finance expenses, foreign exchange, financial instrument fair value adjustments, disposal of assets and taxation.

Adjusted operating earnings (see Table 5: "*Select Financial Information*") is the term the Company uses as an approximate measure of the earnings from the operations under an accrual basis of accounting and is defined as revenues less operating expenses, before royalty expenses and depletion and amortization.

Operating cash flow per share is the term the Company uses to assess its ability to generate cash flow from operations, while also taking into consideration changes in the number of outstanding common shares of the Company. Operating cash flow per share is calculated by taking cash flows from operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of common shares outstanding. The most directly comparable measure calculated in accordance with IFRS is cash flows from operating activities.

Table 7: Operating cash flow per share reconciliation:

Thousands of U.S. dollars except weighted average common shares outstanding and operating cash flow per share

		Three months ended December 31,		Year ended December 31,	
		2023	2022	2023	2022
Cash flows from operating activities	\$	17,774	17,007	63,357	96,233
Add: Changes in non-cash working capital		(19,152)	(5,022)	(14,141)	(8,298)
Total cash flow from operating activities before changes in non-cash working capital		(1,378)	11,985	49,216	87,935
Weighted average common shares outstanding		455,863,045	453,566,923	454,781,585	453,479,480
Operating cash flow per share⁽¹⁾	\$	0.00	\$ 0.03	\$ 0.11	\$ 0.19

⁽¹⁾ Operating cash flow per share for the period is a non-IFRS measure defined as cash flows from operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of common shares outstanding for the period.

Operating cost per tonne of ore processed is the term the Company uses to describe operating expenses per tonne processed on a cash basis. This is calculated as the operating cost of the Karowe Mine divided by tonnes of ore processed for the period. This ratio provides the user with the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS is operating expenses.

Table 8: Operating cost per tonne of ore processed reconciliation:

In millions of U.S. dollars except for tonnes processed and operating cost per tonne processed

		Three months ended December 31,		Year ended December 31,	
		2023	2022	2023	2022
Operating expenses	\$	22.3	\$ 18.5	\$ 78.6	\$ 79.3
Corporate and other segment operating expenses ⁽¹⁾		(0.4)	(2.8)	(5.4)	(9.5)
Net change rough diamond inventory, excluding depletion and amortization		0.2	2.8	1.1	3.1
Net change ore stockpile inventory, excluding depletion and amortization		0.4	(0.4)	7.6	4.5
Total operating costs for ore processed	\$	22.5	18.1	81.9	77.4
Tonnes processed		703,472	690,946	2,849,135	2,770,039
Operating cost per tonne of ore processed⁽²⁾	\$	31.96	\$ 26.20	\$ 28.75	\$ 27.94

⁽¹⁾ Calculated as the difference between Revenue and Loss from Operations of the Corporate and other segment, excluding depletion and amortization. See Note 20 – Segment Information in the consolidated financial statements for the year ended December 31, 2023.

⁽³⁾ Operating cost per tonne processed for the period is a non-IFRS measure defined as the sum of operating expenses, capitalized production stripping costs, and the net changes in rough diamond inventories and ore stockpiles divided by the tonnes of ore processed for the period.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2023, the Company had cash and cash equivalents of \$13.3 million. Cash flow from operating activities for the year ended December 31, 2023 totalled \$63.4 million.

Working capital (current assets minus current liabilities) as at December 31, 2023 was a deficit of \$16.6 million as compared to \$40.5 million as at December 31, 2022, a decrease reflective of the increase in current liabilities and reclassification from cash to long-term other assets of \$18.0 million funded to the COF.

Trade and other receivables (December 31, 2023: \$35.0 million; December 31, 2022: \$33.1 million) increased due to timing of payments received from the sales of large stones to HB and an increase in the amount of value-added and income taxes receivable due from Botswana Unified Revenue Service. The receivable balance at December 31, 2023 includes \$13.0 million (December 31, 2022: \$18.8 million) due from HB and represents rough diamond sales in 2023, as well as the value of diamond sales for which the transaction price was finalized and adjusted in December 2023 or top-ups. All amounts receivable from HB are current and received as due following year-end.

Current liabilities increased to \$102.5 million as of December 31, 2023 from \$59.9 million at December 31, 2022. The Company had \$35.0 million drawn on its short-term financing facilities, an increase of \$19.7 million from the \$15.3 million drawn at December 31, 2022. During the year ended December 31, 2023, the Company received prepayments of \$8.0 million towards the future sale of Sethunya from HB. These amounts, combined with prepayments of \$12.0 million received in H2 2022 are classified as deferred revenue. Increases in trade payables and accrued liabilities and the timing of royalty payments contributed to the increase in current liabilities as of December 31, 2023.

At December 31, 2023, the Company had a \$50.0 million WCF, of which \$35.0 million was outstanding. Following the Rebase Amendments, the Company reduced the size of the WCF to \$30.0 million and had drawn \$15.0 million from the WCF, with \$20.0 million transferred to the Project Loan.

The Company is required to place \$61.7 million in the COF as a condition of the Facilities prior to June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released from the COF. The COF balance was \$18.6 million as at December 31, 2023, and the current balance of the COF stands at \$36.9 million. The Company plans to fill the required balance with the proceeds from the sale of exceptional stones and excess cashflow from operations. This amount is classified within other non-current assets on the Statement of Financial Position.

Under the terms of the Rebase Amendments to the Project Loan, the Company's largest shareholder, Nemesia, provided a limited standby undertaking of up to \$63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the COF to \$61.7 million (\$28.1 million at the effectiveness of the Rebase Amendments) by June 30, 2025 and ii) in the event of a funding shortfall, support up to \$35.0 million occurring up to project completion.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to \$15.0 million in aggregate in the event the Company's cash balance decreases below \$10.0 million while discussions with the Lenders were ongoing. During Q4 2023, the full liquidity guarantee of \$15.0 million was drawn, and Nemesia was issued 450,000 common shares as consideration for this funding. Future share issuances are required for interest payments. For each \$500,000 drawn down under the standby undertaking, the Company will be required to issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid.

During the year ended December 31, 2023, a total of 1,027,500 common shares were issued to Nemesia for providing the liquidity guarantee and as interest payments under the debenture.

See Note 1 to the consolidated financial statements for the year ended December 31, 2023 for further details of the Company's liquidity position.

Long-term liabilities consist of the Project Loan of \$86.5 million (December 31, 2022: \$62.2 million), restoration provisions of \$13.7 million (December 31, 2022: \$13.6 million), deferred income taxes of \$112.8 million (December 31, 2022: \$87.8 million), due to related parties (liquidity guarantee) of \$15.0 million (December 31, 2022: \$nil), and other non-current liabilities of \$3.2 million (December 31, 2022: \$2.3 million) which consist of leases classified under IFRS 16: *Leases* and a liability for deferred share unit grants.

Financing activities during the year ended December 31, 2023 consisted of draws from the project financing facility of \$25.0 million, draws from the working capital facilities of \$19.7 million, draw from the liquidity guarantee of \$15.0 million, and principal payments on leases and withholding taxes on share units totaling \$2.0 million.

Total shareholders' equity decreased to \$242.1 million from \$270.1 million at December 31, 2022. The decrease resulted from a net loss during the year ended December 31, 2023 and a decrease in the currency translation adjustment. Other changes to share capital and contributed surplus were related to the issuance of shares to Nemesia for providing the liquidity support guarantee, share units vesting and share-based compensation recorded during the period.

RELATED PARTY TRANSACTIONS

A description of key management compensation can be found in Note 19 of the consolidated financial statements for the year ended December 31, 2023.

In relation to the acquisition of Clara in February 2018, certain related parties may receive additional shares of Lucara if Clara, now a wholly-owned subsidiary of Lucara, achieves certain levels of revenue generated by sales on the platform (the "Performance Milestones"). The Performance Milestones are detailed in Notes 9 and 19 of the consolidated financial statements for the year ended December 31, 2022. As of December 31, 2023, none of the Performance Milestones had been achieved.

A profit-sharing mechanism also exists, whereby a total of 3.45% of the EBITDA generated by the platform has been assigned to a former director and officer of Lucara and a director of Lucara, both founders of Clara. A further 3.22% of the EBITDA generated by the platform may be distributed to a member and former member of management, at the discretion of Lucara's Compensation Committee, based on the achievement of key performance targets. As at December 31, 2023, no amounts have been paid under this profit sharing mechanism to date.

COMMITMENTS

As at December 31, 2023, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the Karowe UGP amounted to \$77.2 million (December 31, 2022 - \$111.5 million).

Table 9: Approximate undiscounted timing of Karowe UGP commitments at December 31, 2023:

		2024	2025	2026	2027 and 2028	Total
Underground expansion project	\$ million	36.3	24.2	12.7	4.0	77.2

2024 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2024. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. Diamond revenue guidance does not include revenue related to the sale of exceptional stones (an individual rough diamond which sells for more than \$10.0 million), or the Sethunya. No changes have been made to the guidance released in November 2023.

Karowe Mine, Botswana**Table 10: 2024 Diamond Sales, Production and Outlook**

Karowe Diamond Mine	2024
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$220 to \$250
Diamond sales (thousands of carats)	345 to 375
Diamonds recovered (thousands of carats)	345 to 375
Ore tonnes mined (millions)	2.8 to 3.2
Waste tonnes mined (millions)	0.8 to 1.4
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ including waste mined (per tonne processed)	\$28.50 to \$33.50
Underground Project	Up to \$100 million
Sustaining capital	Up to \$10 million
Average exchange rate – Botswana Pula per United States Dollar	12.5

(1) Operating cash costs are a non-IFRS measure. See “Use of Non-IFRS Performance Measures”.

In 2024, the Company’s revenue forecast assumes that 87% of the carats recovered will come from the higher value M/PK(S) and EM/PK(S) units within the South Lobe and the remaining carats recovered will come from the Centre Lobe in accordance with the mine plan, generating revenue between \$220 and \$250 million. South Lobe material, while lower grade than the Centre and North Lobes, has a higher weight percentage of stones greater than 10.8 carats in size.

The Company plans to use its sales channels to maximize revenue and generate consistent cash flow to support the Company’s operations and its investment in the underground expansion project. The Company expects to seek opportunities to sell its higher value Specials through agreements whereby the rough stones are manufactured, giving the Company exposure to polished prices and regular cash flow from the highest value portion of the Karowe production. Quarterly tenders and regular sales through Clara, primarily for stones smaller than 10.8 carats in size will continue.

In 2024, the Company expects to mine between 3.6 and 4.6 million tonnes, of which ore tonnes mined represent approximately three quarters of total tonnes mined. The assumptions for carats recovered and sold as well as the number of ore tonnes processed are consistent with achieved plant performance in recent years. A portion of the tonnes mined in 2024 will be stockpiled, prior to the end of open pit mining in mid-2025. Stockpiled material is planned to be processed between 2025 to 2027 before the mine transitions to underground operations. Ore from the underground development is expected to supplement lower grade stockpile material, primarily from the upper benches of the South lobe, during the transition to underground, beginning in 2027.

In 2024, capital costs for the UGP are expected to be up to \$100 million and will focus predominantly on shaft sinking activities and station development. Surface works will focus on completing the construction of the bulk air cooler and installation of the cage winder. Tendering the underground development contract along with underground equipment purchases are also included in the 2024 project plan.

Sustaining capital and project expenditures are expected to be up to \$10 million with a focus on replacement and refurbishment of key asset components in addition to dewatering activities, and an expansion of the tailings storage facility in accordance with Global Industry Standard on Tailings Management.

COVID-19 GLOBAL PANDEMIC, ECONOMIC AND GEOPOLITICAL RISKS

While the potential risks associated with COVID-19 are less impactful than in recent years, the ongoing Russian military invasion of Ukraine, conflict in Gaza-Israel, and other geopolitical risks mean that circumstances remain dynamic and other challenges, including high inflation and the possibility of a global recession, make the impact on our financial position or operations difficult to reasonably estimate. It remains possible for Lucara’s operations to be impacted in several ways including, but not limited to, a suspension of operations at the Karowe Mine, increased prices for fuel, power, and other commodities, disruptions to supply chains, worker absenteeism due to illness, disruption to the progress of the Karowe Mine underground expansion project, and an inability to ship or sell rough and/or polished diamonds. Increased prices for fuel, power, and other commodities may have adverse impacts on

the Company's cost of doing business. The Company cannot accurately predict the impact that ongoing conflicts, or the prevailing global economic uncertainty, will have on its financial position or operations.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

In the normal course of business, the Company is inherently exposed to currency and commodity price risk, as well as inflation. The Company's financial instruments are exposed to certain financial risks, including currency, liquidity, credit, interest, and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At December 31, 2023, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$3.2 million in net income for the period.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. To manage liquidity risk, regular cash flow forecasting is performed in the operating entities of the Company and aggregated in the head office to understand what level of capital is required. Rolling forecasts of the Company's liquidity requirements are prepared and monitored to assess whether there is sufficient cash available to meet the Company's short and longer-term operational needs. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and potential sources of additional liquidity.

Subsequent to December 31, 2023, as part of the Rebase Amendments, the Company received an extension on its WCF to June 30, 2031 and the amount of the WCF was amended to \$30.0 million. Historically, the Company has used the WCF to manage its short-term working capital requirements.

As a condition of the Facilities Agreement, the Company is required to place \$61.7 million in the COF by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at December 31, 2023, the COF balance was \$18.6 million. This amount is classified within other non-current assets.

Further details regarding the Company's liquidity risk are disclosed under the heading "Liquidity and Capital Resources" and in Note 1 of the consolidated financial statements for the year ended December 31, 2023.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash and cash equivalents by holding its deposits with international financial institutions with strong investment-grade ratings. Considering the nature of the Company's ultimate customers and the relevant terms and conditions with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tender or on Clara.

On September 28, 2023, the Company terminated the sales agreement with HB. The termination increased the credit risk on amounts due from HB. Under the terms of this sales agreement, a larger proportion of the Company's goods, by value, were sold through HB to buyers of polished diamonds. The credit risk associated with these sales was concentrated with HB, a single customer, and payment terms were longer (60 to 120 days) than the Company's traditional tender sales and sales held through Clara (5 days). The Company maintained legal title over goods sold to HB until the initial determined estimated polished price was paid and monitored outstanding amounts for collectability. All amounts are current at December 31, 2023. As goods continue through the manufacturing process with HB, further receivable may result as the Company has a contractual right to future top-up payments for stones delivered prior to termination of the agreement. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates.

The Company mitigates interest rate risk on its Project Loan through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 10 of the consolidated financial statements for the year ended December 31, 2023). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding credit or charge to profit.

As described above in the section “Interest Rate Swaps”, in December 2021 the Company entered into contracts to exchange the variable interest rate (three-month USD LIBOR; amended to Term SOFR) for a fixed interest rate of 1.682% on 75% of its expected borrowings from the Project Loan (approximately \$127.5 million). Interest rates increased rapidly through 2022. The Company is exposed to these interest rate increases through 25% of its expected borrowings from the Project Loan, any amounts drawn from its \$50 million WCF and from its \$4 million Clara Facility, each of which remain subject to market interest rates (Term SOFR). Higher interest rates decrease the amount of cash flow available for other uses.

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana and margin earned on the sale of rough diamonds sold through Clara. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the sales arrangements with the HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size was based on a polished diamond pricing mechanism. This pricing mechanism resulted in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds softened in the first half of 2023 following significant price improvements between late 2021 and mid-2022.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration which could have a negative impact on the Company's revenue and ability to generate positive cash flow from operations. The Company is expecting to use excess cash flow from operations, on combination with the Project Loan, to fund the \$683 million estimated capital cost for the Karowe UGP.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 458,077,393 common shares outstanding, 3,614,000 share units, 3,172,156 deferred share units, and 6,544,000 stock options outstanding under its share-based incentive plans.

SUBSEQUENT EVENT

On February 18, 2024, the Company announced the signing of a New Diamond Sales Agreement (“NDSA”) with HB in respect of all qualifying diamonds produced in excess of 10.8 carats in size from the Karowe Mine. The NDSA is subject to the approval of the Company's project lenders and the Government of the Republic of Botswana. Upon such approval the agreement terms will be effective retroactively from December 1, 2023. Since that time, Lucara has continued to supply qualifying rough diamonds to HB in order to fund its operations and the Karowe UGP.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business which includes the acquisition, financing, exploration, development and operation of diamond properties, the construction of an underground mine at Karowe and the growth of Clara. The material risk factors and uncertainties, which should be considered in assessing the Company's activities, are described under the heading “Risks and Uncertainties” in the Company's most recent Annual Information Form which is available at <http://www.sedar.com> (the “AIF”) with the addition of the following risks. Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

Access to Capital and Financing Requirements, Liquidity Risk

The Underground Project has an updated capital cost of \$683 million. The Company expects to use a combination of cash flow from operations and external financing for this expansion project and as such a substantial portion of the Company's revenues and cash flows are committed to the Underground Project at the Karowe Mine.

On January 9, 2024, the Company announced that it has signed the Rebase Amendments in relation to the Facilities. While the total quantum of the Facilities has not changed, the repayment profile has been extended in line with the rebase schedule released July 17, 2023, and the maturity of the WCF has been extended to June 30, 2031.

To the extent that Lucara does not generate sufficient revenues and operating cash flow to satisfy its obligations in connection with the UGP and its debt obligations, including the fulfillment of the COF, it will require additional capital. The shareholder limited standby undertaking of up to \$63.0 million may be called upon. If the amounts under the shareholder limited standby undertaking were not sufficient, it will require additional capital. If the Company raises additional capital by issuing equity, such financing may dilute the interests of shareholders and reduce the value of their investment. Moreover, Lucara may not be successful in locating suitable additional or alternate financing when required or at all or, if available, may incur substantial fees and costs and the terms of such financing might not be favourable to the Company. A failure to raise capital when needed could have a material adverse effect on Lucara's business, financial condition, and results of operations. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay or indefinite postponement of exploration, development activities related to the Karowe UGP, or production from the Karowe Mine.

If the Karowe UGP is delayed for any number of reasons, the overall cost of the Karowe UGP could materially increase, and the completion of the Karowe UGP could be materially delayed or prevented from reaching completion. If the Karowe UGP is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance and the Company's share price would be materially negatively impacted.

OFF-BALANCE SHEET ARRANGEMENTS

Except for short-term leases with a term of 12 months or less, the Company is not party to any off-balance sheet arrangements.

ANNUAL MEETING INFORMATION

The Company's annual general meeting of shareholders will be held on May 10, 2024 in Vancouver, Canada.

CHANGES IN ACCOUNTING POLICIES

During the year ended December 31, 2023, there were no changes to the accounting policies described in Note 4 of the audited consolidated financial statements.

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods starting January 1, 2024. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the audited consolidated financial statements. Management is responsible for the integrity and objectivity of this document, ensuring the fair presentation of its financial results. The Audit Committee is responsible for reviewing the contents of this document along with the audited consolidated financial statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight. The Board of Directors, based on recommendations from Lucara's Audit Committee, reviews and approves the financial information contained in the audited consolidated financial statements and the MD&A.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), is responsible for the design and operation of disclosure controls and procedures.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s disclosure controls and procedures. As of December 31, 2023, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company’s disclosure controls and procedures, as defined in NI 52-109 - Certification of Disclosure in Issuer’s Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Internal controls over financial reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. Management is also responsible for the design of the Company’s internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. However, due to inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud.

The Company’s internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the Company’s internal controls over financial reporting. As of December 31, 2023, the Chief Executive Officer and Chief Financial Officer have each concluded that the Company’s internal controls over financial reporting, as defined in NI 52-109 - Certification of Disclosure in Issuer’s Annual and Interim Filings, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made in this MD&A contain certain “forward-looking information” and “forward-looking statements” as defined in applicable securities laws. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “budgets”, “scheduled”, “forecasts”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

In particular, forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the Company’s ability to continue as a going concern, the project schedule and capital costs for the Karowe UGP, the diamond sales, projection and outlook disclosure under “2024 Outlook”,

the Company's ability to meet its obligations under the Rebase Amendments with its Lenders, the Company's ability to fill the COF, the impact of supply and demand of rough or polished diamonds, expectations regarding top-up values, estimated capital costs, the timing, scope and cost of additional grouting events at the Karowe UGP, the Company's ability to comply with the terms of the Facilities which are required to construct the Karowe UGP, including future funding requirements to the COF, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the Karowe UGP, that the estimated timelines to achieve mine ramp up and full production from the Karowe UGP can be achieved, that sufficient stockpiled ore will be available to generate revenue prior to the achievement of commercial production of the Karowe underground mine, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, expectations that the Karowe UGP will extend mine life, forecasts of additional revenues, future production activity, that depletion and amortization expense on assets will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered, the future price and demand for, and supply of, diamonds, expectations regarding the scheduling of activities for the Karowe UGP in 2024, future forecasts of revenue and variable consideration in determining revenue, the impact of the termination of the HB sales agreement on the Company's projected revenue and sales channels, the outcome of tax assessments and the likelihood of recoverability of tax payments made, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, interest rates, including expectations regarding the impact of market interest rates on future cash flows and the fair value of derivative financial instructions, currency exchange rates, rates of inflation, success of exploration, credit risk, price risk, requirements for and availability of additional capital, capital expenditures, operating costs, timing of completion of technical reports and studies, production and cost estimates, tax rates, timing of drill programs, government regulation of operations, environmental risks and ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, the profitability of Clara and the Clara Platform, and the scaling of the digital platform for the sale of rough diamonds owned by Clara, expectations regarding the Clara platform's growth, the expected use of the Clara Facility, that the Company intends to continue to seek additional supply, both from third-party producers and the secondary market for Clara, and the potential impacts of COVID-19, economic and geopolitical risks, including potential impacts from the Russian military invasion of Ukraine and the escalating conflict between Israel and Hamas.

Forward-looking information and statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to several known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Certain risks which could impact the Company are discussed under the heading "Risks and Uncertainties" in this MD&A and in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

The foregoing is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties, and other factors, including, without limitation, those referred to in this MD&A.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The forward-looking statements contained in this MD&A are based on the beliefs, expectations, and opinions of management as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements are made as of the date of this MD&A and accordingly are subject to change after such date. Except as required by law, the Company disclaims any obligation to revise any forward-looking information and statements to reflect events or circumstances after the date of such information and statements. All forward-looking information and statements contained or incorporated by reference in this MD&A are qualified by the foregoing cautionary statements.



LUCARA

DIAMOND

Consolidated Financial Statements
For the year ended December 31, 2023



Independent auditor's report

To the Shareholders of Lucara Diamond Corp.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lucara Diamond Corp. and its subsidiaries (together, the Company) as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2023 and 2022;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive (loss) income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP
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PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2023. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment test of mineral properties and related construction assets and plant and equipment for the Karowe Mine cash generating unit (Karowe CGU) <i>Refer to note 3 – Significant accounting judgments, estimates and assumptions, note 4 – Summary of material accounting policies and Note 24 - Impairment test - Karowe mine to the consolidated financial statements.</i> As at December 31, 2023, the total net book value of mineral properties and related construction assets and plant and equipment amounted to \$286.3 million and \$125.9 million, respectively, which relates to the Karowe CGU. When impairment indicators exist, an impairment assessment is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount. During the year, management identified impairment indicators due to the update to the Underground Expansion project (UGP) schedule that extended the anticipated duration of construction and increased the estimated capital cost. As a result, management performed an impairment test of the Karowe CGU as of June 30, 2023. The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected	Our approach to addressing the matter included the following procedures, among others: • Tested how management determined the recoverable amount of the Karowe CGU, which included the following: – Tested the appropriateness of the discounted cash flow model. – Tested underlying data used in the discounted cash flow model. – Evaluated the reasonableness of significant assumptions by (i) comparing the production costs and future sustaining capital expenditures to recent actual production and sustaining capital expenditures incurred; (ii) comparing exchange rates with external market and industry data; and (iii) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit. – The work of management's experts was used in performing the procedures to evaluate the reasonableness of the significant assumptions which included economically recoverable reserves, diamond prices and the capital expenditure to complete development of the UGP. As a basis for using this work, the competence, capabilities and



to be derived from the mining properties and represents the CGU fair value less cost of disposal.

The determination of the recoverable amount calculated using a discounted cash flow model included the following significant assumptions: economically recoverable reserves, diamond prices, the capital expenditure to complete development of the UGP, future sustaining capital expenditures, production costs, exchange rates and discount rate.

Management's estimates of the economically recoverable reserves, diamond prices and the capital expenditure to complete development of the UGP are based on information compiled by qualified persons (management's experts).

As of June 30, 2023, no impairment charge was required for the Karowe CGU because its recoverable amount exceeded the carrying amount.

We considered this a key audit matter due to the significant judgment by management in estimating the recoverable amount of the Karowe CGU, and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assumptions. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

- Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the discount rate.
- Tested the disclosures, including the sensitivity analysis, made in the consolidated financial statements with regard to the impairment test for the Karowe CGU.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Dean Larocque.

/s/PricewaterhouseCoopers LLP

Chartered Professional Accountants

Vancouver, British Columbia
February 20, 2024

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In thousands of U.S. Dollars)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,337	\$ 26,418
Receivables and other (Note 5)	35,050	33,102
Derivative financial instrument (Note 10)	3,010	2,447
Inventories (Note 6)	34,534	38,372
	85,931	100,339
Investments	811	661
Inventories (Note 6)	38,719	27,867
Plant and equipment (Note 7)	124,983	88,239
Mineral properties and related construction assets (Note 8)	287,245	244,130
Intangible assets (Note 9)	6,211	18,224
Deferred financing fees (Note 10)	4,122	5,410
Derivative financial instrument (Note 10)	5,097	7,373
Cost overrun facility (Note 10)	18,574	–
Other non-current assets	4,110	3,596
TOTAL ASSETS	\$ 575,803	\$ 495,839
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 42,580	\$ 29,689
Deferred revenue (Note 15)	20,000	12,000
Credit facilities (Note 10)	35,000	15,338
Tax and royalties payable	3,444	1,719
Lease liabilities	1,472	1,111
	102,496	59,857
Credit facilities (Note 10)	86,515	62,151
Debenture (Note 10)	15,000	–
Restoration provisions (Note 11)	13,738	13,649
Deferred income taxes (Note 17)	112,763	87,808
Other non-current liabilities	3,160	2,313
TOTAL LIABILITIES	333,672	225,778
EQUITY		
Share capital, unlimited common shares, no par value (Note 12)	349,718	348,083
Contributed surplus	9,371	10,129
Retained (deficit) earnings	(13,702)	6,489
Accumulated other comprehensive loss	(103,256)	(94,640)
TOTAL EQUITY	242,131	270,061
TOTAL LIABILITIES AND EQUITY	\$ 575,803	\$ 495,839

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

Commitments – Note 22
Subsequent events – Note 1, 10, 25

Approved on Behalf of the Board of Directors:
"Marie Inkster"
Director

"Catherine McLeod-Seltzer"
Director

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. Dollars, except for share and per share amounts)

	2023	2022
Revenues (Note 15)	\$ 177,371	\$ 212,934
Cost of goods sold		
Operating expenses	78,610	79,266
Royalty expenses (Note 8)	20,056	24,101
Depletion and amortization	18,289	24,965
	116,955	128,332
Income from mining operations	60,416	84,602
Other expenses		
Administration (Note 16)	19,615	19,119
Impairment of intangible asset (Note 9)	11,200	—
Sales and marketing	3,462	2,876
Finance expenses	4,506	3,690
Exploration	1,244	835
Loss (gain) on derivative financial instrument (Note 10)	1,712	(10,662)
Foreign exchange loss	5,174	3,932
Loss on disposal of assets (Note 7)	943	—
	47,856	19,790
Net income before tax	12,560	64,812
Income tax expense (Note 17)		
Current income tax	3,483	307
Deferred income tax	29,268	24,071
	32,751	24,378
Net (loss) income for the year	\$ (20,191)	\$ 40,434
(Loss) earnings per common share (Note 18)		
Basic	\$ (0.04)	\$ 0.09
Diluted	\$ (0.04)	\$ 0.09
Weighted average common shares outstanding (Note 18)		
Basic	454,781,585	453,479,480
Diluted	454,781,585	461,953,253

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

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. Dollars)

		2023		2022
Net (loss) income for the year	\$	(20,191)	\$	40,434
Other comprehensive (loss) income				
<i>Items that will not be reclassified to net income</i>				
Change in fair value of marketable securities		150		(1,595)
<i>Items that may be subsequently reclassified to net income</i>				
Currency translation adjustment		(8,766)		(19,340)
		(8,616)		(20,935)
Comprehensive (loss) income for the year	\$	(28,807)	\$	19,499

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

LUCARA DIAMOND CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(In thousands of U.S. Dollars)

	2023	2022
Cash flows from (used in):		
Operating activities		
Net (loss) income for the year	\$ (20,191)	\$ 40,434
Items not affecting cash:		
Depletion and amortization	18,713	25,411
Unrealized foreign exchange loss	4,348	3,512
Share-based compensation	1,440	1,977
Impairment of intangible asset	11,200	—
Unrealized loss (gain) on derivative financial instruments	1,712	(10,662)
Deferred income taxes	29,268	24,071
Finance costs	1,783	3,192
Loss on disposal of assets	943	—
	49,216	87,935
Net changes in working capital:		
Receivables and other	(5,286)	151
Inventories	(9,146)	(7,603)
Trade payables, deferred revenue and other current liabilities	26,758	14,300
Tax and royalties payable	1,815	1,450
	63,357	96,233
Financing activities		
Drawdown (repayment) on working capital facility, net	19,662	(7,662)
Drawdown on project finance facility	25,000	40,000
Drawdown on liquidity guarantee	15,000	—
Share units vested	(461)	(144)
Lease payments	(1,540)	(3,055)
Contributions to cost overrun facility	(18,000)	—
	39,661	29,139
Investing activities		
Investment in plant and equipment	(14,364)	(18,992)
Mineral property expenditure	(101,318)	(106,339)
Development of intangible assets	(112)	(90)
	(115,794)	(125,421)
Effect of exchange rate change on cash and cash equivalents	(305)	(544)
Decrease in cash and cash equivalents	(13,081)	(593)
Cash and cash equivalents, beginning of the year	26,418	27,011
Cash and cash equivalents, end of the year ⁽¹⁾	\$ 13,337	\$ 26,418
Supplemental information		
Interest paid	\$ (14,607)	\$ (8,539)
Taxes paid	(8,494)	(248)
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties ⁽²⁾	(3,079)	6,151

(1) Cash and cash equivalents consist of 100% cash deposits held with accredited financial institutions.

(2) Included within accounts payable and accrued liabilities at each period end are additions to property, plant and equipment and mineral properties, acquired on normal course payment terms, of \$8.2 million at December 31, 2023 (\$11.3 million at December 31, 2022).

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

LUCARA DIAMOND CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022 (in thousands of U.S. Dollars, unless otherwise indicated)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2023	453,566,923	\$ 348,083	\$ 10,129	\$ 6,489	\$ (94,640)	\$ 270,061
Net loss for the year	—	—	—	(20,191)	—	(20,191)
Other comprehensive loss	—	—	—	—	(8,616)	(8,616)
Total comprehensive loss	—	—	—	(20,191)	(8,616)	(28,807)
Share-based compensation	—	—	1,074	—	—	1,074
Shares issued for liquidity guarantee	1,027,500	264	—	—	—	264
Shares issued from share units vested	1,582,970	1,371	(1,371)	—	—	—
Withholding tax for share units vested	—	—	(461)	—	—	(461)
Balance, December 31, 2023	456,177,393	\$ 349,718	\$ 9,371	\$ (13,702)	\$ (103,256)	\$ 242,131
Balance, January 1, 2022	453,034,981	\$ 347,442	\$ 9,180	\$ (33,945)	\$ (73,705)	\$ 248,972
Net income for the year	—	—	—	40,434	—	40,434
Other comprehensive loss	—	—	—	—	(20,935)	(20,935)
Total comprehensive income (loss)	—	—	—	40,434	(20,935)	19,499
Share-based compensation	—	—	1,734	—	—	1,734
Shares issued from share units vested	531,942	641	(641)	—	—	—
Withholding tax for share units vested	—	—	(144)	—	—	(144)
Balance, December 31, 2022	453,566,923	\$ 348,083	\$ 10,129	\$ 6,489	\$ (94,640)	\$ 270,061

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

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

1. NATURE OF OPERATIONS AND LIQUIDITY

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the “Company” or “Lucara”) 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 located in Botswana and a 100% interest in Clara Diamond Solutions Limited Partnership (“Clara”). Clara operates a secure, digital diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies.

The Company’s common shares are listed on the TSX, NASDAQ Stockholm 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 3500, 1133 Melville Street, Vancouver, British Columbia, V6E 4E5, Canada.

During fiscal 2023, the Company incurred a net loss of \$20.2 million and generated cash of \$63.4 million from operating activities. As at December 31, 2023, the Company had cash and cash equivalents of \$13.3 million, a working capital deficit (current assets less current liabilities) of \$16.6 million and had drawn \$35.0 million from its \$50.0 million working capital facility.

In July 2023, the Company provided an update to the schedule and budget for the Karowe Underground Expansion project (the “UGP”). The estimated duration of the construction period increased, extending the anticipated commencement of production from the underground from the second half of 2026 to the first half of 2028. The revised forecast of costs at completion is \$683.0 million, an increase of 25% from the prior estimate in May 2022. Committed, not yet incurred, costs under the UGP are \$77.2 million at December 31, 2023 (Note 22).

The Company’s debt package consisted of two facilities (the “Facilities”), a project finance facility of \$170.0 million to fund the development of an underground expansion at the Karowe Mine (the “Project Loan”), of which \$90.0 million has been drawn at December 31, 2023, and a \$50.0 million senior secured working capital facility (the “WCF”). Subsequent to year-end, the Company completed an agreement with its lenders to modify the repayment schedule, adjust the Facilities to include a project finance facility of \$190.0 million and \$30.0 million working capital facility, extend the maturity date of its WCF to June 30, 2031, and certain other terms (the “Rebase Amendments”) (Note 10).

Prior to June 30, 2025, the Company is required to place \$61.7 million in a cost overrun facility (the “COF”) as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the COF. The COF balance was \$18.6 million as at December 31, 2023. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and cashflow from operations.

Under the terms of the Project Loan, the Company’s largest shareholder, Nemesia S.a.r.l. (“Nemesia”) provided a limited standby undertaking of up to \$63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fund the COF to \$61.7 million by June 30, 2025 and ii) in the event of a funding shortfall, support up to \$35.0 million occurring up to project completion.

Following the completion of the Rebase Amendments, the Company expects to be able to meet its obligations as they become due in the normal course of business for at least the next twelve months from December 31, 2023.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(i) Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Other than changes due to new and amended standards and interpretations, the accounting policies adopted are consistently applied in all periods presented.

These financial statements were approved by the Board of Directors for issue on February 20, 2024.

(ii) New IFRS Pronouncements

Amendments to IAS 1 – Presentation of Financial Statements – *Classification of liabilities as current or non-current and non-current liabilities with covenants*

Amendments were issued to *IAS 1 - Presentation of Financial Statements* which removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12-months after the reporting period. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32 - Financial Instruments Presentation. Further modification was issued in October 2022 amendments in *Non-current liabilities with covenants*. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. The amendments were effective on January 1, 2023 and had no significant impact on the consolidated financial statements.

Amendments to IAS 12 – Income Taxes – *Deferred taxes on initial recognition*

The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The Company adopted these amendments to IAS 12 - Income Taxes effective January 1, 2023. These amendments did not affect the Company's financial statements.

Several other amendments and interpretations were applied for the first time in 2023 but did not have an impact on the consolidated financial statements of the Company. The Company is currently assessing the impact of the standards and amendments to standards and interpretations which have been issued but are not yet effective including IFRS S1 – *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 – *Climate-related Disclosures*.

The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective other than noted above.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and make estimates and assumptions about the future. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

The Company has identified the following areas where significant accounting judgments, estimates and assumptions have been made in the preparation of the consolidated financial statements:

Areas of judgment

(a) Satisfaction of performance obligations under the HB sales arrangement

The Company has determined that, under the terms of the Company's sales arrangements with HB Trading BV ("HB"), control is transferred when the delivery and analysis of the rough diamonds are completed. At this point the initial estimated polished outcome price of the rough diamond is determined and HB assumes responsibility for its manufacturing, polishing and sale to an end buyer.

(b) Assessment of impairment indicators

The Company carries its mineral properties and plant and equipment and intangible assets at depleted cost less any provision for impairment. The Company assesses at each reporting period whether there is an indication of impairment. Significant judgment is applied in assessing whether indicators of impairment exist that would necessitate impairment testing. Internal and external factors, such as i) a significant decline in the market value of the Company's share price; ii) changes in the quantity of the recoverable resources and reserves; and iii) changes in diamond prices, capital and operating costs and recoveries; and iv) changes in inflation, interest and exchange rates, are evaluated in determining whether there are any indicators of impairment.

(c) Impairment

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts. Recoverable amounts are determined by reference to relevant market data, discounted future cash flows, and fair value less costs to sell. An impairment loss is recognized when the carrying amount of those assets is no longer considered recoverable. Non-current assets that were previously impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Calculating the estimated recoverable amount of the cash-generating unit ("CGU") for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated recoverable mineral reserves and resources, recovery estimates, estimated future diamond prices, future production volume, expected future operating, capital and reclamation costs, future operating volumes for Clara, discount rates and exchange rates. Management relies on production history and geological experts to develop estimates of recoverable mineral reserves and resources, diamond prices, as well as expected future operating, capital and reclamation costs. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets.

Changes in these assumptions could significantly impact the valuation of the Company's assets in the future. During 2023, management identified impairment indicators with its mineral properties, plant and equipment, and its intangible assets. Management's impairment evaluation resulted in the Company recognizing an impairment of intangible assets of \$11.2 million in relation to the CGUs of the Clara sales platform (Note 9).

(d) Deferred Taxes

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized and what tax rate is expected to be applied in the year when the related temporary differences reverse. Judgment is also required on the application of income tax legislation. These judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(e) *Going concern and liquidity risk*

Management is required to exercise judgment with respect to evaluating the Company's ability to continue as a going concern and to ensure that disclosures relating to liquidity are appropriate. To this end, the Company manages liquidity risk by maintaining an adequate level of cash and cash equivalents to meet its short-term ongoing obligations, ensuring access to credit facilities, and reviews its actual expenditures and forecast cash flows on a regular basis. Changes in demand for rough and/or polished diamonds and diamond prices, amount, and timing of capital costs on the UGP, production levels and related costs, foreign exchange rates and other factors all impact the Company's liquidity position.

Sources of estimation uncertainty

(a) *Estimated recoverable reserves and resources*

Mineral reserve and resource estimates are based on various assumptions relating to operating matters. These include production costs, mining and processing recoveries, cut-off grades, long term diamond prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be affected by forecast commodity prices, diamond prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Proven and probable reserves are determined based on a professional evaluation using accepted international standards for the assessment of mineral reserves. The assessment involves geological and geophysical studies and economic data and the reliance on a number of assumptions. The estimates of the reserves may change based on additional knowledge gained subsequent to the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

Estimated recoverable reserves are used to determine the depletion and amortization of property, plant and equipment at the operating mine site, in accounting for deferred stripping costs and mineral properties, determining a deferred tax rate and in performing impairment testing. Therefore, changes in the assumptions used could affect the carrying value of assets, depletion and amortization, changes in the deferred tax rate, and impairment charges recorded in the statement of operations.

(b) *Uncertain Tax Positions*

The Company recognizes that its tax obligations are subject to interpretation and judgment. Uncertain tax positions arise when there is uncertainty regarding the application of tax laws and regulations to the Company's transactions or positions. Estimates of uncertain tax positions are measured using the most likely amount or expected value approach, considering all available information, including tax rulings, case law, and professional opinions from the Company's tax experts and legal counsel.

Management evaluates uncertain tax positions based on the technical merits of the position and the probability of settlement. This assessment involves significant judgment and may evolve over time as new information becomes available.

(c) *Estimated variable consideration in determining revenue*

Revenues include an estimate of variable consideration receivable under the terms of the Company's sales arrangements with HB. Variable consideration is a component of the transaction price and represents an area of significant management estimate and judgment. Under the sales arrangements, at the time of sale of a rough diamond, the Company receives an initial payment based on an estimated polished outcome price.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

When the manufactured diamond is sold to an end buyer, HB is entitled to receive a fee and reimbursement for the cost of manufacturing. If the final sales price is higher than the initial estimated polished price a true up payment is payable to the Company. Any manufactured diamonds sold to an end buyer for less than the initial estimated polished price (after deductions for HB's fee and the cost of manufacturing) will result in the difference being refunded to HB.

Variable consideration is estimated using the most likely approach, as the Company considers this approach to be more predictive. The transaction price is reassessed each reporting period, including any adjustments to the amount of variable consideration recognized. The revenue recognized as the transaction price, including any variable consideration, is recognized within the constraint of "highly probable". In evaluating the most likely approach, significant judgment includes market conditions, the current estimated polished value provided by HB and the probability that the variable consideration would be realized.

(d) Decommissioning and site restoration

The Company has obligations for site restoration and decommissioning related to the Karowe Mine. The restoration provision is based on cost estimates of the future decommissioning and site restoration activities and are estimated by the Company using mine closure plans or other similar studies which outline the activities that will be carried out to meet the obligations. The restoration provision requires significant estimates and assumptions because the obligations are dependent on the laws and regulations of the country in which the mine operates and are based on future expectations of the timing, extent and cost of required decommissioning and site restoration activities. As a result, there could be significant adjustments to the provisions established.

(e) Deferred Taxes

The deferred tax provisions are calculated by the Company whilst the actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. Deferred tax liabilities arising from temporary differences are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future production and sales volumes, diamond prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures, dividends and other capital management transactions. These estimates and assumptions are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) *Basis of measurement*

These consolidated financial statements have been prepared under the historical cost convention, except for investments in equity securities and derivative financial instruments, which are measured at fair value.

(b) *Consolidation*

These consolidated financial statements include the accounts of the Company and all of its subsidiaries (see *Note 14 – Principal subsidiaries*).

Subsidiaries are entities controlled by the Company. An entity is controlled by the Company when as a group; it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. Where the Company's interest is less than 100%, the Company recognizes non-controlling interests. All intercompany balances, transactions, income, expenses, profits and losses, including unrealized gains and losses have been eliminated on consolidation.

(c) *Segment reporting*

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the person that makes strategic decisions. The CEO is deemed the chief operating decision-maker of the Company.

The Company's primary reporting segments are based on individual operating segments, being the Karowe Mine and Corporate and other. The Corporate office provides support to the Karowe Mine with respect to sales, treasury and finance, technical support, regulatory reporting and corporate administration and includes operations of the secure, digital diamond sales platform, Clara.

(d) *Foreign currency translation*

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars. The functional currency of the parent company, Lucara Diamond Corp., is the Canadian dollar.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Group companies

The functional currency of the most significant subsidiary of the Company, Lucara Botswana Proprietary Limited ("Lucara Botswana"), is the Botswana Pula. The functional currency of the Company and its other active subsidiary, Clara, is the Canadian dollar. The results and financial position of the group companies, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement.
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- (iii) All resulting exchange differences are recognized in other comprehensive income as cumulative translation adjustments.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. Cash and cash equivalents are recorded at fair value and subsequently measured at amortized cost.

(f) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. All recognized financial assets are measured subsequently at amortized cost or fair value through profit or loss or fair value through other comprehensive income.

At initial recognition, the Company classifies its financial instruments in the following categories:

- (i) Fair value through profit or loss: A financial asset or liability is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives, including interest rate swaps, are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations within "other gains and losses" in the period in which they arise.
- (ii) Fair value through other comprehensive income: The Company has made an irrevocable election to designate its investments in marketable equity securities as classified at fair value through other comprehensive income. Fair values are determined by reference to quoted market prices at the reporting date. When investments in marketable equity securities are disposed of or impaired, the cumulative gains and losses recognized in other comprehensive income are not recycled to profit and loss and remain within equity.
- (iii) Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost include cash, trade receivables, credit facility and trade payables and are included in current classification due to their short-term nature. Trade receivables and payables are non-interest bearing if paid when due and are recognized at their face amount, less, when material, a discount, except when fair value is materially different. Amounts drawn on the credit facility are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(g) Inventories

Inventories, which include rough diamonds, ore stockpiles and parts and supplies, are measured at the lower of cost and net realizable value. The amount of any write-down of inventories to net realizable value is recognized in the period the write-down occurs. Cost is determined using the weighted average method. Cost includes directly attributable mining overhead but excludes borrowing costs.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and selling expenses.

(h) Plant and equipment

Plant and equipment are stated at cost less accumulated amortization and impairment losses. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Amortization of each asset is calculated using the straight line or unit of production method to allocate its cost less its residual value over its estimated useful life. The estimated useful lives of plant and equipment are as follows:

Machinery and equipment	5 to 15 years
Plant facilities	based on recoverable reserves on a unit of production basis
Furniture and office equipment	2 to 3 years

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within "other gains and losses" in the statement of operations.

(i) Exploration and evaluation expenditures

Exploration and evaluation expenditures relate to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource. Exploration and evaluation activities include:

- Researching and analyzing historical exploration data;
- Gathering exploration data through topographical, geochemical and geophysical studies;
- Exploratory drilling, trenching and sampling; and
- Determining and examining the volume and grade of the resource.

Exploration and evaluation expenditures are expensed in the statement of operations as incurred on mineral properties not sufficiently advanced as to identify their development potential.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(j) Mineral properties

Costs associated with acquiring a mineral property are capitalized as incurred. When it has been established that a mineral property is considered to be sufficiently advanced and an economic analysis has been completed, all further expenditures for the current year and subsequent years are capitalized as incurred. Mineral property costs are amortized from the date of commencement of commercial production of the related mine on a units of production basis.

(k) Capitalized production stripping costs

During the production phase, mining expenditures (exploration or development costs) incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized to mineral properties. Stripping costs incurred in the production phase are accounted for as variable production costs. However, stripping costs are capitalized and recorded as deferred stripping, a component of mineral properties, when the stripping activity provides access to sources of reserves or resources that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. The deferred stripping costs are depleted on a unit-of-production basis over the reserves or resources that directly benefited from the stripping activity.

(l) Intangible assets

Intangible assets with finite lives consist of acquired trademarks, copyrights, patents and intellectual property that are initially capitalized at the purchase price plus any other directly attributable costs. These assets are amortized using the straight-line method over their estimated useful lives. Amortization of intangible assets will be included in the cost of sales, administrative expenses and/or research and development expenses, as appropriate.

Development expenditures relating to intangible assets are capitalized only if the expenditure can be measured reliably, the process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Judgment is required in determining the technical and commercial feasibility and in assessing the probability of future economic benefits. Amortization related to capitalized development costs is classified within depletion and amortization under operating expenses.

(m) Contingent consideration

Contingent consideration relating to an asset acquisition is recognized using the cost accumulation method when: (a) the conditions associated with the contingent payment are met; (b) the Company has a present legal or constructive obligation that can be estimated reliably; and (c) it is probable that an outflow of economic benefits will be required to settle the obligation.

(n) Impairment of non-financial assets

Long lived assets are reviewed at each reporting period for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are not yet available for use are reviewed for impairment annually. When impairment indicators exist, an impairment assessment is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(o) Provisions

Asset retirement obligations

The Company recognizes a liability for an asset retirement obligation on long-lived assets when a present legal or constructive obligation exists, as a result of past events and the amount of the liability is reasonably determinable. Asset retirement obligations are initially recognized and recorded as a liability based on estimated future cash flows discounted at a risk-free rate. This is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and amortized or depleted to operations over the life of the related asset.

Other provisions

Provisions are recognized when:

- the Company has a present legal or constructive obligation as a result of a past event;
- a reliable estimate can be made of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as finance costs.

(p) Income taxes

Income taxes are recognized in the statement of operations, except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity.

Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred taxes are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the sliding tax rate that is expected at the time of reversal and the laws that have been enacted or substantively enacted by the year end.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where there is a legal right to do so, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each year end and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

Uncertain tax positions and interest and penalties related to uncertain tax positions are accounted for under IFRIC 23, Uncertainty over Income Tax Treatments. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit or liability to recognize in the financial statements. The tax position is measured as the amount of benefit or liability that is likely to be realized upon ultimate settlement. The Company assesses the validity of conclusions regarding uncertain tax positions on a quarterly basis to determine if facts or circumstances have arisen that might cause the Company to change their judgment regarding the likelihood of a tax position.

(q) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Revenue recognition

Revenues from diamond sales are recognized when the purchaser obtains control of the diamond. For diamonds sold through tender or Clara, control is transferred when the Company receives payment for the diamonds sold and title is transferred to the purchaser according to contract terms.

Since 2020, the Company has sold its large stone production (diamonds greater than 10.8 carats) under arrangements with HB Antwerp. For diamonds sold under these arrangements, control is transferred when the stones are delivered and the analysis of the rough diamond are agreed according to the contract terms to which the stones relate. The initial purchase price paid for the rough diamonds is based on an initial estimated polished outcome with a true up paid to the Company if the actual achieved polished sales price (less a margin, including the cost of manufacturing) exceeds the initial price paid, or a repayment if the actual achieved polished sales price (less the margin, including the cost of manufacturing) is below the initial price paid, after fees. Thus, the arrangement contains elements of variable consideration as the Company's final consideration is contingent on price obtained in the future sale by the polished manufacturer. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal when the uncertainty has been subsequently resolved when the manufactured diamond is sold to an end buyer.

(s) Share-based compensation

The Company has share-based compensation plans, under which the entity receives services as consideration for equity instruments (stock options or share units) of the Company.

Stock options and equity-settled share units granted to employees are measured on the grant date. Stock options granted to non-employees are measured on the date that the goods or services are received. Share units which do not meet the criteria for equity-settlement are recorded as a liability and measured at fair value at each reporting period.

The fair value of the employee and non-employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options and share units granted and the vesting periods. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cash subscribed for the shares issued when the options are exercised is credited to share capital, net of any directly attributable transaction costs.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (continued)

(t) *Earnings (loss) per share*

Earnings (loss) per share is calculated by dividing the income or loss attributable to the shareholders of the Company by the weighted average number of common shares issued and outstanding during the year. Diluted income per share is calculated using the treasury stock method. In periods of loss basic and diluted earnings per share are the same as dilutive instruments have an anti-dilutive effect.

(u) *Leases*

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company leases various properties. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(v) *Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

5. RECEIVABLES AND OTHER

		2023		2022
Trade	\$	12,981	\$	18,769
Value-added and income taxes		13,927		5,301
Deferred financing fees (Note 10)		—		975
Prepayments		8,012		7,078
Other		130		979
	\$	35,050	\$	33,102

Trade receivables at December 31, 2023 were \$13.0 million (December 31, 2022 – \$18.8 million) due from HB. All amounts receivable from HB are current.

Revenue from diamond sales during the year ended December 31, 2023 includes \$106.2 million (December 31, 2022: \$128.7 million) sold to HB.

Value-added and income taxes receivable include \$5.0 million at December 31, 2023 which has been remitted to tax authorities, through the withholding of value-added tax refunds, to dispute an income tax assessment in Botswana (Note 17).

LUCARA DIAMOND CORP.

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6. INVENTORIES

		2023		2022
Rough diamonds	\$	19,217	\$	17,988
Ore stockpile		2,038		6,967
Parts and supplies		13,279		13,417
Total current inventories	\$	34,534	\$	38,372
Non-current inventories – ore stockpile	\$	38,719	\$	27,867

Inventory expensed during the year ended December 31, 2023 totaled \$78.6 million (December 31, 2022 – \$79.3 million). There were no inventory write-downs during the years ended December 31, 2023 and 2022.

The portion of the ore stockpile that is expected to be processed more than 12 months from year end is classified as non-current inventory.

7. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Furniture and office equipment	Vehicles	Right of use assets	Total
Balance, January 1, 2022	\$ 13,645	\$ 208,279	\$ 14,262	\$ 4,227	\$ 4,205	\$ 244,618
Additions	18,785	–	–	–	3,145	21,930
Reclassification	(11,937)	9,692	1,955	335	–	45
Translation differences	(1,353)	(17,205)	(1,225)	(355)	(451)	(20,589)
Balance, December 31, 2022	\$ 19,140	\$ 200,766	\$ 14,992	\$ 4,207	\$ 6,899	\$ 246,004
Additions	12,993	–	–	–	1,292	14,285
Reclassification (Note 8)	(12,073)	30,151	1,740	863	23,752	44,433
Disposals and other	(943)	(109)	(9)	(89)	(184)	(1,334)
Translation differences	(903)	(9,352)	(700)	(201)	(443)	(11,599)
Balance, December 31, 2023	\$ 18,214	\$ 221,456	\$ 16,023	\$ 4,780	\$ 31,316	\$ 291,789
Accumulated amortization						
Balance, January 1, 2022	\$ –	\$ 144,306	\$ 8,913	\$ 2,282	\$ 1,796	\$ 157,297
Depletion and amortization	–	7,843	2,469	618	2,854	13,784
Translation differences	–	(12,052)	(809)	(208)	(247)	(13,316)
Balance, December 31, 2022	\$ –	\$ 140,097	\$ 10,573	\$ 2,692	\$ 4,403	\$ 157,765
Depletion and amortization	–	7,166	2,465	235	1,205	11,071
Reclassification (Note 8)	–	4,056	148	412	985	5,601
Disposals and other	–	(39)	(6)	(88)	(184)	(317)
Translation differences	–	(6,474)	(499)	(129)	(212)	(7,314)
Balance, December 31, 2023	\$ –	\$ 144,806	\$ 12,681	\$ 3,122	\$ 6,197	\$ 166,806
Net book value						
As at December 31, 2022	\$ 19,140	\$ 60,669	\$ 4,419	\$ 1,515	\$ 2,496	\$ 88,239
As at December 31, 2023	\$ 18,214	\$ 76,650	\$ 3,342	\$ 1,658	\$ 25,119	\$ 124,983

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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8. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS

Cost	Capitalized production stripping asset	Karowe Mine	Karowe Underground Construction	Total
Balance, January 1, 2022	\$ 66,073	\$ 41,857	\$ 126,117	\$ 234,047
Additions	—	—	106,389	106,389
Borrowing cost capitalized	—	—	6,676	6,676
Adjustment to restoration asset	—	(1,669)	—	(1,669)
Reclassification	—	—	(45)	(45)
Translation differences	(5,368)	(3,336)	(14,277)	(22,981)
Balance, December 31, 2022	\$ 60,705	\$ 36,852	\$ 224,860	\$ 322,417
Additions	—	—	92,128	92,128
Borrowing cost capitalized	—	—	9,285	9,285
Adjustment to restoration asset	—	(472)	—	(472)
Assets put into use (Note 7)	—	—	(38,832)	(38,832)
Translation differences	(2,847)	(1,726)	(10,864)	(15,437)
Balance, December 31, 2023	\$ 57,858	\$ 34,654	\$ 276,577	\$ 369,089
Accumulated depletion				
Balance, January 1, 2022	\$ 43,381	\$ 33,088	—	\$ 76,469
Depletion	7,042	1,286	—	8,328
Translation differences	(3,776)	(2,734)	—	(6,510)
Balance, December 31, 2022	\$ 46,647	\$ 31,640	—	\$ 78,287
Depletion	5,851	1,415	—	7,266
Translation differences	(2,218)	(1,491)	—	(3,709)
Balance, December 31, 2023	\$ 50,280	\$ 31,564	—	\$ 81,844
Net book value				
As at December 31, 2022	\$ 14,058	\$ 5,212	\$ 224,860	\$ 244,130
As at December 31, 2023	\$ 7,578	\$ 3,090	\$ 276,577	\$ 287,245

Karowe Mine

A royalty of 10% of the gross sales value of diamonds produced from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the year ended December 31, 2023, the Company incurred a royalty expense of \$20.1 million (December 31, 2022: \$24.1 million).

The Karowe Underground Construction will not be depreciated until the asset is available for its intended use.

A 132 kV bulk power supply powerline, including the Letlhakane and Karowe substations, and an 11 kV transmission line to the Karowe Mine were completed and put into use on March 31, 2023. The assets, constructed pursuant to a self-build agreement, were handed over to Botswana Power Corporation who will own and operate the substations and lines. Consequently, \$23.3 million has been reclassified

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8. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS (continued)

from Karowe Underground Construction to Plant and Equipment as a right of use asset. The remaining assets reclassified relate to other Plant and Equipment put into use during the year.

Total borrowing costs of \$16.7 million (December 31, 2022 – \$7.8 million) during the period of construction relating to the Karowe Underground Construction asset have been capitalized to date. Capitalized borrowing costs include interest and other costs related to the project finance facility (Note 10).

9. INTANGIBLE ASSETS

Cost

Balance, January 1, 2022	\$	23,916
Development expenditures		90
Translation differences		(1,495)
Balance, December 31, 2022	\$	22,511

Impairment of intangible asset		(11,200)
Development expenditures		112
Translation differences		499
Balance, December 31, 2023	\$	11,922

Accumulated amortization

Balance, January 1, 2022	\$	3,192
Amortization		1,348
Translation differences		(253)
Balance, December 31, 2022	\$	4,287

Amortization		1,306
Translation differences		118
Balance, December 31, 2023	\$	5,711

Net book value

As at December 31, 2022	\$	18,224
As at December 31, 2023	\$	6,211

In 2018, the Company acquired the Clara platform, a secure, digital sales platform for rough diamonds. The consideration paid was allocated to intangible assets which will continue to be amortized over the remaining estimated useful economic life of 13 years as at December 31, 2023.

Impairment

At December 31, 2023, the Company identified an impairment indicator due to a change in the way the Company values the Clara platform and performed an impairment test. As a result of an impairment indicator being identified, the recoverable amount of the Clara platform was estimated and compared against its carrying value. An impairment of \$11.2 million was recorded.

The recoverable amount of the Clara CGU is based on the fair value less cost of disposal ("FVLCD") expected to be derived from the platform. The determination of FVLCD requires use of Level 1 valuation inputs.

As part of the purchase, contingent consideration was agreed to and will be recognized as additional purchase consideration for the intangible asset, if the obliging events occur. The contingent consideration consists of a profit-sharing allocation: cash payments based on 3.45% of the annual Earnings Before Interest, Tax, Depletion and Amortization ("EBITDA") generated by the sales platform and a pre-existing 13.3% annual EBITDA performance based contingent payments payable to the

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9. INTANGIBLE ASSETS (continued)

founders of the technology, to a maximum of \$20.9 million per year for 10 years and additional Lucara share payments to a combined maximum of 13.4 million shares if certain revenue triggers are reached beginning at \$200 million of cumulative revenue to \$1.6 billion of cumulative revenue. As of December 31, 2023, no contingent consideration has been recorded as no payment triggers are projected to occur.

10. CREDIT FACILITIES

	2023		2022	
<i>Current</i>				
Working capital facility	\$	35,000	\$	15,000
Revolving credit facility		-		338
Deferred financing fees (Note 5)	\$	-	\$	(975)
<i>Non-current</i>				
Project finance facility, net of fees	\$	86,515	\$	62,151
Due to related parties		15,000		-
Deferred financing fees	\$	(4,122)	\$	(5,410)

Senior secured project facility

On July 12, 2022, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, entered into a senior secured project financing debt package of \$220 million with a syndicate of five mandated lead arrangers (the "Lenders"): African Export-Import Bank (Afreximbank), Africa Finance Corp., ING, Natixis, and Société Générale, London Branch.

The Facilities were made up of the Project Finance Facility of \$170.0 million to fund the development of an underground expansion at the Karowe Mine, and a \$50.0 million senior secured Working Capital Facility, utilized to repay the Company's previous \$50.0 million revolving credit facility.

The Project Finance Facility may be used to fund the development, construction costs and construction phase operating costs of the underground expansion project as well as financing costs on the Facilities. As at December 31, 2023, \$90.0 million of the \$170.0 million facility was drawn.

Subsequent to year-end, the Company completed the Rebase Amendments with its lenders to modify the repayment schedule, adjust the Facilities to include a project finance facility of \$190.0 million and \$30.0 million working capital facility, extend the maturity date of its WCF to June 30, 2031 and certain other terms.

Under the Rebase Amendments, the Project Finance Facility matures on June 30, 2031, with quarterly repayments commencing on September 30, 2028. The Project Loan bears interest at Term SOFR plus a margin of 6.5% annually until the project completion date, 6.0% annually from project completion to June 30, 2029, and 7.0% annually thereafter. Commitment fees for the undrawn portion of the Project Loan are 35% of the margin.

The WCF may be used for working capital and other corporate purposes. As at December 31, 2023, \$35.0 million of the \$50.0 million facility was drawn. Following the Rebase Amendments, this facility bears interest at Term SOFR plus a margin of 6.5% annually for the period commencing from the date of the amendment to projection completion, 6.25% from project completion to June 30, 2029, and 7.25% annually thereafter with commitment fees for the undrawn portion at 35% of the margin.

Prior to June 30, 2025, extended in connection with the Rebase Amendments, the Company is required to place \$61.7 million in a COF as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the COF. The COF balance was \$18.6 million as at December 31, 2023. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and cashflow from operations.

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10. CREDIT FACILITIES (continued)

The Company incurred \$11.3 million of debt advisory, legal and due diligence fees in conjunction with arranging the initial 2021 Facilities. Costs of \$8.7 million were allocated to the Project Loan and initially recorded as deferred financing fees that are subsequently transferred as transaction costs proportional to the amount drawn under the Project Loan. Costs of \$2.6 million were allocated to the WCF as deferred financing fees, fully amortized. Transaction costs under the Project Loan are amortized over the remaining facility terms.

As at December 31, 2023, the Company was in compliance with all covenants under the Facilities but until the Rebase Amendments became effective, the Company was not permitted further draws from the Facilities.

Interest rate swap agreements

On December 14, 2021, under the terms of the Project Loan, the Company became party to a series of interest rate swap agreements on 75% of the principal amount available, up to \$127.5 million. Structured around the original expected Project Loan drawdown schedule, the Company receives interest at the rate equivalent to the three-month USD LIBOR and pays interest at a fixed rate of 1.682% on a quarterly basis. Effective June 30, 2023, the interest rate swaps were amended to replace LIBOR with Term SOFR plus a credit adjustment spread. The final interest rate swap matures on March 31, 2028.

As at December 31, 2023 the interest rate swaps had a total unrealized fair value of \$8.1 million (December 31, 2022: \$9.8 million), of which \$3.0 million has been classified as a current asset. A loss of \$1.7 million was recognized in 2023 for the movement in the unrealized fair value (December 31, 2022: gain of \$10.7 million). The fair value of the interest rate swap is based on the difference between the three-month USD Term SOFR forward curve and the fixed rate of 1.682%, with the net interest due in the next twelve months classified as current.

Debenture

In connection with the Rebase Amendments (Note 1), in August 2023 the Company's largest shareholder, Nemesia provided a liquidity support guarantee of up to \$15.0 million in aggregate (the "Liquidity Guarantee"). As consideration for providing the Liquidity Guarantee, Lucara issued 450,000 common shares to Nemesia. In November 2023, the Company provided noticed under the Liquidity Guarantee and issued the \$15.0 million debenture (the "Debenture") to Nemesia and issued 450,000 common shares to Nemesia as a fee upon execution of the Debenture. For each \$500,000 outstanding under the Debenture, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. The Debenture matures August 29, 2029. As of December 31, 2023 a total of 127,500 shares were issued in consideration for amounts borrowed.

Clara revolving credit facility

On September 28, 2022, the Company's wholly-owned subsidiary, Clara, with Lucara Diamond Corp. as guarantor, entered into a revolving credit facility agreement of \$4.0 million with FirstRand Bank Limited, acting through its Rand Merchant Bank Division (the "Clara Facility"). The Clara Facility is used for inventory and working capital purposes. During the year, an agreement was reached to extend the Facility for a further year, until September 28, 2024. As at December 31, 2023, \$nil (December 31, 2022: \$0.3 million) of the facility was drawn. The facility bears interest at SOFR plus a margin of 6.0%.

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11. RESTORATION PROVISIONS

The Company's restoration provisions relate to the rehabilitation of the Karowe Mine in Botswana. The provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments. The Company has applied a pre-tax discount rate of 8.7% at December 31, 2023 (2022 – 8.5%) and an annual inflation rate of 4.5% at December 31, 2023 (2022 – 4.6%). Rehabilitation costs at the Karowe Mine are expected to commence during 2046 (the end of the current mining license). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately \$34.2 million (2022 - \$33.0 million).

		2023		2022
Balance, beginning of year	\$	13,649	\$	15,346
Changes in rates and estimates		(472)		(1,669)
Accretion of liability component of obligation		1,205		1,202
Foreign currency translation adjustment		(644)		(1,230)
Restoration provisions	\$	13,738	\$	13,649

12. SHARE CAPITAL

During the year ended December 31, 2023, 1,027,500 common shares (\$0.3 million), were issued to Nemesia consisting of 900,000 common shares for providing access to a liquidity guarantee and 127,500 common shares for payment of interest on its Debenture (Note 10).

Under the Project Loan (Note 10), the Company's largest shareholder, Nemesia provided a limited standby undertaking to the Company of up to \$25.0 million in the event of a funding shortfall occurring up to September 2, 2024. Subsequent to year-end, Nemesia amended the limited standby undertaking to an amount of up to \$63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the COF to \$61.7 million by June 30, 2025 and ii) in the event of a funding shortfall, support up to \$35.0 million occurring prior to project completion. A further 1,900,000 common shares were paid as consideration in January 2024.

A further 600,000 common shares will be issuable should the undertaking be called upon. For each \$500,000 drawn down under the standby undertaking, the Company will be required to issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid.

13. SHARE BASED COMPENSATION

a. Stock options

The Company's stock option plan (the 'Option Plan') was approved by the Company's Shareholders initially on May 13, 2015 and has since been amended, with Shareholder approval, several times. Amendments to the Option Plan were most recently approved by Shareholders on May 12, 2023. Under the terms of the amended Option Plan, a maximum of 10,000,000 shares are reserved for issuance upon the exercise of stock options. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted in 2023 cliff vest following a three-year period and expire five years from the date of grant.

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13. SHARE BASED COMPENSATION (continued)

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of shares issuable pursuant to stock options	Weighted average exercise price per share (CA\$)
Balance at January 1, 2022	6,249,000	\$ 1.26
Granted	2,332,000	0.66
Expired	(1,065,000)	2.35
Forfeited	(1,102,000)	1.06
Balance at December 31, 2022	6,414,000	\$ 0.89
Granted	2,412,000	0.57
Expired	(1,134,000)	1.64
Forfeited	(1,148,000)	0.65
Balance at December 31, 2023	6,544,000	\$ 0.68

Options granted to acquire common shares are outstanding at December 31, 2023 as follows:

Outstanding Options				Exercisable Options		
Range of exercise prices CA\$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)
\$0.50 - \$0.74	3,765,000	3.21	0.61	1,284,999	2.78	0.63
\$0.75 - \$0.79	2,779,000	0.73	0.78	2,404,000	0.67	0.78
	6,544,000	2.16	\$ 0.68	3,688,999	1.40	\$ 0.73

During the year ended December 31, 2023, an amount of \$0.3 million (2022 – \$0.4 million) was charged to operations in recognition of share-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:

	2023	2022
Assumptions:		
Risk-free interest rate (%)	2.99	1.59
Expected life (years)	4.54	3.63
Expected volatility (%)	49.81	51.56
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	CA\$0.25	CA\$0.25

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13. SHARE BASED COMPENSATION (continued)**b. Restricted and performance share units**

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for certain members of the management team. Amendments to the SU plan, including a decrease in the common shares reserved for issuance upon the vesting of SUs to 17,000,000 were approved by Shareholders at the May 12, 2023 annual meeting.

SUs typically vest three years from the date of grant and certain share units include performance metrics, some of which provide for annual vesting. Each SU entitles the holder to receive one common share and the cumulative dividend equivalent SU earned during the SU's vesting period. The value of each SU at the vesting date is equal to the closing value of one Lucara common share plus the cumulative dividend equivalent which was earned over the vesting period.

For the year ended December 31, 2023, the Company recognized a share-based payment charge of \$0.8 million (2022 – \$1.3 million) for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA\$)
Balance at January 1, 2022	5,234,848	\$ 0.83
Granted	2,860,000	0.64
Redeemed	(1,038,848)	1.14
Balance at December 31, 2022	7,056,000	\$ 0.71
Granted	3,337,000	0.57
Redeemed	(2,876,001)	0.74
Cancelled	(3,902,999)	0.62
Balance at December 31, 2023	3,614,000	\$ 0.65

c. Deferred share units ("DSUs")

The Company's deferred share unit plan was approved by the Company's Shareholders initially on May 8, 2020. Amendments providing for the issuance of up to 4,500,000 DSUs to eligible directors were most recently approved on May 12, 2023. Directors can elect to receive up to 100% of their fees earned in DSUs, awarded quarterly. DSUs vest immediately and are paid out upon retirement from the Board of Directors of the Company. Each DSU entitles the holder to receive one common share and the cumulative dividend equivalent DSU earned prior to the payout date. The value of each DSU at the grant date is equal to the closing value of one Lucara common share. The DSU Plan is a cash-settled share-based compensation plan and is recorded as a liability. Upon payout, the director can elect to receive the value in cash or common shares of the Company.

For the year ended December 31, 2023, the Company recognized a share-based payment charge of \$0.4 million (2022 – \$0.3 million) related to the DSUs granted.

	Number of DSUs	Estimated fair value (CA\$)
Balance at January 1, 2022	1,234,510	\$ 0.59
Granted	881,593	\$ 0.58
Balance at December 31, 2022	2,116,103	\$ 0.50
Granted	1,056,053	\$ 0.47
Balance at December 31, 2023	3,172,156	\$ 0.49

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14. PRINCIPAL SUBSIDIARIES

The Company had the following direct and indirect wholly owned subsidiaries at December 31, 2023 and 2022:

Name	Country of incorporation and place of business	Nature of business
African Diamonds Limited.	UK	(1)
Clara Diamond Solutions BV ⁽²⁾	Belgium	(1)
Clara Diamond Solutions Limited Partnership	Canada	Diamond sales platform
Clara Diamond Solutions GP Inc.	Canada	(1)
Lucara Management Services Limited	UK	(1)
Lucara Diamond Holdings Inc.	Mauritius	(1)
Boteti Diamond Holdings Inc.	Mauritius	(1)
Wati Ventures Proprietary Limited	Botswana	(1)
Debwat Exploration Proprietary Limited	Botswana	(1)
Lucara Botswana Proprietary Limited	Botswana	Diamond mining

(1) Intermediate holding company

(2) Incorporated March 14, 2022

The Company has pledged the shares held in Lucara Botswana Proprietary Limited, through the various intermediate holding companies, to secure the Facilities (Note 10). The Company is not allowed to pledge the shares held as security for other borrowings.

15. REVENUE

	2023	2022
Revenue from diamond sales	\$ 177,371	\$ 212,934

Revenue from diamond sales includes \$20.2 million (2022: \$36.9 million) in diamond sales to HB that is considered variable.

The Company's right to consideration is contingent upon the manufactured diamond being sold to an end buyer, with market conditions and the current estimated polished value provided by HB (on a stone-by-stone basis) being considered in estimating the amount of variable consideration that is highly probable as at the reporting date.

At December 31, 2023, an advance of \$20.0 million (December 31, 2022 - \$12.0 million) was received from HB as a prepayment on the 549-carat Sethunya diamond. Revenue will be recognized when the manufactured diamonds are sold and will be based on the actual sales price less a fee and the cost of manufacturing.

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FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

16. ADMINISTRATION

	2023		2022	
Salaries and benefits	\$	7,797	\$	7,849
Professional fees		4,870		3,070
Insurance, office, and general		1,698		2,038
Promotion		1,054		1,136
Stock exchange, transfer agent, shareholder communication		334		306
Travel		727		1,086
Share-based compensation (Note 13)		1,440		1,977
Depreciation		815		446
Sustainability and donations ⁽¹⁾		880		1,211
	\$	19,615	\$	19,119

17. INCOME TAXES

	2023		2022	
Current	\$	3,483	\$	307
Deferred		29,268		24,071
Income tax expense	\$	32,751	\$	24,378

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to net income before tax. These differences result from the following items:

	2023	2022
Statutory tax rate	27.00%	27.00%
Net (loss) income before tax	12,560	64,811
Computed income tax expense	3,391	17,499
Differences between Canadian and foreign tax rates	(1,880)	(3,729)
Differences in Botswana variable tax rates	19,352	7,702
Non-deductible expenses and other permanent differences	2,542	1,179
Change in deferred tax assets not recognized	4,613	1,912
Other	3,793	–
Withholding taxes	940	(185)
	\$ 32,751	\$ 24,378

The Company is subject to a variable tax rate in Botswana based on a profit and revenue ratio which increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). The Company has estimated the variable tax rate to be 37.8% in 2023 (2022: 33.0%) for deferred income taxes based on current financial performance and the life of mine plan which includes the Karowe underground expansion.

The Company has not recognized deferred tax liabilities in respect of historical unremitted earnings from foreign subsidiaries for which the Company is able to control the timing of the remittance and which are considered by the Company to be reinvested for the foreseeable future. At December 31, 2023, these earnings amount to \$192.7 million (2022: \$198.3 million). All of these earnings would be subject to withholding taxes if they were remitted by the foreign subsidiaries.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

17. INCOME TAXES (continued)

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

		2023		2022
Balance, beginning of year	\$	87,808	\$	70,285
Deferred income tax expense		29,268		24,071
Foreign currency translation adjustment		(4,313)		(6,548)
Balance, end of year	\$	112,763	\$	87,808
Deferred income tax assets and liabilities recognized		2023		2022
<i>Deferred income tax assets</i>				
Non-capital losses	\$	16,325	\$	11,723
Accounts payable and other		2,059		—
Unrealized foreign exchange loss		978		1,144
Restoration provisions		3,022		3,003
Total deferred income tax assets		22,384		15,870
<i>Deferred income tax liabilities</i>				
Mineral properties, plant and equipment		135,147		101,268
Other		—		2,410
Deferred income tax liabilities		135,147		103,678
Deferred income tax liabilities, net	\$	112,763	\$	87,808
Deferred income tax assets not recognized		2023		2022
Tax losses	\$	35,346	\$	29,728
Mineral properties, plant and equipment		379		59
Other deductible temporary differences		262		445
	\$	35,987	\$	30,232

As at December 31, 2023, the Company has non-capital losses for income tax purposes which expire as follows:

	2024	2025	2026	Subsequent to 2026	No expiry date	Total
Botswana	\$ —	\$ —	\$ —	\$ —	\$ 55,418	\$ 55,418
Canada	—	—	—	121,547	—	121,547
United Kingdom	—	—	—	—	5,619	5,619
	\$ —	\$ —	\$ —	\$ 121,547	\$ 61,037	\$ 182,584

No tax benefit has been recorded for the Canadian and United Kingdom non-capital losses.

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17. INCOME TAXES (continued)

Various tax matters are outstanding from time to time. Judgements and assumptions regarding these matters are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations. If management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur. Lucara Botswana received an additional assessment from the Botswana Unified Revenue Service for the fiscal years 2016 - 2020 related to the tax deductibility of certain expenditures associated with the Company's operations in Botswana. The additional taxes, interest and penalties assessed for the fiscal years 2016-2020 were approximately \$7.0 million. The Company has paid the additional assessment and filed a notice of objection. The Company believes that its tax positions are valid and intends to vigorously defend its tax filing positions.

18. EARNINGS (LOSS) PER COMMON SHARE*a) Basic*

Basic earnings per common share is calculated by dividing the net income or loss attributable to the shareholders of the Company by the weighted average number of common shares outstanding during the year.

b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of common shares outstanding to assume conversion of all dilutive potential common shares. For stock options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's outstanding shares for the year), based on the exercise prices attached to the stock options. The number of shares calculated below is compared with the number of shares that would have been issued assuming the exercise of stock options. Share units are, by their nature, dilutive and included in the calculation on a weighted average basis during the year.

	2023	2022
Net (loss) income for the year	\$ (20,191)	\$ 40,434
Weighted average number of common shares outstanding	454,781,585	453,479,480
Adjustment for share units	-	8,473,773
Weighted average number of common shares for diluted earnings per share	454,781,585	461,953,253
Basic and diluted earnings per share	\$ (0.04)	\$ 0.09

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19. RELATED PARTY TRANSACTIONS*a) Key management compensation*

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

		2023		2022
Salaries and wages	\$	3,637	\$	2,256
Short term benefits		34		27
Share based compensation		991		1,226
	\$	4,662	\$	3,509

b) Clara acquisition

At the time of Lucara's acquisition of Clara, a former officer of the Company was also a shareholder of Clara. If all the Clara performance milestones are reached, this individual will receive an additional 74,999 common shares of Lucara. Following the acquisition of Clara, Lucara appointed a new director and a new officer, each of whom had been a shareholder of Clara at the time of its acquisition by the Company. If all the Clara performance milestones are reached, these individuals will be entitled to receive an additional 600,000 common shares and 74,999 common shares of Lucara.

Pursuant to the profit sharing described in Note 9, a total of 3.45% of the EBITDA generated by the platform has been assigned to a former director and officer of Lucara, both founders of Clara. A further 3.22% of the EBITDA generated by the platform may be distributed to a member and former member of management, at the discretion of Lucara's Compensation Committee, based on the achievement of key performance targets. As at December 31, 2023, no amounts have been paid under this profit sharing mechanism to date.

LUCARA DIAMOND CORP.

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

20. SEGMENT INFORMATION

The Company's primary business activity is the operation of an open-pit diamond mine in Botswana. The Company has two operating segments: Karowe Mine and Corporate and other.

2023			
	Karowe Mine	Corporate and other	Total
Revenues ⁽¹⁾	\$ 172,400	\$ 4,971	\$ 177,371
Income (loss) from operations	62,536	(2,120)	60,416
Finance expenses	(6,093)	1,587	(4,506)
Loss on derivative financial instrument	(1,712)	—	(1,712)
Exploration	(1,244)	—	(1,244)
Foreign exchange loss	(4,823)	(351)	(5,174)
Loss on disposal of assets	(943)	—	(943)
Administrative and other	(11,517)	(22,760)	(34,277)
Taxes	(32,489)	(262)	(32,751)
Net income (loss) for the year	\$ 3,715	\$ (23,906)	\$ (20,191)
Capital expenditures	\$ 115,683	\$ 112	\$ 115,795
Total assets	\$ 566,382	\$ 9,421	\$ 575,803

2022			
	Karowe Mine	Corporate and other	Total
Revenues ⁽¹⁾	\$ 203,803	\$ 9,131	\$ 212,934
Income (loss) from operations	86,722	(2,120)	84,602
Finance expenses	(3,420)	(270)	(3,690)
Gain on derivative financial instrument	10,662	—	10,662
Exploration	(835)	—	(835)
Foreign exchange loss	(3,912)	(20)	(3,932)
Administrative and other	(10,255)	(11,740)	(21,995)
Taxes	(24,089)	(289)	(24,378)
Net income (loss) for the year	\$ 54,873	\$ (14,439)	\$ 40,434
Capital expenditures	\$ 125,331	\$ 90	\$ 125,421
Total assets	\$ 470,814	\$ 25,025	\$ 495,839

(1) During the year ended December 31, 2023, one customer generated 60% (2022 – 60%) of the Company's revenue.

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

	Plant and equipment		Mineral properties		Other	
	2023	2022	2023	2022	2023	2022
Canada	\$ 130	\$ 225	\$ —	\$ —	\$ 7,022	\$ 18,886
Belgium	8	40	—	—	—	—
Botswana	124,845	87,974	287,245	244,130	70,622	44,245
	\$ 124,983	\$ 88,239	\$ 287,245	\$ 244,130	\$ 77,644	\$ 63,131

Depletion and amortization expense for Karowe Mine and Corporate and other during the year ended December 31, 2023 totaled \$16.6 million and \$1.7 million, respectively (2022 – \$23.8 million and \$1.6 million).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

21. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) *Measurement categories and fair values*

Financial assets and liabilities have been classified into categories that determine their basis of measurement. Those categories are fair value through profit and loss; fair value through other comprehensive income and amortized cost.

The value of the Company's financial instruments at fair value through other comprehensive income is derived from quoted prices in active markets for identical assets. 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.

b) *Fair value hierarchy*

The following table classifies financial assets and liabilities that are recognized 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).

	2023		2022	
Level 1: Fair value through other comprehensive income				
– Investments	\$	811	\$	661
Level 2: Derivative financial instruments	\$	8,107	\$	9,820
Level 3: N/A				

c) *Financial risk management*

The Company's financial instruments are exposed to certain financial risks, including currency, credit, liquidity and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At December 31, 2023, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$3.2 million in net income for the period.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. To manage liquidity risk, regular cash flow forecasting is performed in the operating entities of the Company and aggregated in the head office to understand what level of capital is required. Rolling forecasts of the Company's liquidity requirements are prepared and monitored to assess whether there is sufficient cash available to meet the Company's short and longer-term operational needs. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity which can be accessed through the working capital facility.

The contractual maturities of long-term debt, and interest rate swaps are disclosed in Note 10.

LUCARA DIAMOND CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

21. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Subsequent to December 31, 2023, as part of the Rebase Amendments, the Company received an extension on its WCF to June 30, 2031 and the amount of the WCF was amended to \$30.0 million. Historically, the Company has used the WCF to manage its short-term working capital requirements.

As a condition of the Facilities Agreement, the Company is required to place \$61.7 million in the COF by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at December 31, 2023, the COF balance was \$18.6 million. This amount is classified within other non-current assets.

Further details regarding the Company's liquidity risk are disclosed in Note 1 and 10.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash and cash equivalents by holding its deposits with international financial institutions with strong investment-grade ratings. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered into with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tender or on Clara.

On September 28, 2023, the Company terminated the sales agreement with HB. The termination increased the credit risk on amounts due from HB. Under the terms of this sales agreement, a larger proportion of the Company's goods, by value, were sold through HB to buyers of polished diamonds. The credit risk associated with these sales was concentrated with HB, a single customer, and payment terms were longer (60 to 120 days) than the Company's traditional tender sales and sales held through Clara (5 days). The Company maintained legal title over goods sold to HB until the initial determined estimated polished price was paid and monitored outstanding amounts for collectability. All amounts are current at December 31, 2023.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates.

The Company mitigates interest rate risk on its Project Finance Facility through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 10). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding credit or charge to profit.

In December 2021, the Company entered into contracts to exchange the variable interest rate (three-month USD LIBOR; amended to Term SOFR) for a fixed interest rate of 1.682% on 75% of its expected borrowings from the Project Loan (approximately \$127.5 million). Interest rates increased rapidly through 2022. The Company is exposed to these interest rate increases through 25% of its expected borrowings from the Project Loan, amounts drawn from its WCF and from its revolving facility.

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

21. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana, margin earned on the sale of rough diamonds sold through Clara and polished diamond sales through HB. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the sales arrangements with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size was based on a polished diamond pricing mechanism. This pricing mechanism resulted in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds softened in the first half of 2023 following significant price improvements between late 2021 and mid-2022.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

22. COMMITMENTS

As at December 31, 2023, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the underground expansion project amounted to \$77.2 million (December 31, 2022 - \$111.5 million). The following table summarizes the approximate timing of the commitments (undiscounted) at December 31, 2023:

		2024	2025	2026	2027 and 2028	Total
Underground expansion project	\$ million	36.3	24.2	12.7	4.0	77.2

23. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes costs of capital at an acceptable risk.

In the management of capital, the Company considers items included in equity attributable to shareholders and the Facilities to be capital.

The Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the Company's assets. To maintain or adjust the capital structure, the company may attempt to issue new shares or debt instruments, acquire or dispose of assets, or to bring in joint venture partners.

To facilitate the management of its capital requirements, the Company prepares annual expenditures budgets and life-of-mine plans which are updated as necessary depending on various factors, including successful capital deployment and general industry conditions. The annual and updated budgets and life-of-mine plan are approved by the Board of Directors.

LUCARA DIAMOND CORP.

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24. IMPAIRMENT TEST – KAROWE MINE

The Company completed an assessment of impairment indicators for the Karowe Cash Generating Unit (“CGU”), comprised of mineral properties, plant and equipment. On July 16, 2023, the Company announced an update to the UGP schedule that extended the anticipated duration of construction and increased the estimated capital cost. This update was considered to be an indicator of impairment at June 30, 2023. No additional indicators of impairment have been noted as at December 31, 2023.

As a result of an impairment indicator being identified, the recoverable amount of the Karowe CGU was estimated and compared against its carrying value. No impairment was identified.

The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected to be derived from the mining properties and represents the CGU’s fair value less cost of disposal (“FVLCD”). The determination of FVLCD requires use of Level 2 and Level 3 valuation inputs. The significant assumptions that impact the discounted projected cash flows used in determining the FVLCD are set out below.

Significant assumptions as at June 30, 2023

Discount rate	A discount rate of 11.0%, calculated based on a real weighted cost of capital including the effect of factors such as market, project, and country risk.
Economically recoverable reserves, including production timing and volume	The current Karowe mine plan anticipates planned commencement of production from the underground by mid-2028. Production volumes and life of mine plans include economically recoverable reserves from the most recent reserve and resource estimate based on technical studies undertaken in-house and by third party specialists that consider internal management forecasts and long-term development plans and expectations for the Karowe mine. The current mine plan does not assume the conversion of additional resources which are not currently categorized as reserves.
Diamond prices	The diamond price range is between \$392 and \$828 per carat, depending on the source of the ore, and these prices have been set with reference to recently achieved pricing and market trends, supported by industry views of long-term diamond market fundamentals. Diamond prices are not escalated and remain unchanged over the life of mine. The estimated contribution of exceptional diamonds, defined as an individual diamond sold for more than \$10.0 million, is determined with reference to historical trends and management’s expectations based on the source of future production.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

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

24. IMPAIRMENT TEST – KAROWE MINE (continued)

Capital expenditure to complete development of the UGP, production costs and future sustaining capital expenditures	Capital to complete development of the UGP is based on the revised project schedule and an estimated cost to complete of \$419 million at June 30, 2023.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. With operations in Botswana, a large proportion of operating costs and sustaining capital expenditure is denominated in Botswana pula. The exchange rate range used for the Karowe CGU is between 12.50 and 13.00 Botswana pula to the U.S. dollar.

Sensitivity analysis Q2 2023

The Company analyzed the sensitivity of the impairment test to reasonably possible changes in the significant assumptions used to determine the recoverable amount for the Karowe CGU. At June 30, 2023, no changes to any of the significant assumptions would, individually, result in an impairment of the CGU:

- Increase in discount rate by 3%;
- Reducing diamond pricing by 15% over the life of mine;
- Reducing production over the life of mine by 10%, through lower grades, recovery rates or a combination of these and other factors;
- Increasing underground project capex, operating cost and sustaining capital by 20%, whether through escalation of costs, the impact of changes in foreign exchange rate or other factors.

25. SUBSEQUENT EVENTS

On February 18, 2024, the Company announced the signing of a New Diamond Sales Agreement (“NDSA”) with HB in respect of all qualifying diamonds produced in excess of 10.8 carats in size from the Karowe Mine. The NDSA is subject to the approval of the Company's project lenders and the Government of the Republic of Botswana. Upon such approval, the agreement terms will be effective retroactively from December 1, 2023. Since that time, Lucara has continued to supply qualifying rough diamonds to HB in order to fund its operations and the Karowe UGP.

Additional subsequent events are disclosed in Note 1 and 10.

APPENDIX 3

[THE ISSUER'S Q1 2026 REPORT]



MANAGEMENT'S DISCUSSION AND ANALYSIS March 31, 2026

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. ("Lucara" or the "Company") and its subsidiaries' performance and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the condensed interim consolidated financial statements of the Company for the period ended March 31, 2026 (the "Interim Financial Statements"), which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, under International Accounting Standard 34, *Interim Financial Reporting*. All amounts are expressed in U.S. dollars unless otherwise indicated. References to "C\$" are to Canadian dollars.

The technical information related to mineral resources in the MD&A was prepared under the supervision of Dr. Lauren Freeman (Ph.D., Pr. Sci Nat), Lucara's Vice-President, Mineral Resources, and a Qualified Person, as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

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 and, in the Company's, Annual Information Form ("AIF"). The AIF along with additional information about the Company and its business activities are available on SEDAR+ at www.sedarplus.ca.

The effective date of this MD&A is May 7, 2026.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type IIa diamonds from its 100% owned Karowe diamond mine in north-central Botswana ("Karowe"). Karowe is the only diamond mine in the world to have recovered nine diamonds in excess of 1,000 carats in weight. Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Karowe is transitioning from open pit to underground mining with the development of the Karowe Underground Project (the "UGP"). The UGP is designed to access the highest value portion of the Karowe orebody. Underground development ore from the UGP is scheduled to begin replacing unprocessed run-of-mine stockpiles in H2 2027, with full-scale underground production planned for the first half of 2028.

Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations. Lucara is certified by the Responsible Jewellery Council, complies with the Kimberley Process, and has adopted the IFC Performance Standards and the World Bank Group's Environmental, Health and Safety Guidelines for Mining. The development of the UGP adheres to the Equator Principles. Lucara is committed to upholding high standards while striving to deliver long-term economic benefits to Botswana and its surrounding communities.

The Company's corporate office is in Vancouver, Canada and its common shares trade on the Toronto Stock Exchange, the Nasdaq First North Growth Market, and the Botswana Stock Exchange under the symbol "LUC".

HIGHLIGHTS – Q1 2026

- Completed a C\$165.0 million equity financing and issued \$350.0 million of senior secured bonds in Q1 2026, and fully repaid \$220.0 million of project debt, strengthening the Company's capital structure. The bonds include a tap option which allows for an additional \$50.0 million of issuance and an option to establish a revolving credit facility of up to \$50.0 million.
- Updated feasibility study for the underground project indicates total capital cost of \$779.2 million, with \$472.4 million incurred to date. The Company now has sufficient access to capital to advance the UGP through to completion, with first production expected in H1 2028.
- Q1 2026 revenue was \$21.8 million (Q1 2025: \$30.3 million), reflecting a higher proportion of stockpile processing during the period due to unseasonal weather impacting open pit mining. Run-of-mine stockpiles comprise ore previously mined but not yet processed, and are inherently variable in grade and quality, which affected realized recoveries in the quarter. Open pit mining resumed on March 26, 2026 and is expected to conclude later in the year.
- Operating cost of \$24.74 per tonne processed (Q1 2025: \$23.41), an increase of 6% compared to the prior year and remaining within full year guidance. The increase primarily reflects transitional mining activities, including equipment demobilisation costs as well as higher power costs.
- Recovered 100 Specials¹ (Q1 2025: 139), including five stones greater than 100 carats and one exceeding 300 carats.
- Rough diamond inventory includes the 36.92 carat blue Type IIB diamond (recovered from stockpile material) and the 2,488 carat Motswedi diamond expected to contribute to future revenue and cash flow upon sale.
- Despite lower revenue and higher costs in Q1 2026, the Company is maintaining its full year outlook. Revenue guidance remains unchanged at \$100.0 million to \$130.0 million, supported by the planned return to open pit mining, with all other guidance parameters also reaffirmed.

¹ Specials are defined as stones above 10.8 carats.

KAROWE UNDERGROUND PROJECT UPDATE

The UGP is designed to access the highest value portion of the Karowe orebody, with initial planned underground carat production predominantly from the EM/PK(S)² unit. The UGP is expected to extend the mine life to 2038.

On January 30, 2026, the Company announced an update to the UGP schedule and budget (the “Updated Feasibility Study”) ([link to news release](#)). Production from the UGP is anticipated in H1 2028, with a total estimated cost at completion of \$779.2 million (including contingency). As at March 31, 2026, cumulative UGP capital expenditures of \$472.4 million had been incurred. Committed, not yet incurred, UGP costs are \$117.7 million as at March 31, 2026. The Updated Feasibility Study incorporates construction progress, revisions to exchange rates, inclusion of Legacy stone³ values, and costs incurred to date, and updates to hydrogeological and geomechanical models, mine design, method and scheduling. From H1 2026 to H1 2028, the Company will process a combination of ore from open pit operations and run-of-mine stockpiled materials, comprising ore previously mined but not yet processed.

The UGP has progressed well, highlighted by reaching the bottom of the 776 metres (“m”) production shaft and the 729 m ventilation shaft in 2025, significantly de-risking the project as shaft sinking activities were concluded. The UGP has achieved 2,249 lost-time injury free days. The project-to-date Total Recordable Injury Frequency Rate (“TRIFR”) was 0.54, below the project target of 0.90, with a 12-month rolling TRIFR of 0.34.

Total UGP capital expenditures for Q1 2026 were \$19.0 million⁴. Expenditures were primarily directed toward shaft development and equipping, lateral development, and surface infrastructure.

Ventilation Shaft

The ventilation shaft continued advancing development on two primary fronts at the 310-level⁵ and 285-level throughout Q1 2026. During Q1 2026, a total of approximately 491 m of lateral development was advanced across both levels, bringing project-to-date lateral development to 1,245 m as at March 31, 2026, well in advance of the planned stage of development hand-over to the lateral development contractor, reducing execution risk. Construction activities completed at the 285-level during the quarter included pre-assembly and installation of airlock doors and the commencement of the temporary side-loading conveyor arrangement. Water intersections encountered at the 310-level during February were effectively managed through targeted grouting programs, demonstrating the project team’s ability to efficiently anticipate and respond to hydrogeological conditions.

Production Shaft

The production shaft advanced through several significant milestones during Q1 2026. In January, shaft equipping activities progressed with bunton and guide installation, and the 670-level shaft station steel was completed. Through February, surface equipping works commenced, including removal of stage bank steel, bank doors, the banksman cabin, and sub-bank platforms. By the end of March, the production shaft completed shaft barrel equipping with guides and buntions installed to surface level, marking the completion of the equipping phase. This was followed by decommissioning of the sinking setup, including removal of sinking equipment, structural steel, and winder ropes. The headgear changeover commenced in March with the onboarding of steelwork crews and initiation of steel installation on a level-by-level basis.

Lateral Development and Surface Infrastructure

In Q4 2025, the Company executed a lateral development contract covering all underground lateral development from the production shaft to the orebody, including construction of the extraction level, underground crushing chamber, fine ore bins, pump stations, drilling horizons, workshop facilities, and all connecting infrastructure required to advance towards the kimberlite. During Q1 2026, the contractor completed its site visit and kickoff meeting, with onboarding of key personnel and mobilization activities underway as at March 31, 2026.

Surface infrastructure activities progressed during Q1 2026, with civil works for the main surface ventilation fans advancing through earthworks and foundation construction. Procurement and manufacture of long-lead fan components continued throughout the quarter.

² EM/PK(S): Eastern magmatic/pyroclastic kimberlite (south).

³ Legacy stone refers to rough stones sold for a value greater than \$5.0 million.

⁴ Excludes qualifying borrowing cost capitalized.

⁵ Each level is equivalent to a metre above sea level.

Activities planned for the UGP in Q2 2026 include the following:

- Continue with production shaft headgear changeover, including stripping and installation of permanent steel at remaining headgear levels, and advancing bin and chute installation works.
- Advance lateral development at the 310-level, including side-loading conveyor installation and sump completion at the 285-level, and initiation of 470-level development works for ore pass raiseboring.
- Complete civil works and commence installation of main surface ventilation fans.
- Continue with operational readiness including advancing staffing plans, finalizing operating procedures, and preparing for operation and maintenance of permanent infrastructure.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains cautious amid ongoing structural changes in the market. Lab-grown diamond prices have continued to decline through 2026 as production capacity continues to outpace demand. Global natural diamond production is forecasted to decline further, following significant production guidance cuts by the major diamond producers at the lowest supply levels since the late 1980s.

In the near term, larger natural diamonds are showing signs of price resilience, supported by limited global supply and improving demand for the category. However, mid-range and lower-grade stones remain under pricing pressure. Cautious consumer sentiment, driven by macroeconomic uncertainty, the ongoing conflict in the Middle East, and continued substitution by lab-grown diamonds is expected to weigh on pricing in the near to medium term.

DIAMOND SALES

Diamonds from Karowe are sold through three sales channels: through a diamond sales agreement with HB, through quarterly tenders, and on the Clara Diamond Solutions ("Clara") sales platform.

HB

Karowe's large, high value diamonds have historically accounted for approximately 65% to 75% of Lucara's annual revenues. All +10.8 carat gem and near gem diamonds from Karowe are sold to HB. The initial purchase price paid for the rough diamonds is based on an estimated initial polished value with a "top-up" paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The timing of payments varies based on the category of stones being delivered, as determined by the diamond's estimated initial polished value.

The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently been resolved. Final revenue is determined when the polished diamonds are sold by HB to the end buyer.

Quarterly Tenders

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats not sold on the Clara sales platform are sold through quarterly tenders.

Clara

Clara is a third party owned digital rough diamond sales platform that the Company uses to sell individual diamonds between 1 and 10 carats, in higher colours and qualities.

FINANCING

Bond Issuance

On March 27, 2026 (the "Issue Date"), Lucara Capital S.à.r.l., with Lucara as sponsor and guarantor, issued \$350.0 million of senior secured bonds (the "Bonds"). The Bonds carry a fixed coupon of 12.50% per annum, payable quarterly. Principal repayment of \$25.0 million per quarter commences on March 27, 2029, with the remaining balance repayable at maturity, March 27, 2031. The Bond includes a tap option which allows for an additional \$50.0 million to be issued on the same terms ranking equally with the initial issuance, bringing the maximum issuable amount to \$400.0 million. The Bond terms also provide for the option to establish a super senior revolving credit facility (the "RCF") of up to \$50.0 million. The Bonds are secured by a pledge over the shares of the Company's subsidiaries holding the Karowe mine assets. Neither the tap option nor the RCF had been exercised or established as at March 31, 2026.

Bond proceeds of \$350.0 million were deposited into a pledged escrow account (the "Escrow Account") on the Issue Date. The first release of escrow proceeds was used to repay the Facilities (defined below) including Q1 2026 interest, fund the Debt Service Retention Account ("DSRA") and to pay arrangement and bookrunner fees. The remaining escrow balance of \$30.4 million will be released subject to satisfaction of conditions precedent to the second release and is expected to be released in Q2 2026.

The Bond terms include two key financial covenants:

- i.a minimum liquidity requirement whereby the Company must maintain aggregate cash across the Escrow Account, DSRA and project accounts of not less than \$25.0 million until December 31, 2028, increasing to \$45.0 million from January 1, 2029 through to maturity; and
- ii.a DSRA minimum balance of not less than \$21.9 million (representing six months of Bond interest) at any time until January 1, 2029.

As at March 31, 2026, the Company was in compliance with all covenants under the Bond terms.

Project Facility and Working Capital Facility

Prior to March 30, 2026, the Company's wholly-owned subsidiary, Lucara Botswana Proprietary Limited ("Lucara Botswana"), with Lucara as sponsor and guarantor, maintained a senior secured project financing debt package comprising a \$190.0 million Project Facility to fund the development of the UGP and a \$30.0 million Working Capital Facility ("WCF" and together with the Project Facility, the "Facilities"), both of which were fully drawn as at December 31, 2025. On March 30, 2026, the Company used a portion of the Bond proceeds to fully repay the Facilities of \$220.0 million.

Cost Overrun Reserve Account

As a condition of the Facilities, the Company maintained a Cost Overrun Reserve Account ("CORA") with a required balance of \$33.7 million at December 31, 2025. Following the repayment of the Facilities on March 30, 2026, the CORA balance of \$33.7 million was released and is classified as cash and restricted cash at March 31, 2026.

Nemesia Support Guarantee and Debentures

Under the Facilities, Nemesia, the Company's largest shareholder, provided funding support of up to \$63.0 million comprising a \$28.0 million amended limited standby undertaking to support liquidity shortfalls and a \$35.0 million liquidity guarantee to cover cost overruns. The Nemesia funding support arrangements under the Facilities are no longer required following the repayment of the Facilities on March 30, 2026.

During the year ended December 31, 2023, the Company drew \$15.0 million from its liquidity guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "First Debenture"), which matures on August 29, 2029. During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"), which matures on June 30, 2031. Under the terms of the Debentures, the Company is required to issue 7,500 common shares per \$500,000 outstanding, settled quarterly, to Nemesia until the amounts are repaid. As of the date of this MD&A, Nemesia holds 30.95% of Lucara's total issued and outstanding shares.

INTEREST RATE SWAP

In connection with the Facilities, the Company held a portfolio of interest rate swap agreements covering up to \$142.5 million of the Project Facility principal. The swaps were terminated and cash settled concurrently with the repayment of the Facilities, with cash of \$5.2 million received equal to the fair value of the swap portfolio at the termination dates. A mark-to-market gain of \$1.5 million was recognized in the three months ended March 31, 2026.

TABLE 1: FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats sold</i>	Three months ended March 31,	
	2026	2025
Revenues	\$ 21.8	\$ 30.3
Operating expenses	(21.6)	(14.0)
Net loss from operations	(14.6)	(0.1)
Loss per share from operations (basic and diluted)	(0.01)	(0.00)
Cash and restricted cash	244.3	18.7
CORA	-	50.5
Amounts drawn on the WCF	-	30.0
Amounts drawn on Project Facility	-	190.0
Bond payable	\$ 342.9	\$ -
Carats sold	79,744	72,871

For the three months ended March 31, 2026, the Company reported revenue of \$21.8 million from the sale of 79,744 carats, compared to \$30.3 million from the sale of 72,871 carats in Q1 2025. The decrease in revenue reflects a greater proportion of lower-quality and smaller-sized diamonds recovered during the quarter, attributable to the processing of run-of-mine stockpiled material following the temporary suspension of open pit mining due to excessive unseasonal rainfall.

Operating expenses of \$21.6 million were higher compared to \$14.0 million in Q1 2025, primarily reflecting planned transition activities, including preliminary open pit demobilization and run-of-mine stockpile processing as well as increased electricity and fuel costs driven by inflationary and geoeconomic factors. Net loss from operations was \$14.6 million compared to \$0.1 million in Q1 2025, reflecting the lower revenue, foreign exchange losses and higher operating expenses in the period.

The Company ended Q1 2026 with cash and restricted cash of \$244.3 million, compared to \$18.7 million at March 31, 2025. The significant increase in cash and restricted cash reflects the completion of the January 2026 equity financing and the issuance of the Bonds, the proceeds of which were used to repay the outstanding balances on the WCF and Project Facility, and the release of the CORA in connection with the repayment of the Facilities.

Please see Table 4: “*Select Financial Information*” below for details on the expense line items which had the most significant impact on net loss from operations.

TABLE 2: QUARTERLY SALES RESULTS

<i>In millions of U.S. dollars</i>	Three months ended March 31,	
	2026	2025
Sales Channel		
HB	\$ 13.6	\$ 19.3
Tender	7.2	9.3
Clara	1.0	1.7
Total Revenue	\$ 21.8	\$ 30.3

Diamond Sales

For the three months ended March 31, 2026, the Company reported revenue of \$13.6 million from HB, compared to \$19.3 million for the same period in 2025. Revenue from HB accounted for 62% of total revenue recognized in Q1 2026, compared to 64% in Q1 2025. The decline in HB revenue was driven by both a lower volume of carats sold and a lower average price per carat. Revenue from HB includes "top-up" and "top-down" payments, which are made to or from the Company when the final polished diamond sales price differs from the estimated initial polished value. Given the time required to fully monetize a stone through this process, top-up and top-down payments can introduce variability into HB revenue on a quarter-to-quarter basis.

For the three months ended March 31, 2026, tender sales totaled \$7.2 million compared to \$9.3 million in Q1 2025, while Clara sales totaled \$1.0 million compared to \$1.7 million in Q1 2025. Compared to Q1 2025, a higher volume of carats were sold through tender while fewer were sold through Clara. Average prices per carat declined across both channels, with tender prices falling 30% and Clara prices falling 24%, reflecting continued pricing pressure on mid-range and lower-grade stones amid high industry inventory levels, and cautious consumer sentiment.

TABLE 3: RESULTS OF OPERATIONS – KAROWE MINE

		Q1-26	Q4-25	Q3-25	Q2-25	Q1-25
Sales						
Revenues	\$M	21.8	34.5	51.2	43.7	30.3
Carats sold	Carats	79,744	101,842	101,422	77,167	72,871
Production						
Tonnes mined (ore)	Tonnes	6,231	312,148	517,155	721,111	390,539
Tonnes mined (waste)	Tonnes	-	-	5,682	55,221	35,288
Tonnes processed	Tonnes	718,404	705,513	744,753	661,352	676,626
Average grade processed ⁽¹⁾	cpht ⁽¹⁾	10.0	12.2	12.8	12.5	13.4
Carats recovered ⁽¹⁾	Carats	72,061	86,110	95,302	82,555	90,500
Costs						
Operating cost per tonne of ore processed ⁽²⁾	\$	24.74	32.88	25.65	26.76	23.41
Capital Expenditures						
Sustaining	\$M	1.9	4.8	3.0	2.0	0.5
UGP ⁽³⁾	\$M	19.0	20.3	22.7	13.6	19.2

(*) Carats per hundred tonnes

(1) Average grade processed is from direct processing carats and excludes carats recovered from re-processing historical recovery tailings.

(2) Operating cost per tonne of ore processed is a non-IFRS measure. See Table 6.

(3) Excludes qualifying borrowing cost capitalized.

FIRST QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during Q1 2026. The rolling twelve-month TRIFR for the Karowe Mine was 0.32 (Q1 2025: 0.36).

Environment: The Company has a Tailings Management System in line with the requirements of the Global Industry Standard on Tailings Management. During the quarter ended March 31, 2026, there were no reportable spills or instances of noncompliance with environmental regulations.

Production: Ore processed during Q1 2026 totaled 0.7 million tonnes ("Mt"). Tonnes processed were on target at 0.7 Mt at an average grade of 10.0 cpht, yielding 72,061 carats. Processing volumes were maintained throughout the quarter with ore sourced from run-of-mine stockpiles, including M/PK(S)⁶ and Center Lobe material, during the temporary suspension of open pit mining due to unseasonal rainfall. Processing continued to operate at planned throughput levels demonstrating operational flexibility and production continuity.

Diamond Recoveries: A total of 100 Specials were recovered from direct ore feed during the quarter including five diamonds over 100 carats and one diamond greater than 300 carats. In the comparable 2025 quarter, a total of 139 Specials were recovered. Recovered Specials equated to 4.3% (Q1 2025: 5.6%) of the weight percentage of total recovered carats from ore processed during Q1 2026.

All recovered stones, including the 36.92 carat blue Type IIB diamond and the 2,488 carat Motswedi that remained unsold at the end of the reporting period, are accounted for at cost in inventory and will be recognised in revenue when monetised.

Karowe's operating cost per tonne: Karowe's operating cost per tonne processed for Q1 2026 (see "Non-IFRS Financial Measures") was \$24.74 per tonne of ore processed (Q1 2025: \$23.41 per tonne of ore processed), slightly lower than the 2026 annual forecast of \$27.50 to \$31.00 per tonne processed.

⁶ M/PK(S): Magmatic/Pyroclastic Kimberlite (South)

TABLE 4: SELECT FINANCIAL INFORMATION

<i>In millions of U.S. dollars, except for per share</i>	Three months ended	
	2026	March 31, 2025
Revenues	21.8	30.3
Operating expenses	(21.6)	(14.0)
Adjusted operating earnings⁽¹⁾	0.2	16.3
Royalty expenses	(2.6)	(3.5)
Administration	(3.9)	(3.1)
Sales and marketing	(0.7)	(0.8)
Depletion and amortization	(3.0)	(3.7)
Finance expenses	(0.9)	(0.6)
Foreign exchange (loss) gain	(6.5)	2.9
Gain (loss) on derivative financial instrument	1.5	(2.5)
Current and deferred income tax recovery (expense)	1.5	(5.2)
Net loss from operations	(14.6)	(0.1)
Operations loss per share (basic and diluted)	(0.01)	(0.00)

(1) Adjusted operating earnings is a non-IFRS measure defined as revenues less operating expenses and excludes royalty expenses and depletion and amortization.

(2) Figures may not add due to rounding.

Revenues and royalties

Revenue for Q1 2026 was \$21.8 million compared to \$30.3 million in Q1 2025. The decrease in revenue reflects a higher proportion of smaller and lower quality diamonds recovered during the quarter compared to the prior year, attributable to the processing of run-of-mine stockpiled material following the temporary suspension of open pit mining due to unseasonal rainfall.

Open pit mining resumed on March 26, 2026. Approximately 0.9 Mt of ore are expected to be processed during the year, predominantly comprising M/PK(S) and EM/PK(S) ore, supplemented by existing run-of-mine stockpiles. Stockpile processing will continue as part of regular operations, with the resulting diamond value profile expected to vary depending on the ore processed, including the mix and quality experienced in Q1 2026.

Royalties to the Government of Botswana are paid at the rate of 10% of the final gross sales price achieved from the sale of all Karowe diamonds. Royalty expenses of \$2.6 million in Q1 2026 compared to \$3.5 million in Q1 2025, consistent with quarterly revenue. The royalty expenses represent approximately 11% - 12% of total revenues, as revenues are presented net of HB's price participation under the sales agreement.

Adjusted operating earnings

Adjusted operating earnings for Q1 2026 totaled \$0.2 million, compared to \$16.3 million in Q1 2025. The decrease was driven by a 28% decline in revenue, combined with a 54% increase in operating expenses to \$21.6 million (Q1 2025: \$14.0 million), primarily reflecting higher operating expenses associated with the processing of run-of-mine stockpiles, an increase in tonnes processed, and higher electricity and fuel costs resulting from geo-economic factors.

Adjusted operating earnings is a non-IFRS measure and is reconciled in Table 4: "Select Financial Information".

Foreign Exchange

The \$6.5 million foreign exchange loss (Q1 2025: gain of \$2.9 million) in Q1 2026 primarily relates to fluctuations in the Botswana Pula against the US dollar. As the Company's operating subsidiary, Lucara Botswana, has a Botswana Pula functional currency, there was a significant realized foreign exchange loss on repayment of the Facilities during the quarter.

Derivative financial instrument

A \$1.5 million gain on a derivative financial instrument (Q1 2025: loss of \$2.5 million) relates to changes and settlement in the fair value of the interest rate swap (see Note 9 of the Interim Financial Statements).

Net loss from operations

During the three months ended March 31, 2026, net loss from operations was \$14.6 million, compared to a net loss of \$0.1 million in Q1 2025. The net loss from operations is primarily influenced by revenue and operating expenses, impacting income/loss from mining operations. Fluctuations in foreign exchange rates further impacted net loss from operations.

TABLE 5: SELECT QUARTERLY FINANCIAL INFORMATION

The following table sets out selected consolidated financial information for each of the eight most recent completed quarters:

Three months ended	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
A. Revenues	21,784	34,454	51,231	43,666	30,312	78,765	44,300	41,292
B. Administration expenses	(3,935)	(5,718)	(2,898)	(2,691)	(3,140)	(5,155)	(3,590)	(3,366)
C. Net (loss) income from operations	(14,573)	6,351	7,358	12,545	(139)	38,502	155	11,905
D. Earnings (loss) per share from operations (basic)	(0.01)	0.01	0.02	0.03	(0.00)	0.09	0.00	0.03

Quarterly revenue in the table above was recognized from three separate sales channels: through sales of +10.8 carat diamonds to HB, sales on the Clara platform, and sales of all non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which do not meet criteria for sale on Clara, through quarterly tenders. Variation in the quarterly metrics is primarily driven by the sale of Specials and more particularly, from the sale of high value Specials. While the expected number of Specials may be estimated based on the resource model attributes, the quality of the Specials recovered may vary significantly.

Net income (loss) from operations achieved in each quarter is predominately impacted by the revenue earned during that quarter, while the impact of changes in operating expenses, depletion and amortization, fluctuating inventory levels, foreign exchange, gain/losses on derivative financial instruments, and income tax expenses introduce volatility to net income.

Lucara's quarterly financial performances are influenced by a variety of factors, including the foreign exchange loss on repayment of the Facilities in Q1 2026, sale of the Seriti in Q2 2025, the sale of the Sethunya and the Eva Star in Q4 2024, fluctuations in operating expenses, lower income from mining operations in Q3 2024, and increased carat sales in Q2 2024.

Quarter over quarter variances are also influenced by fluctuations in revenue, expenses, royalties, and gains/losses on derivatives, foreign exchange, and deferred taxes throughout the quarters.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted operating earnings, and operating cost per tonne of ore processed, which are not measures recognized under IFRS Accounting Standards and do not have a standardized meaning prescribed by these standards. 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.

Adjusted operating earnings (see Table 4: "Select Financial Information") is the term the Company uses as an approximate measure of the earnings from the operations under an accrual basis and is defined as revenues less operating expenses, before royalty expenses and depletion and amortization.

Operating cost per tonne of ore processed is the term the Company uses to describe operating expenses per tonne processed on a cash basis. This is calculated as the operating cost divided by tonnes of ore processed for the period.

This ratio provides the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization and demobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS Accounting Standards is operating expenses.

TABLE 6: OPERATING COST PER TONNE OF ORE PROCESSED RECONCILIATION

In millions of U.S. dollars, except for tonnes processed and operating cost per tonne processed

Three months ended March 31,	2026	2025
Operating expenses	21.60	13.95
Net change in rough diamond inventory, excluding depletion and amortization	0.37	3.01
Net change in ore stockpile inventory, excluding depletion and amortization	(4.20)	(1.12)
Total operating costs for ore processed	17.77	15.84
Tonnes processed	718,404	676,626
Operating cost per tonne of ore processed⁽¹⁾	24.74	23.41

⁽¹⁾ Operating cost per tonne processed for the period is a non-IFRS measure defined as the sum of operating expenses, and the net changes in rough diamond inventories and ore stockpiles divided by the tonnes of ore processed for the period.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2026, the Company had cash and restricted cash of \$244.3 million (December 31, 2025: \$31.9 million). The significant increase in cash and restricted cash reflects the completion of the January 2026 equity financing and the Bond issuance, the proceeds of which were used to repay the outstanding balances on the Facilities in full. As at March 31, 2026, there were no amounts outstanding on the WCF or Project Facility.

Cash used in operating activities for the three months ended March 31, 2026 was \$8.6 million, compared to cash generated of \$4.7 million in the comparable period. The decrease in cash generated from operating activities is a result of the decrease in revenue and increased operating expenses as well as higher realized foreign exchange loss on derecognition of the Facilities.

Working capital (current assets minus current liabilities) was \$313.9 million as at March 31, 2026, compared to \$33.6 million as at December 31, 2025. Receivables and other as at March 31, 2026 was \$22.8 million (December 31, 2025: \$22.0 million). The receivable balance includes \$9.9 million due from HB representing rough diamond sales in Q1 2026, as well as the value of diamond sales for which the transaction price was finalized and adjusted during the period. All amounts receivable from HB are current and expected to be received within twelve months following the period end.

Current liabilities as at March 31, 2026 were \$30.6 million (December 31, 2025: \$71.0 million). The decrease in current liabilities is due to the repayment of the WCF as well as a decrease in trade payables and accrued liabilities. Long-term liabilities consist of the Bonds of \$342.9 million, restoration provisions of \$21.1 million, deferred income taxes of \$120.4 million, due to related party debenture of \$43.0 million, and other non-current liabilities of \$3.3 million.

Financing activities during the three months ended March 31, 2026 consisted of proceeds from share issuances, proceeds from the issuance of the Bonds, repayment of the Facilities in full, withdrawals from the CORA, settlement of the interest rate swaps and principal payments on leases.

RELATED PARTY TRANSACTIONS

The Company enters into related party transactions that are in the normal course of business and does so on an arm's length basis.

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 named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

TABLE 7: RELATED PARTY TRANSACTIONS*In thousands of U.S. dollars*

Three months ended March 31,	2026	2025
Salaries and wages	\$ 803	\$ 676
Short term benefits	16	11
Share based compensation	496	58
	\$ 1,315	\$ 745

Other related party transactions

As part of the January 2026 equity financing, Nemesia purchased 337,740,974 common shares, for gross proceeds of \$38.9 million. The common shares issued under the January 2026 equity financing are subject to a hold period under applicable securities laws, which expires on May 29, 2026. During the three months ended March 31, 2026, 1,935,000 common shares (Q1 2025: 675,000 common shares) with a fair value of \$0.3 million (Q1 2025: \$0.2 million) were issued to Nemesia as consideration for payment of interest on the Debentures.

As part of the Bond issuance, Nemesia was allocated \$30.0 million of the total \$350.0 million issued. By virtue of its shareholding in the Company exceeding 20%, Nemesia is considered a related party of the Company.

During the three months ended March 31, 2026, the Company incurred \$0.1 million (Q1 2025: \$0.1 million), primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At March 31, 2026, included in trade payables and accrued liabilities is \$0.8 million (December 31, 2025: \$0.5 million) for related services.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

A description of commitments can be found in Note 19 of the Interim Financial Statements.

The Company has the following contractual obligations and capital commitments as at March 31, 2026:

TABLE 8: CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

<i>In millions of U.S. dollars</i>	Payments due by period⁽¹⁾			Total
	< 1 year	1 – 5 years	Thereafter	
Bonds payable	-	350.0	-	350.0
Due to related party	-	15.0	28.0	43.0
Restoration provisions	-	-	41.1	41.1
Lease liabilities	0.7	1.2	-	1.9
Capital commitments	69.2	48.5	-	117.7
	\$ 69.9	\$ 414.7	\$ 69.1	\$ 553.7

⁽¹⁾ Reported on an undiscounted basis, before inflation.

2026 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2026. These are forward-looking statements and subject to the cautionary note regarding the risks associated with such statements.

Karowe Mine, Botswana

TABLE 9: 2026 DIAMOND SALES, PRODUCTION AND OUTLOOK

Karowe Diamond Mine	2026
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$100 to \$130
Diamond sales (thousands of carats)	340 to 360
Diamonds recovered (thousands of carats)	340 to 360
Ore tonnes mined (millions)	Up to 0.6
Waste tonnes mined (millions)	Up to 0.2
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ (per tonne processed)	\$27.50 to \$31.00
UGP capital expenditure	Up to \$110 million
Sustaining capital expenditure	Up to \$11.5 million
Average exchange rate – Botswana Pula per United States Dollar	14.0

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

The table above reflects the natural variability in the resource, including both recovered grade and diamond quality, which may influence the revenue guidance for 2026. In 2026, the Company expects to process 2.6 to 2.9 million tonnes of ore primarily from run-of-mine stockpiled materials. The assumptions for carats recovered and sold as well as tonnes of ore processed are consistent with achieved plant performance in recent years. Run-of-mine stockpiled material (North, Centre, South Lobe) and life-of-mine stockpiles will provide mill feed until H2 2027 when UGP development ore is scheduled to start replacing stockpiles with high-grade ore from the UGP. Full scale underground production is planned for H1 2028.

In 2026, capital costs for the UGP are expected to be up to \$110.0 million. Expenditures in 2026 will focus predominantly on shaft equipping, and advancing lateral development. Surface works will focus on the removal of stage and ropes, headgear change over, and main ventilation fan installation.

Sustaining capital is expected to be up to \$11.5 million with a focus on the replacement and refurbishment of key asset components and tailings advancement.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

In the normal course of business, the Company is inherently exposed to currency and commodity price risk, as well as inflation. The Company's financial instruments are exposed to certain financial risks, including currency, liquidity, credit, interest, and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$7.0 million in net income/loss for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income/loss for the period.

Liquidity risk

Liquidity risk is the risk of the Company's potential inability to meet financial obligations as they mature. The Company manages this risk through regular cash flow forecasting at the operational level, aggregated at the corporate level to determine capital needs. Rolling liquidity forecasts are prepared and monitored to ensure sufficient cash is available for short- and long-term operational requirements. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity support such as financings, accessing the tap option and the option to issue the RCF under the Bond terms.

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at March 31, 2026, \$0.9 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$46.3 million is due beyond twelve months.

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tenders or on the Clara platform.

A large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through the Clara platform (five days). The Company maintains legal title over goods shipped to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability. The carrying amount of financial assets recorded in the Interim Financial Statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Bonds carry a fixed coupon rate of 12.50% per annum and accordingly the Company is not exposed to interest rate risk on its bonds payable. The Company's exposure to interest rate risk arises from interest earned on its cash and restricted cash balances, which are held in variable rate accounts, including interest earned on the DSRA.

Price risk

The Company derives its income from the sale of rough natural diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through the traditional tender process for rough diamonds.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 1,491,017,183 common shares outstanding, 11,896,986 share units, 5,619,358 deferred share units, and 7,545,547 stock options outstanding under its share-based incentive plans.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business which includes the acquisition, financing, development and operation of natural diamond mining properties and the construction of the UGP. The material risk factors and uncertainties, which should be considered in assessing the Company's activities, are described under the heading "*Risks and Uncertainties*" in the Company's most recent AIF and in the table "*Feasibility Study Risks Register: Main Project Risks*" in the 2025 Feasibility Study Technical Report which are available on SEDAR+ at www.sedarplus.ca. Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

OFF-BALANCE SHEET ARRANGEMENTS

The Company is not party to any off-balance sheet arrangements.

SUBSEQUENT EVENTS

There were no events subsequent to March 31, 2026.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements are described in Note 3 of the consolidated financial statements for the year ended December 31, 2025.

Management has identified uncertain tax positions as an area of judgement and estimation uncertainty. Lucara Botswana received an assessment from the Botswana Unified Revenue Service ("BURS") for the fiscal years 2016 to 2020 related to the tax deductibility of certain expenditures associated with the Company's operations in Botswana.

On February 24, 2026, the Company received a response to its objections from BURS in relation to the above tax assessments which allowed the tax deductibility of certain of the previously challenged expenditures. As a result, the Company reversed its previously recorded provision which included \$2.6 million against VAT receivables and a valuation allowance against certain losses of \$1.3 million. BURS maintained its position on two remaining matters, along with a related penalty. On April 22, 2026, the Company filed an appeal for the remaining disallowed expenditures and believes that its tax positions are valid. The ultimate outcome of an appeal of the remaining positions is uncertain and may have implications for the tax treatment of similar transactions in periods subsequent to those currently under assessment.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the Company's interim financial statements for the three months ended March 31, 2026 are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2025, except for the following:

Bonds Payable

Bonds payable are recognized initially at fair value, net of any transaction costs incurred. Bonds payable are subsequently carried at amortized cost using the effective interest rate method.

In May 2024, the IASB issued Amendments to the *Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7*. The amendments are effective for periods beginning on or after January 1, 2026, and adoption of these amendments did not have a material effect on our financial statements.

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* which replaces IAS 1, *Presentation of Financial Statements*. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company is currently assessing the effect of this new standard on its financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the Interim Financial Statements. Management is responsible for the integrity and objectivity of this document, ensuring the fair presentation of its financial results. The Audit Committee is responsible for reviewing the contents of this document along with the Interim Financial Statements to ensure the reliability and timeliness of the Company's disclosure while providing another level of review for accuracy and oversight. The Board of Directors, based on recommendations from Lucara's Audit Committee, reviews and approves the financial information contained in the Interim Financial Statements and this MD&A.

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all material information related to the Company is identified and communicated on a timely basis. Management of the Company, under the supervision of the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), is responsible for the design and operation of disclosure controls and procedures.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of March 31, 2026, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

There have been no changes in the Company's disclosure controls and procedures during the three months ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

Internal Controls over Financial Reporting

Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS Accounting Standards. Management is also responsible for the design of the Company's internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards. However, due to inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS Accounting Standards and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2026, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A contain “forward-looking information” and “forward-looking statements” as defined in applicable securities laws. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as “expects”, “is expected”, “anticipates”, “believes”, “plans”, “projects”, “estimates”, “budgets”, “scheduled”, “forecasts”, “assumes”, “intends”, “strategy”, “goals”, “objectives”, “potential”, “possible” or variations thereof or stating that certain actions, events, conditions or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

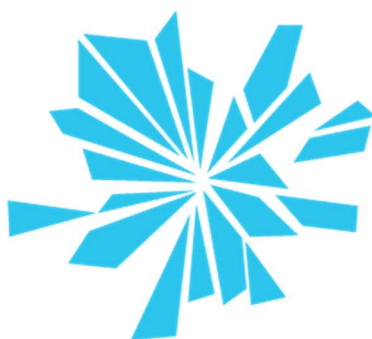
Forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the project schedule and capital costs for the UGP, diamond sales projections and outlook disclosure under “2026 Outlook”, the Company’s ability to meet its obligations under the Bond terms, future price stability, supply and demand of rough or polished diamonds, estimated capital costs, the focus of future expenditures, future forecasts of revenue and variable consideration in determining revenue, the outcome of tax assessments and the likelihood of recoverability of tax payments made, activities planned for the UGP, including to finalize production shaft equipping and headframe modifications, advance lateral development, and continue operational readiness, estimation of mineral resources including the determination of the boundary between South Lobe M/PK(S) and EM/PK(S) domains due to the significant grade difference between these two domains, cost and timing of the development of deposits and estimated future production, currency exchange rates, rates of inflation, requirements for and availability of additional capital, capital expenditures, operating costs, production and cost estimates, tax rates, timing of drill programs, government regulation of operations, environmental risks and compliance obligations, limitations on insurance coverage, and geopolitical and economic risks affecting the Company’s operational viability including sanctions, trade restrictions and tariffs, the impact of the growing supply of laboratory grown diamonds on the demand for and pricing of the Company’s natural diamond production, and the risk that continued expansion in laboratory grown diamond production and shifts in consumer preferences could further adversely impact revenues achievable by the Company, the ability of HB to perform its obligations, including making timely payments to the Company, and the concentration of credit risk associated with HB representing a significant proportion of the Company’s total revenue, that carat production and revenues from the processing of run-of-mine ore stockpiles will be sufficient to support the Company’s operations and liquidity requirements during the period prior to the achievement of commercial production from the UGP, and the ability of key contractors, including the lateral development contractor, to perform their obligations under their respective agreements in the manner and timeframe contracted for, and the risk that any failure or delay in contractor performance could result in material delays to the UGP and increased project costs.

While these factors and assumptions are considered reasonable by the Company as at the date of this MD&A in light of management’s experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information and undue reliance should not be placed on such information. Such factors include, but are not limited to: the timing, scope and cost of additional grouting events at the UGP, the Company’s ability to comply with the terms and covenants of the Bonds, the consequences of any defaults under the Bonds including the potential enforcement of security granted to bondholders over the assets of the Company and its subsidiaries, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the UGP, credit risk, price risk, that the estimated timelines to achieve mine ramp up and full production from the UGP can be achieved, that sufficient run-of-mine stockpiled ore of sufficient grade and value will be available to generate revenue prior to the achievement of commercial production from the UGP, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, expectations that the UGP will extend mine life, forecasts of additional revenues, future production activity, that depletion and amortization expense on assets will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered, the future price and demand for, and supply of, diamonds, expectations regarding the scheduling of activities for the UGP.

Forward-looking information and statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to several 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 due to a variety of risks, uncertainties, and other factors, including, without limitation, those referred to in this MD&A. The foregoing is not exhaustive of the factors that may affect any of our forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Certain risks which could impact the Company are discussed under the heading “*Risks and Uncertainties*” in this MD&A and in the Company’s most recent AIF available at SEDAR+ at www.sedarplus.ca.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements contained in this MD&A are made as of the date of this MD&A and accordingly are subject to change after such date. Except as required by law, the Company disclaims any obligation to revise any forward-looking information and statements to reflect events or circumstances after the date of such information and statements. All forward-looking information and statements contained or incorporated by reference in this MD&A are qualified by the foregoing cautionary statements.



LUCARA

DIAMOND

Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2026
(Unaudited)

LUCARA DIAMOND CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - in thousands of U.S. Dollars)

	March 31, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and restricted cash (Note 5)	\$ 244,298	\$ 31,920
Bond receipts in escrow (Note 10)	30,446	-
Receivables and other (Note 6)	22,799	22,009
Derivative financial instrument (Note 9)	-	1,142
Inventories (Note 7)	46,951	49,510
	344,494	104,581
Inventories (Note 7)	17,503	22,368
Mineral properties, plant and equipment (Note 8)	592,028	597,166
Derivative financial instrument (Note 9)	-	2,565
Cost overrun reserve account (Note 9)	-	33,720
Other non-current assets (Notes 6 and 11)	11,737	12,310
TOTAL ASSETS	\$ 965,762	\$ 772,710
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 28,630	\$ 38,158
Working capital facility (Note 9)	-	30,000
Tax and royalties payable	1,044	1,888
Lease liabilities	917	970
	30,591	71,016
Bonds payable (Note 10)	342,933	-
Project facility (Note 9)	-	190,000
Due to related party (Note 9)	43,000	43,000
Restoration provisions (Note 11)	21,141	21,622
Deferred income taxes	120,364	127,753
Other non-current liabilities	3,316	2,894
TOTAL LIABILITIES	561,345	456,285
EQUITY		
Share capital, unlimited common shares, no par value (Note 12)	468,191	349,410
Contributed surplus	10,418	10,330
Retained earnings	36,659	51,232
Accumulated other comprehensive loss	(110,851)	(94,547)
TOTAL EQUITY	404,417	316,425
TOTAL LIABILITIES AND EQUITY	\$ 965,762	\$ 772,710

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

Commitments – Note 19

"Ian Gibbs"
Director

"Melissa Harmon"
Director

LUCARA DIAMOND CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited - in thousands of U.S. Dollars, except for share and per share amounts)**

		Three months ended March 31,	
		2026	2025
Revenues (Note 14)	\$	21,784	\$ 30,312
Cost of goods sold			
Operating expenses		21,639	13,951
Royalty expenses (Note 14)		2,601	3,478
Depletion and amortization		3,003	3,699
		27,243	21,128
Income (loss) from mining operations		(5,459)	9,184
Other expenses			
Administration (Note 15)		3,935	3,140
Sales and marketing		739	818
Finance expenses		905	587
Loss (gain) on derivative instrument (Note 9)		(1,471)	2,464
Foreign exchange loss (gain)		6,493	(2,898)
		10,601	4,111
Net income (loss) before tax		(16,060)	5,073
Income tax expense (recovery)			
Deferred income tax		(1,487)	5,212
		(1,487)	5,212
Net loss for the period	\$	(14,573)	\$ (139)
Loss per common share			
Basic and diluted	\$	(0.01)	\$ (0.00)
Weighted average common shares outstanding (millions)			
Basic and diluted		1,156.3	452.0

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

LUCARA DIAMOND CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited - in thousands of U.S. Dollars)**

	Three months ended March 31,	
	2026	2025
Net loss for the period	\$ (14,573)	\$ (139)
Other comprehensive (loss) income		
<i>Items that will not be reclassified to net income</i>		
Change in fair value of marketable securities	-	(124)
<i>Items that may be subsequently reclassified to net income</i>		
Currency translation adjustment	(16,304)	6,014
	(16,304)	5,890
Comprehensive income (loss) for the period	\$ (30,877)	\$ 5,751

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

LUCARA DIAMOND CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025 (Unaudited - in thousands of U.S. Dollars)

	Three months ended March 31,	
	2026	2025
Operating activities		
Net loss for the period from operations	\$ (14,573)	\$ (139)
Items not affecting cash:		
Depletion and amortization	3,171	3,373
Unrealized foreign exchange loss (gain)	68	(5,724)
Share-based compensation	518	77
Unrealized loss (gain) on derivative instrument	(1,471)	2,464
Deferred income tax expense (recovery)	(1,487)	5,212
Finance expenses	907	587
	(12,867)	5,850
Net changes in working capital:		
Receivables and other	(1,859)	7,186
Inventories	4,334	(1,840)
Trade payables and accrued liabilities	2,578	(792)
Tax and royalties payable	(780)	(5,688)
Net cash (used in) provided by operating activities	(8,594)	4,716
Financing activities		
Proceeds from bond issuance, net	313,541	-
(Repayment) drawdown of project facility	(190,000)	10,000
(Repayment) drawdown of working capital facility	(30,000)	5,000
Proceeds from equity financing, net	118,241	-
Withdrawal (funding) of cost overrun reserve account	33,720	(1,346)
Derivative settlement	5,178	-
Lease payments	(471)	(468)
Net cash provided by financing activities	250,209	13,186
Investing activities		
Investment in mineral properties, plant and equipment	(28,827)	(22,178)
Net cash used in investing activities	(28,827)	(22,178)
Effect of exchange rate change on cash and restricted cash	(410)	167
Increase (decrease) in cash and restricted cash	212,378	(4,109)
Cash and restricted cash, beginning of the period	31,920	22,788
Cash and restricted cash, end of the period	\$ 244,298	\$ 18,679
Supplemental information		
Interest paid	\$ (5,988)	\$ (6,203)
Taxes paid	-	-
Changes in trade payables and accrued liabilities related to mineral properties, plant and equipment ⁽¹⁾	(2,264)	933
Changes in other non-current liabilities related to mineral properties, plant and equipment	-	655
Depletion and amortization included in inventories	64	646

⁽¹⁾ Included within accounts payable and accrued liabilities at each period end are additions to plant and equipment and mineral properties, acquired on normal course payment terms, of \$5.5 million at March 31, 2026 (December 31, 2025: \$8.8 million).

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

FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited - in thousands of U.S. Dollars, unless otherwise indicated)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2025	451,848,948	\$ 348,401	\$ 9,513	\$ 26,202	\$ (112,387)	\$ 271,729
Net loss for the period	-	-	-	(139)	-	(139)
Other comprehensive income	-	-	-	-	5,890	5,890
Total comprehensive income	-	-	-	(139)	5,890	5,751
Shares issued for debenture	675,000	173	-	-	-	173
Shares issued for share units vested	411,332	177	(177)	-	-	-
Share-based compensation	-	-	10	-	-	10
Balance, March 31, 2025	452,935,280	\$ 348,751	\$ 9,346	\$ 26,063	\$ (106,497)	\$ 277,663
Balance, January 1, 2026	457,299,184	\$ 349,410	\$ 10,330	\$ 51,232	\$ (94,547)	\$ 316,425
Net loss for the period	-	-	-	(14,573)	-	(14,573)
Other comprehensive loss	-	-	-	-	(16,304)	(16,304)
Total comprehensive loss	-	-	-	(14,573)	(16,304)	(30,877)
Shares issued for equity financing, net	1,031,250,000	118,241	-	-	-	118,241
Shares issued for debentures	1,935,000	333	-	-	-	333
Shares issued for share units vested	532,999	207	(207)	-	-	-
Share-based compensation	-	-	295	-	-	295
Balance, March 31, 2026	1,491,017,183	\$ 468,191	\$ 10,418	\$ 36,659	\$ (110,851)	\$ 404,417

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

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

1. NATURE OF OPERATIONS

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the "Company" or "Lucara") is a diamond mining company focused on the development and operation of its Karowe Mine located in Botswana, including the development of the Karowe Underground Project (the "UGP").

The Company's common shares are listed on the Toronto Stock Exchange, NASDAQ First North Growth Market and Botswana Stock Exchanges under the symbol "LUC". 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 2800, 1055 Dunsmuir Street, Vancouver, British Columbia.

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting, including IAS 34 *Interim Financial Reporting*. The 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 annual consolidated financial statements for the year ended December 31, 2025.

The condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments which have been measured at fair value.

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 7, 2026.

The following entities are included in these condensed interim consolidated financial statements:

	Country of incorporation	Ordinary shares held	
		March 31, 2026	December 31, 2025
Lucara Botswana Proprietary Limited	Botswana	100%	100%
Wati Ventures Proprietary Limited	Botswana	100%	100%
Debwat Exploration Proprietary Limited	Botswana	100%	100%
Lucara Management Services Limited	United Kingdom	100%	100%
African Diamonds Limited	United Kingdom	100%	100%
Lucara Diamond Holdings Inc.	Mauritius	100%	100%
Boteti Diamond Holdings Inc.	Mauritius	100%	100%
Lucara Capital S.à.r.l.	Luxembourg	100%	-

The Company has pledged the shares held in Lucara Botswana Proprietary Limited, through the various intermediate holding companies, to secure the \$350.0 million of senior secured bonds issued on March 27, 2026 (the "Bonds") (Note 10). The Company is not allowed to pledge the shares held as security for other borrowings.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Adoption of new accounting standards and accounting developments

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the *Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7*. These amendments updated classification and measurement requirements in IFRS 9 *Financial Instruments* and related disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system and added disclosure requirements for financial instruments with contingent features. The amendments are effective for periods beginning on or after January 1, 2026, and adoption of these amendments did not have a material effect on our condensed interim consolidated financial statements.

New standards and interpretations not yet adopted

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing. Further, operating expenses are presented directly on the face of the income statement – classified either by nature, by function or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature. IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows.

The Company is continuing to assess the effect of this standard on its financial statements. The standard is expected to result in changes to the presentation of our consolidated statements of operations, by requiring all income and expenses to be classified into the three main categories of operating, investing and financing. IFRS 18 will not impact the recognition and measurement of items in the financial statements. The standard is effective for annual periods beginning on or after January 1, 2027.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Areas of judgement and estimates that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2025. There were no changes in significant accounting judgements and estimates during the three months ended March 31, 2026.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 4 of the Company's consolidated financial statements for the year ended December 31, 2025. There were no changes in material accounting policies during the three months ended March 31, 2026 except for the following:

Bonds Payable

Bonds payable are recognized initially at fair value, net of any transaction costs incurred. Bonds payable are subsequently carried at amortized cost using the effective interest rate method.

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5. CASH AND RESTRICTED CASH

		March 31, 2026		December 31, 2025
Cash	\$	156,798	\$	31,920
Restricted cash		87,500		-
Total cash and restricted cash	\$	244,298	\$	31,920

Restricted cash represents the Debt Service Retention Account (the "DSRA"), funded with \$87.5 million from the first escrow release pursuant to the Bond terms. The DSRA balance is contractually restricted to Bond interest payments (Note 10).

6. RECEIVABLES AND OTHER

		March 31, 2026		December 31, 2025
Trade receivables	\$	9,935	\$	9,478
Value-added taxes ("VAT")		3,785		4,604
Prepayments		8,636		7,462
Other		443		465
Total current receivables and other	\$	22,799	\$	22,009
Non-current VAT receivables	\$	6,663	\$	6,988

Trade receivables at March 31, 2026 were \$9.9 million (December 31, 2025: \$9.5 million) due from HB Trading BV ("HB").

VAT receivables include \$6.7 million at March 31, 2026 (December 31, 2025: \$7.0 million) relating to an income tax assessment dispute in Botswana. The VAT receivables under dispute are classified as non-current at March 31, 2026 and are included in other non-current assets on the condensed interim consolidated statements of financial position.

7. INVENTORIES

		March 31, 2026		December 31, 2025
Rough diamonds	\$	18,142	\$	18,584
Ore stockpiles		15,648		16,655
Parts and supplies		13,161		14,271
Total current inventories	\$	46,951	\$	49,510
Non-current inventories – ore stockpiles	\$	17,503	\$	22,368

Inventory expensed during the three months ended March 31, 2026 totaled \$21.6 million (2025: \$14.0 million). There were no inventory write-downs during the three months ended March 31, 2026 and 2025.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2025	\$ 91,813	\$ 347,913	\$ 3,799	\$ 279,323	\$ 722,848
Additions	-	75,768	8,942	1,347	86,057
Borrowing cost capitalized	-	19,032	-	-	19,032
Adjustment to restoration provision	667	-	-	-	667
Disposals	-	-	-	(333)	(333)
Reclassifications	-	2,113	(6,846)	4,733	-
Translation differences	5,690	24,556	301	18,088	48,635
Balance, December 31, 2025	\$ 98,170	\$ 469,382	\$ 6,196	\$ 303,158	\$ 876,906
Additions	-	18,958	1,922	-	20,880
Borrowing cost capitalized	-	5,683	-	-	5,683
Disposals	-	-	-	(4)	(4)
Reclassifications	-	1,005	(21)	(984)	-
Translation differences	(4,569)	(22,598)	(345)	(14,625)	(42,137)
Balance, March 31, 2026	\$ 93,601	\$ 472,430	\$ 7,752	\$ 287,545	\$ 861,328
Accumulated depletion and amortization	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2025	\$ 85,519	\$ -	\$ -	\$ 163,602	\$ 249,121
Depletion and amortization	4,170	-	-	10,171	14,341
Disposals	-	-	-	(264)	(264)
Translation differences	5,415	-	-	11,127	16,542
Balance, December 31, 2025	\$ 95,104	\$ -	\$ -	\$ 184,636	\$ 279,740
Depletion and amortization	598	-	-	2,653	3,251
Disposals	-	-	-	(3)	(3)
Translation differences	(4,444)	-	-	(9,244)	(13,688)
Balance, March 31, 2026	\$ 91,258	\$ -	\$ -	\$ 178,042	\$ 269,300
Net book value					
As at December 31, 2025	\$ 3,066	\$ 469,382	\$ 6,196	\$ 118,522	\$ 597,166
As at March 31, 2026	\$ 2,343	\$ 472,430	\$ 7,752	\$ 109,503	\$ 592,028

Reclassifications relate to construction in progress put into use during the periods and depreciation on plant and equipment in use on the Karowe underground construction asset.

Borrowing costs of \$58.8 million (December 31, 2025: \$53.1 million) relating to the Karowe underground construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized transaction costs related to the Company's senior secured project financing facilities, which were repaid in March 2026 (Note 9), and the outstanding Bonds (Note 10).

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8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

The Company has an ongoing impairment indicator for its mineral properties and plant and equipment, as the Company's market capitalization at March 31, 2026 was lower than the carrying amount of its net assets. An impairment assessment was conducted and no impairment was recorded since the fair value less cost of disposal (FVLCD) of the Karowe CGU exceeded its carrying amount. Impairment assessments incorporate estimates of recoverable reserves and resources, which rely on assumptions including production volumes, mining and processing recoveries, operating and capital costs, and long-term diamond prices. Determining the FVLCD involves Level 2 and Level 3 inputs and key assumptions include estimated long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones, operating and capital cost estimates from the Feasibility Study Technical Report and a real discount rate of 7.0%.

9. CREDIT FACILITIES

The movement in credit facilities is comprised of the following:

		Project Facility		Working Capital Facility	Total
Balance, December 31, 2024	\$	(180,000)	\$	(25,000)	\$ (205,000)
Drawdown		(10,000)		(5,000)	(15,000)
Balance, December 31, 2025	\$	(190,000)	\$	(30,000)	\$ (220,000)
Repayment		190,000		30,000	220,000
Balance, March 31, 2026	\$	-	\$	-	\$ -

Senior Secured Facilities

Prior to March 30, 2026, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara as sponsor and guarantor, maintained a senior secured project financing debt package (the "Facilities") comprising a Project Facility of \$190.0 million to fund the development of the UGP and a \$30.0 million senior secured working capital facility. Both facilities were fully drawn as at December 31, 2025. The Facilities were fully repaid on March 30, 2026 using proceeds from the Bond issuance (Note 10), at which point the Facilities were extinguished with no gain or loss arising on derecognition.

Under the Facilities, Nemesia S.à.r.l. ("Nemesia"), the Company's largest shareholder, provided funding support of up to \$63.0 million comprising a \$28.0 million amended limited standby undertaking to support liquidity shortfalls and a \$35.0 million liquidity guarantee to cover cost overruns. During the year ended December 31, 2025, the Company drew the full \$28.0 million available under the amended limited standby undertaking, which was issued as an unsecured debenture. The Nemesia funding support arrangements of up to \$63.0 million under the Facilities are no longer available following the repayment of the Facilities on March 30, 2026.

Cost Overrun Reserve Account ("CORA")

As a condition of the Facilities, the Company maintained a CORA with a required balance of \$33.7 million at December 31, 2025. Following the repayment of the Facilities on March 30, 2026, the CORA balance of \$33.7 million was released and is included in financing activities in the condensed interim consolidated statement of cash flows.

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

9. CREDIT FACILITIES (CONTINUED)

Interest rate swap agreements

In connection with the Facilities, the Company held a portfolio of interest rate swap agreements covering up to \$142.5 million of the Project Facility principal, under which the Company received three-month USD Term SOFR and paid fixed rates ranging from 2.447% to 2.577% per annum. The swaps were terminated and cash settled concurrently with the repayment of the Facilities, with cash of \$5.2 million received equal to the swap portfolio fair value at the termination dates. A mark-to-market gain of \$1.5 million was recognized in the three months ended March 31, 2026. As at December 31, 2025, the swap portfolio fair value was \$3.7 million.

Due to related party – debentures

During the year ended December 31, 2023, the Company drew \$15.0 million from its liquidity guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "First Debenture"), which matures on August 29, 2029. During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"), which matures on June 30, 2031. Under the terms of the Debentures, the Company is required to issue 7,500 common shares per \$500,000 outstanding, settled quarterly, to Nemesia until the amounts are repaid (Note 12).

10. BONDS PAYABLE

On March 27, 2026 (the "Issue Date"), the Company's wholly-owned subsidiary, Lucara Capital S.à.r.l., with Lucara as sponsor and guarantor, issued \$350.0 million of senior secured bonds, maturing on March 27, 2031 (the "Bonds"). The Bonds carry a fixed coupon of 12.50% per annum, payable quarterly. Principal repayment of \$25.0 million per quarter commences on March 27, 2029, with the remaining balance repayable at maturity. The Bond includes a tap option which allows for an additional \$50.0 million to be issued on the same terms ranking equally with the initial issuance, bringing the maximum issue amount to \$400.0 million. The Bond terms also provide for the option to establish a super senior revolving credit facility of up to \$50.0 million. The Bonds are secured by a pledge over the shares of the Company's subsidiaries holding the Karowe Mine assets. Neither the tap option nor the revolving credit facility had been exercised or established as at March 31, 2026.

The Bonds are classified as a financial liability at amortized cost. Transaction costs of \$7.1 million, comprising arrangement and bookrunner fees and legal and other professional fees directly attributable to the issuance, were deducted from the gross proceeds on initial recognition. As the Bonds are a specific borrowing raised solely to finance the construction of the UGP, borrowing costs on the Bonds are capitalized to the UGP from the Issue Date. During the three months ended March 31, 2026, borrowing costs of \$0.5 million were capitalized to the Karowe underground construction asset (Note 8). The capitalization rate applied is the effective interest rate on the Bonds of approximately 13.12% per annum. The Bonds include prepayment and redemption options which have been assessed as an embedded derivative, the fair value of which is recorded as a reduction of the carrying amount of the Bonds. The embedded derivative is separated from the host contract and designated at fair value through profit or loss. As at March 31, 2026, the fair value of the prepayment and redemption options were nil.

Pursuant to the Bond terms, gross proceeds from the Bond issuance were deposited into a pledged escrow account (the "Escrow Account") on the Issue Date, with releases subject to satisfaction of conditions precedent and the prior written consent of the Bond Trustee. The Bond terms also require the Company to fund the DSRA with an amount equal to 24 months of interest on the bonds. The DSRA was funded with \$87.5 million from the first escrow release. The DSRA is restricted to interest payments on the Bonds.

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

10. BONDS PAYABLE (CONTINUED)

Bond proceeds of \$350.0 million were deposited into an Escrow Account on the Issue Date. The first release of escrow proceeds was used to repay the Facilities and fund the DSRA. The remaining escrow balance of \$30.4 million will be released subject to satisfaction of conditions precedent to the second release.

The Bond terms include two key financial covenants:

- i. a minimum liquidity requirement whereby the Company must maintain aggregate cash across the Escrow Account, DSRA and project accounts of not less than \$25.0 million until December 31, 2028, increasing to \$45.0 million from January 1, 2029 through to maturity; and
- ii. a DSRA minimum balance of not less than \$21.9 million (representing six months of Bond interest) until January 1, 2029.

As at March 31, 2026, the Company was in compliance with all covenants under the Bond terms.

The schedule of undiscounted bond obligations is as follows:

Period subsequent to Bond issuance	1 year	2 years	3 years	4 years	5 years	Total
Interest payments	\$ 43,750	\$ 43,750	\$ 43,750	\$ 35,938	\$ 23,438	\$ 190,626
Principal repayments	-	-	25,000	100,000	225,000	350,000
Total	\$ 43,750	\$ 43,750	\$ 68,750	\$ 135,938	\$ 248,438	\$ 540,626

11. RESTORATION PROVISIONS

The Company's restoration provisions relate to the rehabilitation of the Karowe Mine in Botswana. The provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments for the applicable geographical areas.

The Company has applied a pre-tax discount rate of 10.2% at March 31, 2026 (December 31, 2025: 10.2%) and an annual inflation rate of 4.5% at March 31, 2026 (December 31, 2025: 4.5%). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately \$41.1 million (December 31, 2025: \$43.1 million). The Company expects these liabilities to be settled between 2026 and 2040.

Balance, January 1, 2025	\$	17,640
Changes to rates and estimates		667
Accretion		2,136
Translation differences		1,179
Balance, December 31, 2025	\$	21,622
Accretion		542
Translation differences		(1,023)
Balance, March 31, 2026	\$	21,141

The Company has deposited \$5.1 million (December 31, 2025: \$5.3 million) as security for a mine rehabilitation guarantee provided to the Botswana Department of Mines. The restricted deposit matures in August 2026 and is included in other non-current assets on the condensed interim consolidated statements of financial position.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

12. SHARE CAPITAL

During the three months ended March 31, 2025, 675,000 common shares (\$0.2 million) were issued to Nemesia as consideration for payment of interest on the First Debenture (Note 9).

During the three months ended March 31, 2026, 1,935,000 common shares (\$0.3 million) were issued to Nemesia as consideration for payment of interest on the Debentures (Note 9).

On January 29, 2026, the Company closed a private placement and issued 1,031,250,000 common shares at a price of C\$0.16 (Canadian dollars) per common share for aggregate gross proceeds of C\$165.0 million or \$120.5 million (the “2026 Equity Financing”). Share issuance costs related to the 2026 Equity Financing totaled \$2.3 million, and included professional fees, regulatory fees, and 5% finders’ fees payable in cash on approximately \$37.3 million of the gross proceeds from the 2026 Equity Financing. The common shares issued under the 2026 Equity Financing are subject to a hold period under applicable securities laws, which expires on May 29, 2026.

As part of the 2026 Equity Financing, Nemesia purchased 337,740,974 common shares, pursuant to the terms outlined above, for gross proceeds of \$38.9 million. By virtue of its shareholding in the Company exceeding 20%, Nemesia is considered a related party of the Company.

13. SHARE BASED COMPENSATION

a. Stock options

The Company’s stock option plan (the “Option Plan”) was approved by the Company’s shareholders initially on May 13, 2015, with amendments approved on May 14, 2025. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted from 2024 onwards vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire five years from the date of grant.

	Number of shares issuable pursuant to stock options	Weighted average exercise price per share (C\$)
Balance at January 1, 2025	6,163,000	\$ 0.55
Granted	4,176,325	0.40
Expired	(819,000)	0.79
Forfeited	(975,778)	0.63
Balance at December 31, 2025	8,544,547	\$ 0.45
Expired	(999,000)	0.66
Balance at March 31, 2026	7,545,547	\$ 0.42

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13. SHARE BASED COMPENSATION (CONTINUED)

a. Stock options (continued)

As of March 31, 2026, the following stock options remain outstanding:

Range of exercise prices (C\$)	Number of options outstanding	Outstanding Options		Number of options exercisable	Exercisable Options	
		Weighted average remaining contractual life (years)	Weighted average exercise price (C\$)		Weighted average remaining contractual life (years)	Weighted average exercise price (C\$)
\$0.32 - \$0.43	6,140,547	3.59	0.39	2,688,507	3.43	0.38
\$0.44 - \$0.66	1,405,000	2.19	0.56	1,248,333	2.02	0.57
	7,545,547	3.33	\$ 0.42	3,936,840	2.98	\$ 0.44

During the three months ended March 31, 2026, the Company recognized \$0.1 million (2025: \$0.1 million) in share-based compensation based on the vesting of options.

Stock options' fair values are estimated on grant date using Black-Scholes option pricing model with the following weighted average assumptions and resulting values:

	2026	2025
Assumptions:		
Risk-free interest rate (%)	-	2.58
Expected life (years)	-	3.35
Expected volatility (%)	-	49.82
Expected dividend (\$)	-	Nil
Results:		
Weighted average fair value of options granted (per option)	-	C\$0.17

b. Restricted and performance share units

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for management and employees. Amendments to the SU plan, including an increase in the common shares reserved for issuance upon the vesting of SUs to 22,000,000 were approved by shareholders at the May 14, 2025 annual meeting.

SUs typically vest three years from the date of grant and certain share units include performance metrics, some of which provide for annual vesting. Each SU entitles the holder to receive one common share, and the cumulative dividend equivalent SU earned during the SU's vesting period. The value of each SU at the vesting date is equal to the closing value of one Lucara common share plus the cumulative dividend equivalent which was earned over the vesting period.

During the three months ended March 31, 2026, the Company recognized an expense of \$0.2 million (2025: \$0.1 million recovery) in share-based compensation for the SUs granted.

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13. SHARE BASED COMPENSATION (CONTINUED)

b. Restricted and performance share units (continued)

	Number of share units	Estimated fair value at date of grant (C\$)
Balance at January 1, 2025	8,034,668	\$ 0.40
Granted	5,634,384	0.39
Redeemed	(411,332)	0.56
Forfeited	(554,403)	0.54
Balance at December 31, 2025	12,703,317	\$ 0.38
Redeemed	(532,999)	0.53
Forfeited	(273,332)	0.57
Balance at March 31, 2026	11,896,986	\$ 0.37

c. Deferred share units (“DSUs”)

The Company’s deferred share unit plan was approved by the Company’s shareholders initially on May 8, 2020. Amendments providing for the issuance of up to 8,000,000 DSUs to eligible directors were most recently approved on May 14, 2025. Directors can elect to receive up to 100% of their fees earned to be settled in DSUs, awarded quarterly. DSUs vest immediately and are paid out upon retirement from the Board of Directors of the Company. Each DSU entitles the holder to receive one common share and the cumulative dividend equivalent DSU earned prior to the payout date. The value of each DSU at the grant date is equal to the closing value of one Lucara common share. The DSU Plan provides that upon payout a director can elect to receive the value of the DSUs in cash or common shares of the Company. The DSUs are presented as other non-current liabilities on condensed interim consolidated statements of financial position.

During the three months ended March 31, 2026, the Company recognized a share-based compensation expense of \$0.2 million (2025: \$0.1 million) related to the revaluation of DSUs.

	Number of DSUs	Estimated fair value (C\$)
Balance at January 1, 2025	3,647,626	\$ 0.42
Granted	2,835,723	0.26
Redeemed	(1,378,517)	0.23
Balance at December 31, 2025	5,104,832	\$ 0.20
Granted	514,526	0.24
Balance at March 31, 2026	5,619,358	\$ 0.24

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14. REVENUES

Lucara has three sales channels including a diamond sales agreement with HB, the Clara sales platform and tender sales.

Three months ended March 31,	2026	2025
<i>Sales Channels</i>		
HB	13,592	19,286
Clara	964	1,732
Tender	7,228	9,294
	\$ 21,784	\$ 30,312

A royalty of 10% of the gross sales value of diamonds sold from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the three months ended March 31, 2026, the Company incurred a royalty expense of \$2.6 million (2025: \$3.5 million).

15. ADMINISTRATION

Three months ended March 31,	2026	2025
Salaries and benefits	\$ 1,397	\$ 1,436
Professional fees	1,058	512
Insurance, office and general	98	360
Promotion	20	111
Stock exchange, transfer agent and shareholder communication	92	139
Travel	482	50
Share-based compensation (Note 12)	518	77
Depreciation	168	177
Sustainability and donations	102	278
	\$ 3,935	\$ 3,140

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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16. RELATED PARTY TRANSACTIONS

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 named executive officers and members of its Board of Directors.

The remuneration of key management personnel was as follows:

Three months ended March 31,	2026	2025
Salaries and wages	\$ 803	\$ 676
Short term benefits	16	11
Share-based compensation	496	58
	\$ 1,315	\$ 745

Other related party transactions

During the three months ended March 31, 2026, the Company incurred \$0.1 million (2025: \$0.1 million), primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At March 31, 2026, included in trade payables and accrued liabilities is \$0.8 million (December 31, 2025: \$0.5 million) for related services.

During the three months ended March 31, 2026, the Company had related party transactions with Nemesia in connection with the Bonds and 2026 Equity Financing, as described in these condensed interim consolidated financial statements (Notes 9, 10 and 12).

17. SEGMENT INFORMATION

The Company's primary business activity is the operation of the Karowe diamond mine in Botswana. The Company has one operating segment: Karowe Mine.

The following are summaries of the Company's revenues, net income (loss) from operations, capital expenditures and total assets by segment:

Three months ended March 31, 2026			
	Karowe Mine	Corporate	Total
Revenues	\$ 21,784	\$ -	\$ 21,784
Operating expenses	(21,639)	-	(21,639)
Royalty expenses	(2,601)	-	(2,601)
Depletion and amortization	(3,003)	-	(3,003)
Loss from mining operations	(5,459)	-	(5,459)
Finance expenses	(770)	(135)	(905)
Gain on derivative financial instrument	1,471	-	1,471
Foreign exchange gain (loss)	(7,971)	1,478	(6,493)
Administrative and other	(1,750)	(2,924)	(4,674)
Income tax	1,487	-	1,487
Net loss for the period from operations	\$ (12,992)	\$ (1,581)	\$ (14,573)
Capital expenditures	\$ 28,827	\$ -	\$ 28,827
Total assets	\$ 780,835	\$ 184,927	\$ 965,762

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17. SEGMENT INFORMATION (CONTINUED)

Three months ended March 31, 2025			
	Karowe Mine	Corporate	Total
Revenues	\$ 30,312	\$ -	\$ 30,312
Operating expenses	(13,951)	-	(13,951)
Royalty expenses	(3,478)	-	(3,478)
Depletion and amortization	(3,699)	-	(3,699)
Income from mining operations	9,184	-	9,184
Finance expenses	(405)	(182)	(587)
Loss on derivative financial instrument	(2,464)	-	(2,464)
Foreign exchange gain	2,896	2	2,898
Administrative and other	(2,292)	(1,666)	(3,958)
Income tax	(5,212)	-	(5,212)
Net income (loss) for the period from operations	\$ 1,707	\$ (1,846)	\$ (139)
Capital expenditures	\$ 22,178	\$ -	\$ 22,178
Total assets	\$ 680,922	\$ 4,002	\$ 684,924

Depletion and amortization expense for Karowe Mine and Corporate during the three months ended March 31, 2026 totaled \$3.1 million and \$0.1 million, respectively (2025: \$3.7 million and \$0.1 million).

During the three months ended March 31, 2026, diamonds sold to HB generated 62% (2025: 64%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated. During the three months ended March 31, 2026 and 2025, the Company generated 100% of revenue from sales originating in Botswana.

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**a) Measurement categories and fair values**

Financial assets and liabilities have been classified into categories that determine their basis of measurement. Those categories are fair value through profit and loss; fair value through other comprehensive income and amortized cost.

The Company's financial instruments include cash and restricted cash and trade receivables, which are categorized as financial assets at amortized cost, and trade and royalties payable and lease liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. Bonds payable and due to related parties are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost.

LUCARA DIAMOND CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)*b) Fair value hierarchy*

The following table classifies financial assets and liabilities that are recognized 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 in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data. No financial assets or liabilities are recognized at level 3.

	March 31, 2026	December 31, 2025
Level 2: Derivative financial instruments	\$ -	\$ 3,707

c) Financial risk management

The Company's financial instruments are exposed to certain financial risks, including currency, liquidity, credit, interest rate and price risks.

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula.

Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$7.0 million in net income/loss for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income/loss for the period.

Liquidity risk

Liquidity risk is the risk of the Company's potential inability to meet financial obligations as they mature. The Company manages this risk through regular cash flow forecasting at the operational level, aggregated at the corporate level to determine capital needs. Rolling liquidity forecasts are prepared and monitored to ensure sufficient cash is available for short- and long-term operational requirements. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity support such as financings, accessing the tap option and the option to issue the super senior revolving credit facility under the Bond terms.

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at March 31, 2026, \$0.9 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$46.3 million is due beyond twelve months.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

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

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

c) *Financial risk management (continued)*

Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. The Company limits its credit exposure on cash by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tenders or on the Clara platform.

A large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through the Clara platform (five days). The Company maintains legal title over goods shipped to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Bonds carry a fixed coupon rate of 12.50% per annum and accordingly the Company is not exposed to interest rate risk on its bonds payable. The Company's exposure to interest rate risk arises from interest earned on its cash and restricted cash balances, which are held in variable rate accounts, including interest earned on the DSRA.

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through the traditional tender process for rough diamonds. To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

LUCARA DIAMOND CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

19. COMMITMENTS

As at March 31, 2026, purchase orders and contracts resulting in commitments for future minimum payments for services to be provided related to the UGP amounted to \$117.7 million (December 31, 2025: \$82.3 million). The following table summarizes the approximate timing of the commitments (undiscounted) at March 31, 2026:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	Total
UGP commitments	\$ 69.2	42.5	6.0	-	-	\$ 117.7

As at March 31, 2026, minimum payments in relation to lease commitments amount to \$1.9 million (December 31, 2025: \$2.5 million). The following table summarizes the approximate timing of the undiscounted minimum lease payments at March 31, 2026:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	Total
Minimum lease payments	\$ 0.7	0.8	0.3	0.1	-	\$ 1.9

APPENDIX 4

[BOND TERMS]

BOND TERMS

FOR

**Lucara Capital S.à r.l 12.50 % senior secured USD 400,000,000 bonds
2026/2031**

ISIN NO0013738237

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ATTACHMENT 6 FORM OF COST-TO-COMPLETE-CERTIFICATE

BOND TERMS between	
ISSUER:	Lucara Capital S.à r.l (formerly known as Medan S.à r.l.), a private limited liability company (<i>société à responsabilité limitée</i>) incorporated and existing under the laws of the Grand Duchy of Luxembourg having its registered office at 9, Rue de Bitbourg, L-1273 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Register of Commerce and Companies under number B301628 and LEI 213800CTFVQ8OT23LL92 and being subject to the Luxembourg Securitisation Law as an unregulated securitisation company (<i>société de titrisation non-réglémentée</i>).
BOND TRUSTEE:	Nordic Trustee AS, a company existing under the laws of Norway with registration number 963 342 624 and LEI-code 549300XAKTM2BMKIPT85.
DATED:	25 March 2026
These Bond Terms shall remain in effect for so long as any Bonds remain outstanding.	

1. INTERPRETATION

1.1 Definitions

The following terms will have the following meanings:

“**Acceptable Bank**” means

- (a) Nordic Trustee Services AS;
- (b) a bank or financial institution which has a rating for its long-term unsecured and non-credit-enhanced debt obligations of BBB or higher by Standard & Poor’s Rating Services or Fitch Ratings Ltd or Baa2 or higher by Moody’s Investors Service Limited or a comparable rating from an internationally recognized credit rating agency; or
- (c) in respect of any account maintained in Botswana and amounts deposited thereon, a reputable commercial bank or financial institution in Botswana; or
- (d) such other bank or financial institution acceptable to the Bond Trustee.

“**Account Bank**” means any Acceptable Bank holding an Account.

“**Accounts**” means each of the:

- (a) the Escrow Account;

- (b) the Debt Service Retention Account; and
- (c) the Project Accounts.

“Accounting Standard” means GAAP.

“Additional Bonds” means the debt instruments issued under a Tap Issue.

“Additional Security” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Additional Security Documents” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Agreed Security Principles” means the agreed security principles set out in Attachment 4 (*Agreed Security Principles*).

“Affiliate” means, in relation to any person:

- (a) any person which is a Subsidiary of that person;
- (b) any person with Decisive Influence over that person (directly or indirectly); and
- (c) any person which is a Subsidiary of an entity with Decisive Influence over that person (directly or indirectly).

“Annual Financial Statements” means, in the English language, in respect of each of the Issuer and the Parent, its audited consolidated annual financial statements for each financial year ending 31 December, prepared in accordance with the Accounting Standard, such financial statements to include a profit and loss account, balance sheet, and cash flow statement.

“Available Funding” means, at any time in respect of the Group, the aggregate of the following amounts (without double counting):

- (a) the amount of Cash and Cash Equivalents, and any interest forecast to be earned on those accounts in the period up to Project Completion;
- (b) the amount of any undrawn loan facility, guarantee, undertaking or other commitment to provide funding from a Lundin Family Company, provided it is immediately available (subject only to customary notice and funding periods) and unconditional (subject to submission of utilisation requests, notice periods and purpose restrictions);
- (c) any interest income, tax credits, insurance proceeds, compensation amounts, and other amounts reasonably forecasted by the Master Control Budget to be received, by the Group prior to Project Completion which will be available to meet Project Costs; and
- (d) any revenue from the sale of diamonds produced from the Project which will be available to meet Project Costs forecasted to be received prior to Project Completion.

“Attachment” means any schedule, appendix or other attachment to these Bond Terms.

“Bond Currency” means the currency in which the Bonds are denominated, as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“Bond Terms” means these terms and conditions, including all Attachments which form an integrated part of these Bond Terms, in each case as amended and/or supplemented from time to time.

“Bond Trustee” means the company designated as such in the preamble to these Bond Terms, or any successor, acting for and on behalf of the Bondholders in accordance with these Bond Terms.

“Bondholder” means a person who is registered in the CSD as directly registered owner or nominee holder of a Bond, subject however to Clause 3.3 (*Bondholders’ rights*).

“Bondholders’ Meeting” means a meeting of Bondholders as set out in Clause 15 (*Bondholders’ Decisions*).

“Bonds” means (a) the debt instruments issued by the Issuer pursuant to these Bond Terms, including any Additional Bonds, and (b) any overdue and unpaid principal which has been issued under a separate ISIN in accordance with the regulations of the CSD from time to time.

“Bond Issue Recourse Claim” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Part 1 Security” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Part 2 Security” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Security” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Security Assets” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Security SPV” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Transaction Security Documents” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Transaction Security Interests” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Botswana Trust Deed” shall have the meaning ascribed to such term in Attachment 4 (*Agreed Security Principles*).

“Business Day” means a day on which both the relevant CSD settlement system is open, and the relevant settlement system for the Bond Currency is open.

“Business Day Convention” means that if the last day of any Interest Period originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.

“Cash and Cash Equivalents” means, at the date of calculation (on a consolidated basis for the Group), the aggregate amount of:

- (a) cash in hand or amounts standing to the credit of an Account;
- (b) certificates of deposit maturing within one year after the relevant date of calculation and issued by an Acceptable Bank under paragraph (b) of the definition thereof; and
- (c) any investment in marketable debt obligations issued or guaranteed by the government of the United States of America, Canada (or a province thereof), the United Kingdom, any member state of the European Union or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the relevant date of calculation and not convertible or exchangeable to any other security,

in each case, to which any Group Company is alone (or together with other Group Company) beneficially entitled at that time and which is not issued or guaranteed by any member of the Group and which is subject to Transaction Security.

“Call Notice” has the meaning ascribed to such term in paragraph (c) of Clause 10.2 (*Voluntary early redemption – Call Option*).

“Call Option” has the meaning ascribed to such term in paragraph (a) of Clause 10.2 (*Voluntary early redemption – Call Option*).

“Call Option Repayment Date” means the settlement date for the Call Option determined by the Issuer pursuant to Clause 10.2 (*Voluntary early redemption – Call Option*), paragraph (d) of Clause 10.3 (*Mandatory repurchase due to a Put Option Event*) or a date agreed upon between the Bond Trustee and the Issuer in connection with such redemption of Bonds.

“Change of Control Event” means the occurrence of an event or series of events whereby a person or group of persons acting in concert, other than one or more Lundin Family Companies, gains Decisive Influence over the Parent.

“Closing Procedure” has the meaning ascribed to such term in paragraph (c) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*).

“Compliance Certificate” means a statement substantially in the form as set out in Attachment 1 hereto.

“Cost-to-Complete” means, at any time, the aggregate of Project Costs reasonably likely to be incurred in order to achieve Project Completion, not yet paid at that time.

“Cost-to-Complete Certificate” means a certificate from the Issuer and countersigned by the Independent Engineer substantially in the form set out in Attachment 6 (*Form of Cost-to-Complete Certificate*), confirming that the Cost-to-Complete Test is satisfied.

“Cost-to-Complete Test” means the test intended to ensure that the Issuer has sufficient funds available to achieve Project Completion. The Cost-to-Complete Test shall be satisfied when, at the time the test is conducted, the Available Funding is at least equal to the Cost-to-Complete.

“Credit Facility” means one or more credit facilities:

- (a) that are made available to the Issuer or any Obligor for the purpose of funding Project Costs, provided that the total principal amount outstanding under all such Credit Facilities may not at any time exceed USD 50,000,000 (or its equivalent in other currencies) in aggregate for the Group, calculated at the time the relevant amount was originally committed;
- (b) consisting of one or more facilities (including any ancillary facility in the form of any overdraft facility, any guarantee, bonding, documentary or stand-by letter of credit facility, any short-term loan facility, or any other facility or accommodation required in connection with the business or operations of the Group) (but no hedging facilities);
- (c) in respect of which the lenders are (i) one or more commercial banks and/or development banks/lenders or (ii) any Lundin Family Company, provided that the Issuer shall ensure that the Credit Facility at all times contains pricing and other terms customary for similar credit facilities provided by commercial banks.

“Credit Facility Finance Documents” means the agreement(s) for any Credit Facility or other document entered into in relation thereto.

“CSD” means the central securities depository in which the Bonds are registered, being Euronext Securities Oslo (Verdipapirsentralen ASA (VPS)).

“Debt Service Retention Account” means an account in the name of the Issuer established (or designated as) one debt service retention bank account (the **“Debt Service Retention Account”** or **“DSRA”**) denominated in USD with an Acceptable Bank, and as further set out in Clause 13.27 (*Accounts*).

“Decisive Influence” means a person having, as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly):

- (a) a majority of the voting rights (50.1% or more) in that other person; or
- (b) a right to elect or remove a majority (50.1% or more) of the members of the board of directors of that other person.

“Default Notice” has the meaning ascribed to such term in Clause 14.2 (*Acceleration of the Bonds*).

“Default Repayment Date” means the settlement date set out by the Bond Trustee in a Default Notice requesting early redemption of the Bonds.

“De-listing Event” means if the common shares in the Parent are no longer listed on an international recognized stock exchange, which shall include each of the Toronto Stock Exchange, the TSX-Venture Exchange and the Nasdaq First North Growth Market (Sweden),

unless it is done in connection with a listing of the Issuer's shares on another internationally recognised stock exchange (other than a listing in Botswana).

“Distribution” means:

- (a) payment of dividend, charge or fee or other distribution (whether in cash or in kind) on or in respect of share capital;
- (b) repayment or distribution of dividend or share premium reserve;
- (c) redemption, repurchase or repayment of share capital or other restricted equity with repayment to shareholders;
- (d) repayment or service of any Subordinated Loan (other than capitalising accrued interest or converting the Subordinated Loan (in whole or in part) to equity); or
- (e) other similar distributions or transfers of value to the direct and indirect shareholders of any Group Company or the Affiliates of such direct and indirect shareholders.

“Escrow Account” means an account in the name of the Issuer, blocked (or otherwise restricted, as determined by the Bond Trustee) and pledged on first priority in favour of the Bond Trustee (on behalf of the Bondholders) as security for the Issuer's obligations under the Finance Documents, with an Acceptable Bank in Norway, and as further set out in Clause 13.27 (*Accounts*).

“Escrow Account Pledge” means the pledge over the Escrow Account, where the bank operating the account has waived any set-off rights.

“Event of Default” means any of the events or circumstances specified in Clause 14.1 (*Events of Default*).

“Exchange” means:

- (a) Nordic ABM, a self-regulated marketplace organised and operated by Euronext Oslo Børs; or
- (b) any regulated market as such term is understood in accordance with the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and Regulation (EU) No. 600/2014 on markets in financial instruments (MiFIR).

“Excluded Accounts” means:

- (a) each bank account that serves as an escrow account permitted under the Finance Documents (including any escrow account holding bond proceeds for the redemption of the Bonds);
- (b) each withholding account or other tax deduction account (provided that such account shall only hold the withholding amount or tax deduction amount);

- (c) each cash collateral bank account permitted under these Bond Terms (provided that such account shall only hold the cash collateral amount);
- (d) any bank account which cannot be pledged or charged because of a prohibition imposed by law or by the relevant account bank;
- (e) any bank account which cannot be pledged or charged without restricting the bank account holder's access or rights to operate the account (for as long as no Event of Default is continuing) (provided, in respect of accounts mentioned in (d) and (e), that such bank account shall not hold funds in excess of (i) the amount required for the purpose of such bank account and shall hold no amount which could, for its purpose, be held on other accounts which are not subject to the relevant restrictions and (ii) USD 1,000,000 (or its equivalent in other currencies)); and
- (f) any bank accounts (but limited to ten (10) such accounts) in which a total aggregate amount of less than USD 100,000 (or its equivalent in other currencies) is deposited,

and so that Excluded Accounts shall not count as Accounts.

“Existing Banking Facilities” means the credit facilities outstanding under the Existing Banking Facilities Agreement.

“Existing Banking Facilities Agreement” means the facilities agreement originally dated 12 July 2021 (as subsequently amended and/or amended and restated from time to time) between, among others, Lucara Botswana Proprietary Limited as borrower, the Parent as parent and one of the guarantors and African Export-Import Bank as facility agent.

“Feasibility Study Technical Report” means the 2025 Feasibility Study Technical Report provided by JDS Energy & Mining Inc to the Parent with respect to the Project, with effective date 20 September 2025 and reporting Date 26 January 2026. JDS Energy & Mining Inc. has prepared this National Instrument 43-101 Technical Report, using the guidelines of Form 43-101F1.

“Fee Agreement” means the agreement entered into between the Issuer and the Bond Trustee relating, among other things, to the fees to be paid by the Issuer to the Bond Trustee for the services provided by the Bond Trustee relating to the Bonds.

“Finance Documents” means these Bond Terms, the Fee Agreement, the Intercreditor Agreement, the Nemesia Subordination Agreement, the Transaction Security Documents, the security documents documenting the Botswana SPV Security, any Security Agent Agreement, and any other document designated by the Issuer and the Bond Trustee as a Finance Document.

“Finance Lease” means any lease or hire purchase contract, a liability under which would, in accordance with GAAP, be treated as a balance sheet liability.

“Financial Indebtedness” means any indebtedness for or in respect of:

- (a) moneys borrowed (and debit balances at banks or other financial institutions);

- (b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument, including the Bonds;
- (d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Standard, be capitalised as an asset and booked as a corresponding liability in the balance sheet;
- (e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis provided that the requirements for de-recognition under the Accounting Standard are met);
- (f) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price and, when calculating the value of any derivative transaction, only the mark to market value (or, if any actual amount is due as a result of the termination or close-out of that derivative transaction, that amount shall be taken into account);
- (g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution in respect of an underlying liability of a person which is not a Group Company which liability would fall within one of the other paragraphs of this definition;
- (h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the Issuer) before the Maturity Date or are otherwise classified as borrowings under the Accounting Standard;
- (i) any amount of any liability under an advance or deferred purchase agreement, if (a) the primary reason behind entering into the agreement is to raise finance or (b) the agreement is in respect of the supply of assets or services and payment is due more than 120 calendar days after the date of supply;
- (j) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as a borrowing under the Accounting Standard; and
- (k) without double counting, the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above.

“Financial Reports” means the Annual Financial Statements and the Interim Accounts.

“Financial Support” means any loans, guarantees or Security securing obligations of another person or other financial assistance (whether actual or contingent), including the purchase of shares or equity capital in another person.

“First Call Date” means the Interest Payment Date occurring 36 months after the Initial Issue Date.

“First Call Price” has the meaning ascribed to such term in paragraph (a) (ii) of Clause 10.2 (*Voluntary early redemption - Call Option*).

“GAAP” means generally accepted accounting practices and principles in the country in which each of the Issuer and the Parent is incorporated including, if applicable, IFRS.

“Group” means the Parent and its Subsidiaries from time to time.

“Group Company” means any person which is a member of the Group.

“Guarantees” means the unconditional Norwegian law guarantees and indemnity (Norwegian: *“selvskyldnerkaushjon”*) issued by each of the Guarantors in respect of the Secured Obligations.

“Guarantor” means the Parent, each Subsidiary of the Parent (other than the Issuer and a Non-Material Company) and the Botswana Security SPV.

“IFRS” means the International Financial Reporting Standards and guidelines and interpretations issued by the International Accounting Standards Board (or any predecessor and successor thereof) in force from time to time and to the extent applicable to the relevant financial statement.

“Incurrence Test” has the meaning ascribed to such term in Clause 13.28 (*Financial covenants*).

“Initial Bond Issue” means the amount to be issued on the Issue Date as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“Initial Issue Date” or **“Issue Date”** means 27 March 2026.

“Initial Nominal Amount” means the Nominal Amount of each Bond on the Issue Date as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“Initial Security” shall have the meaning ascribed to such term in Clause 2.5 (*Transaction Security*).

“Initial Security Documents” shall have the meaning ascribed to such term in Clause 2.5 (*Transaction Security*).

“Insolvent” means that a person:

- (a) is unable or admits inability to pay its debts as they fall due;
- (b) suspends making payments on any of its debts generally; or
- (c) is otherwise considered insolvent or bankrupt within the meaning of the relevant bankruptcy legislation of the jurisdiction which can be regarded as its centre of main interest as such term is understood pursuant to Regulation (EU) 2015/848 on insolvency proceedings (as amended from time to time).

“Intercompany Loans” means any loan or credit granted by a Group Company to any other Group Company which is scheduled or anticipated to be outstanding for at least twelve (12) months and where the principal amount thereof (either singly or together with a series of related loans or credits) is at least USD 1,000,000 (or the equivalent in any other currency).

“Intercreditor Agreement” means an intercreditor agreement based on the intercreditor principles set out in Attachment 5 (*Intercreditor Principles*).

“Interest Payment Date” means the last day of each Interest Period, the first Interest Payment Date being 27 June 2026 and the last Interest Payment Date being the Maturity Date.

“Interest Period” means, subject to adjustment in accordance with the Business Day Convention, the periods between 27 March, 27 June, 27 September and 27 December each year, provided however that an Interest Period shall not extend beyond the Maturity Date.

“Interest Rate” means 12.50 percentage points per annum.

“Interim Accounts” means, in the English language, the unaudited unconsolidated quarterly financial statements of the Issuer and unaudited consolidated quarterly financial statements of the Parent, for the quarterly periods ending on each Quarter Date in each of its financial years, each of which shall include a balance sheet, profit and loss account and cashflow statement together, up until Project Completion, with management commentary on the progress of the Project.

“ISIN” means International Securities Identification Number.

“Issuer” means the company designated as such in the preamble to these Bond Terms.

“Issuer’s Bonds” means any Bonds which are owned by Obligor or any Affiliate of an Obligor.

“Listing Failure Event” means that:

- (a) the Issuer has not applied to have the Bonds admitted for listing on an Exchange within 6 months following the Initial Issue Date, or
- (b) in the case of a successful admission to listing, the Bonds have ceased to be admitted to listing on an Exchange.

“Lundin Family Company” means any company or entity controlled by a trust the settlor of which is the Estate of the late Adolf H. Lundin, including Nemesia.

“Luxembourg Securitisation Law” means the Luxembourg law of 22 March 2004 on securitisation (as amended from time to time).

“Make Whole Amount” means an amount equal to the sum of the present value on the Repayment Date of:

- (a) the First Call Price of the Nominal Amount of the redeemed Bonds as if such payment originally had taken place on the First Call Date; and

- (b) the remaining interest payments of the redeemed Bonds (less any accrued and unpaid interest on the redeemed Bonds as at the Call Option Repayment Date) up to and including the First Call Date;

where the present value shall be calculated by using a discount rate of 4.22 per cent. per annum.

“Manager” means Clarksons Securities AS and Pareto Securities AS.

“Master Control Budget” means the total control budget of all revenues and costs associated with the Project until Project Completion, a copy of which shall be delivered by the Issuer to the Bond Trustee on or prior to the Initial Issue Date, and as updated from time to time.

“Material Adverse Effect” means a material adverse effect on:

- (a) the ability of any Obligor to perform and comply with its obligations under any Finance Document; or
- (b) the validity or enforceability of any of the Finance Documents.

“Material Update” means, with respect to the Project, any updates:

- (i) to the Project Construction Plan, where such update reflects that Project Completion will no longer be achieved by the date falling 90 days after the estimated Project Completion date used in the immediately preceding Cost-to-Complete Test calculation (which, for the first Cost-to-Complete Test, shall be 30 April 2028); or
- (ii) to the Master Control Budget reflecting increases in the estimated Project Costs with more than USD 20,000,000 (or its equivalent in any other currencies),

in each case either arising from a single update or in aggregation of multiple minor updates since the later of (x) the relevant plan or budget delivered as conditions precedent to first release from the Escrow Account, and (y) the date or budget amount of the last Cost-to-Complete Certificate.

“Maturity Date” means 27 March 2031, adjusted according to the Business Day Convention.

“Maximum Issue Amount” means the maximum amount that may be issued under these Bond Terms as set out in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“Mining Company” means Lucara Botswana Proprietary Limited, a private limited incorporated under the laws of Botswana with company number BW00000664940.

“Mining License” means the mining licence with licence number ML 2008/6L dated 26 December 2020 and stamped 31 December 2020 for a period of twenty-five (25) years effective from 4 January 2021 granted by the Ministry of Mineral Resources, Green Technology and Energy Security in favour of the Mining Company.

“Mining Tenements” means:

- (a) the mining leases set out in Part 1 of Attachment 3 (*Mining Tenements and Project Documents*);
- (b) any present or future renewals, extensions, modifications, substitutions, amalgamations, subdivisions and variations of any such tenement; and

any interests granted in place of or into which any of the mining leases or other interests referred to in paragraphs (a) to (b) above convert.

“**Nemesia**” means Nemesia S.à r.l., a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B204552.

“**Nemesia Subordination Agreement**” means the subordination agreement dated on or about the Initial Issue Date between the Parent as debtor, Nemesia as subordinated creditor and the Bond Trustee (on behalf of the Bondholders) as senior creditor, pursuant to which the obligations of the Parent to Nemesia under the Nemesia Subordinated Loans are subordinated to the Secured Obligations.

“**Nemesia Subordinated Loans**” means the loans under the debentures in the principal amount of up to USD 63,000,000 dated 12 July 2021 (as amended on 9 January 2024) and USD 15,000,000 dated 23 August 2023.

“**Net Proceeds**” means the proceeds from the issuance of the Bonds, net of the amount of all pre-agreed costs and expenses (including pre-agreed fees, costs and expenses of the managers and the Bond Trustee, and of legal, insurance, technical and other consultants and advisers) reasonably incurred in connection with the issuance of the Bonds.

“**Nominal Amount**” means the nominal value of each Bond at any time. The Nominal Amount may be amended pursuant to paragraph (j) of Clause 16.2 (*The duties and authority of the Bond Trustee*).

“**Non-Material Company**” means a Group Company which is not directly or indirectly a shareholder in the Mining Company.

“**Obligor**” means the Issuer and any Guarantor.

“**Outstanding Bonds**” means any Bonds not redeemed or otherwise discharged.

“**Overdue Amount**” means any amount required to be paid by an Obligor under the Finance Documents but not made available to the Bondholders on the relevant Payment Date or otherwise not paid on its applicable due date.

“**Parent**” means Lucara Diamond Corp., a company continued under the laws of British Columbia, Canada with incorporation number C0701784.

“**Partial Payment**” means a payment that is insufficient to discharge all amounts then due and payable under the Finance Documents.

“Paying Agent” means the legal entity appointed by the Issuer to act as its paying agent with respect to the Bonds in the CSD.

“Payment Date” means any Interest Payment Date or any Repayment Date.

“Permitted Disposal” means a transfer, sale or other disposal of:

- (a) product in the ordinary course of trading;
- (b) assets that are redundant in connection with the relevant Group Company's business, obsolete or worn out;
- (c) Cash or Cash Equivalents;
- (d) assets arising as a result of any Permitted Security;
- (e) any interest in any Non-Material Group Company or any of their assets;
- (f) assets by each Group Company where the higher of the market value and net consideration receivable by that Group Company does not exceed USD 10,000,000 (or its equivalent in other currencies) in aggregate during any twelve (12) month period (but which shall not include any part of the Mining License or any other critical asset or right);
- (g) assets which are exchanged for or are to be replaced by other assets of comparable or superior type and not of a materially lesser value; or
- (h) assets approved with the prior written consent of the Bond Trustee.

“Permitted Financial Indebtedness” means any Financial Indebtedness:

- (a) incurred pursuant to or permitted under any Finance Documents or under any hedging agreement;
- (b) constituting a Subordinated Loan which is subject to the Intercreditor Agreement;
- (c) constituting a Nemesia Subordinated Loan subject to the Nemesia Subordination Agreement;
- (d) constituting an Intra-Group Liability which is subject to the Intercreditor Agreement;
- (e) established or outstanding under any Credit Facility which is subject to the Intercreditor Agreement;
- (f) up until the date of the first release from the Escrow Account, outstanding under the Existing Banking Facilities;
- (g) arising as a result of a contemplated refinancing of the Bonds in full provided that an irrevocable and unconditional call notice has been issued;

- (h) in the form of any Finance Lease, limited to an amount of USD 20,000,000 (or its equivalent in other currencies), in aggregate for the Group at any time;
- (i) any trade or other similar unsecured Financial Indebtedness incurred by any Obligor in the ordinary course of trade for less than three hundred and sixty (360) days, which does not exceed, in aggregate, five million Dollars (USD 5,000,000) (or its equivalent in other currencies);
- (j) incurred in connection with the performance of any statutory obligation (which is not Financial Indebtedness) and towards any government agency or authority related to the Project;
- (k) not permitted by the preceding paragraphs in an outstanding principal amount which does not exceed USD 10,000,000 (or its equivalent in other currencies), in aggregate for the Group at any time; and
- (l) any other Financial Indebtedness permitted by the Bond Trustee from time to time.

“Permitted Guarantees” means any guarantee and/or indemnity:

- (a) arising under or out of (or permitted under) the Finance Documents;
- (b) securing any Credit Facility;
- (c) up until the date of the first release from the Escrow Account, securing or guaranteeing the Existing Banking Facilities;
- (d) constituting Permitted Indebtedness or a Permitted Security Interest; and
- (e) not permitted by the preceding paragraphs securing obligations not exceeding USD 10,000,000 (or its equivalent in other currencies), in aggregate for the Group at any time.

“Permitted Hedging” means hedging of currency, interest rates and product prices on a non-speculative basis in accordance with the Group's hedging policy.

“Permitted Loan” means:

- (a) any loan constituting Permitted Financial Indebtedness;
- (b) deposits of cash or cash equivalent investments with financial institutions for cash management purposes or in the ordinary course of business; and
- (c) any loan, line of credit or similar financing commitment not permitted by the preceding paragraphs not exceeding USD 1,000,000 (or its equivalent in other currencies), in aggregate for the Group at any time.

“Permitted Security” means any Security:

- (a) created under or permitted under the Finance Documents;

- (b) arising from any tax, assessment or other governmental charge, if the obligation underlying any such Security is not yet due or, if due, is being contested in good faith by appropriate proceedings;
- (c) any cash collateral related to Permitted Financial Indebtedness referred to in paragraph (i) of the definition thereof;
- (d) securing amounts outstanding under any Credit Facility;
- (e) up until the date of the first release from the Escrow Account, securing outstanding under the Existing Banking Facilities;
- (f) arising by operation of law and in the ordinary course of trading of the relevant Group Company and not being overdue;
- (g) arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied in the ordinary course of trading of the relevant Group Company and on the supplier's standard or usual terms;
- (h) in the form of any netting, close-out netting or set-off arrangement entered into by any Group Company (a) in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of members of the Group, or (b) in connection with any hedging transaction entered into by it which constitutes Permitted Indebtedness;
- (i) over any escrow account (and the balance thereon) holding funds raised to refinance the Outstanding Bonds;
- (j) securing Finance Leases permitted pursuant to g) above under "Permitted Financial Indebtedness"; and
- (k) not permitted by the preceding paragraphs securing indebtedness which does not exceed USD 10,000,000 (or its equivalent in other currencies), in aggregate for the Group at any time; and
- (l) any other Security or quasi-security approved in writing by the Bond Trustee;

"Pre-Settlement Security" shall have the meaning ascribed to such term in Clause 2.5(b) (*Transaction Security*).

"Pre-First Release Security" shall have the meaning ascribed to such term in Clause 2.5(b) (*Transaction Security*).

"Pre-Second Release Security" shall have the meaning ascribed to such term in Clause 2.5(b) (*Transaction Security*).

"Post-Disbursement Best Effort Security" shall have the meaning ascribed to such term in Clause 2.5(e).

"Project Accounts" shall have the meaning ascribed to such term in Clause 13.27 (*Accounts*).

“Project” means the Karowe Diamond Open Pit Mine and the Underground Mine located in north-central Botswana, including all mineral resources and reserves referred to in the Mining Licence, the area covered by the Mining Licence, processing facilities, infrastructure, plant and equipment, and other related assets and rights.

“Project Assets” means all assets of whatever nature required for the purposes of, or in connection with, the Project (including land, plant, machinery, buildings and Intellectual Property) wherever they are situated (not being shares or loans).

“Project Completion” means at such time when the following criteria and conditions are satisfied and true:

- (a) the physical facilities and equipment of the Project have been installed and are operable substantially as contemplated by the Project Construction Plan;
- (b) the physical facilities and equipment of the Project as described in the Project Construction Plan have been paid for, unless and only to the extent that such payment (a) is being contested in good faith or (b) is less than USD 5,000,000;
- (c) the Mining Company (or other relevant Group Company) has, to the extent contemplated or required by any Project Document, delivered notification of its acceptance of delivery of, and their acceptance of substantially all work performed in connection with, the facilities under (a) above for which such notification is required, other than for any work the acceptance of which would not, individually or in the aggregate, have a Material Adverse Effect;
- (d) during a period of 90 consecutive days:
 - (i) underground dry ore mined and delivered to the run-of-mine pad was at least 67% of nameplate capacity and the process plant processed underground ore at not less than 67% of nameplate capacity, in each case as set out in the Project Construction Plan,
 - (ii) and that the levels of mining and processing achieved during such 90-day period are expected to be sustainable; and
- (e) the CEO and CFO of the Parent shall have executed a certificate addressed to the Bond Trustee, countersigned by the Independent Engineer, in form and substance satisfactory to the Bond Trustee (in consultation with its advisors), certifying that each of such completion criteria have been satisfied.

“Project Construction Plan” means the detailed plan for the construction and completion of the Project, a copy of which shall be delivered by the Issuer to the Bond Trustee on or prior to the Initial Issue Date, as updated from time to time.

“Project Costs” means the following amounts paid, payable, or forecast to be paid by the Group (i) to bring the Project to Project Completion and (ii) any other payments expected to be made prior to Project Completion related to its existing operations or otherwise (in respect of any forecast, as set out in Master Control Budget), without double counting:

- (a) construction costs including capital expenditure in relation to equipment;
- (b) operating costs, including maintenance expenditure, consumables and supplies costs (including fuel and electricity) payable prior to Project Completion;
- (c) management and administration costs;
- (d) debt service and other amounts falling due prior to Project Completion on or in relation to any Permitted Financial Indebtedness;
- (e) any costs, fees and expenses of the Group's engineering, technical, environmental, social, governmental, insurance, market and legal consultants under or in relation to the negotiation, preparation, execution and completion of the Finance Documents and Project Documents or otherwise in connection with the Project;
- (f) costs, fees and expenses of start-up, testing and commissioning of the Project, including costs, fees and expenses of the Independent Engineer incurred in attending any test or reviewing any test results;
- (g) insurance and reinsurance premiums payable prior to Project Completion;
- (h) any taxes and royalties payable prior to Project Completion; and
- (i) any other costs and expenses payable by the Group before Project Completion whether or not reflected in the Master Control Budget.

"Project Documents" means the material agreements, feasibility studies, environmental studies or assessments and other rights, permits and authorizations and other material documents that in each case are required for the development, completion and operation of the Project and that are then currently in force and which are set out in Part 2 of Attachment 3 (*Mining Tenements and Project Documents*) as may be replaced or renewed from time to time and including similar documents later obtained, provided that in each case such arrangements shall cease to be Project Documents when the Mining Company has no continuing rights or obligations thereunder which have a material impact on the Project or the financial condition of the Group.

"Pula" means the Botswana Pula, the currency of the Republic of Botswana.

"Put Option" has the meaning ascribed to such term in Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"Put Option Event" means a Change of Control Event or a De-listing Event.

"Put Option Repayment Date" means the settlement date for the Put Option pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*).

"Quarter Date" means each 31 March, 30 June, 30 September and 31 December each year.

"Relevant Jurisdiction" means the country in which the Bonds are issued, being Norway.

“Relevant Record Date” means the date on which a Bondholder’s ownership of Bonds shall be recorded in the CSD as follows:

- (a) in relation to payments pursuant to these Bond Terms, the date designated as the Relevant Record Date in accordance with the rules of the CSD from time to time; or
- (b) for the purpose of casting a vote with regard to Clause 15 (*Bondholders’ Decisions*), the date falling on the immediate preceding Business Day to the date of that Bondholders’ decision being made, or another date as accepted by the Bond Trustee.

“Repayment Date” means any date for payment of instalments in accordance with Clause 10.1 (*Redemption of Bonds*), any Call Option Repayment Date, the Default Repayment Date, any Put Option Repayment Date, the Tax Event Repayment Date or the Maturity Date.

“Secured Obligations” means:

- (a) until the Intercreditor Agreement has been entered into, all present and future liabilities and obligations of the Obligors to any of the Secured Parties under the Finance Documents; and
- (b) when the Intercreditor Agreement has been entered into, Secured Obligations shall have the meaning ascribed to such term in the Intercreditor Agreement.

“Secured Parties” means

- (a) until the Intercreditor Agreement has been entered into, the Security Agent and the Bond Trustee on behalf of itself and the Bondholders, and
- (b) when the Intercreditor Agreement has been entered into, Secured Parties shall have the meaning ascribed to such term in the Intercreditor Agreement.

“Securities Trading Act” means the Securities Trading Act of 2007 no.75 of the Relevant Jurisdiction.

“Security” means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“Security Agent” means the Security Trustee and each additional or supplemental security agent (each a **“Security Agent”**) or any successor Security Agent, acting for and on behalf of the Secured Parties in accordance with any Security Agent Agreement or any other Finance Document.

“Security Agent Agreement” means any agreement other than these Bond Terms whereby the Security Agent is appointed to act as such in the interest of the Bond Trustee (on behalf of itself and the Bondholders).

“Security Provider” means any person granting Transaction Security.

“**Security Trustee**” means such entity appointed by the Bond Trustee to act as Security Trustee for the Bonds.

“**Subordinated Loan**” means debt financing that:

- (a) is provided to the Parent by a person or entity which is not a Group Company and is subject to and subordinated under the terms of the Intercreditor Agreement; or
- (b) is subject to and subordinated under the terms of the Nemesia Subordination Agreement.

“**Subsidiary**” means a person over which another person has Decisive Influence.

“**Summons**” means the call for a Bondholders’ Meeting or a Written Resolution as the case may be.

“**Tap Issue**” has the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“**Tap Issue Addendum**” has the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“**Tax Event Repayment Date**” means the date set out in a notice from the Issuer to the Bondholders pursuant to Clause 10.4 (*Early redemption option due to a tax event*).

“**Temporary Bonds**” has the meaning ascribed to such term in Clause 2.1 (*Amount, denomination and ISIN of the Bonds*).

“**Transaction Security**” means the Security created or expressed to be created in favour of the Security Agent (on behalf of the Secured Parties) pursuant to the Transaction Security Documents.

“**Transaction Security Documents**” means, collectively, the Initial Security Documents and the Additional Security Documents.

“**Underground Mine**” means the portion of the AK6 kimberlite pipe below the final pit bottom level of the Open Pit that is to be accessed by two vertical surface shafts and exploited by underground mining methods from an extraction level at 310 masl as described in the Project Documents and envisaged in the Feasibility Study Technical Report.

“**Voting Bonds**” means the Outstanding Bonds less the Issuer’s Bonds.

“**Written Resolution**” means a written (or electronic) solution for a decision making among the Bondholders, as set out in Clause 15.5 (*Written Resolutions*).

1.2 Construction

In these Bond Terms, unless the context otherwise requires:

- (a) headings are for ease of reference only;
- (b) words denoting the singular number will include the plural and vice versa;

- (c) references to Clauses are references to the Clauses of these Bond Terms;
- (d) references to a time are references to Central European Time unless otherwise stated;
- (e) references to a provision of “**law**” are a reference to that provision as amended or re-enacted, and to any regulations made by the appropriate authority pursuant to such law;
- (f) references to a “**regulation**” includes any regulation, rule, official directive, request or guideline by any official body;
- (g) references to a “**person**” means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality;
- (h) references to Bonds being “**redeemed**” means that such Bonds are cancelled and discharged in the CSD in a corresponding amount, and that any amounts so redeemed may not be subsequently re-issued under these Bond Terms;
- (i) references to Bonds being “**purchased**” or “**repurchased**” by the Issuer means that such Bonds may be dealt with by the Issuer as set out in Clause 11.1 (*Issuer’s purchase of Bonds*);
- (j) references to an “**instruction**” from the Bondholders includes any instruction or demand in writing or a resolution in accordance with Clause 15 (*Bondholders’ decision*);
- (k) references to persons “**acting in concert**” shall be interpreted pursuant to the relevant provisions of the Securities Trading Act; and
- (l) an Event of Default is “**continuing**” if it has not been remedied or waived.

2. THE BONDS

2.1 Amount, denomination and ISIN of the Bonds

- (a) The Issuer has resolved to issue a series of Bonds up to USD 400,000,000 (the “**Maximum Issue Amount**”). The Bonds may be issued on different issue dates and the Initial Bond Issue will be in the amount of USD 350,000,000. The Issuer may, provided that the conditions set out in Clause 6.3 (*Tap Issues*) and the Incurrence Test are met, at one or more occasions issue Additional Bonds (each a “**Tap Issue**”) until the Nominal Amount of all Additional Bonds equals in aggregate the Maximum Issue Amount less the Initial Bond Issue. Each Tap Issue will be subject to identical terms as the Bonds issued pursuant to the Initial Bond Issue in all respects as set out in these Bond Terms, except that Additional Bonds may be issued at a different price than for the Initial Bond Issue and which may be below or above the Nominal Amount. The Bond Trustee shall prepare an addendum to these Bond Terms evidencing the terms of each Tap Issue (a “**Tap Issue Addendum**”). For Tap Issues not falling on an Interest Payment Date, accrued interest will be calculated using standard market practice in the secondary bond market.

If the Bonds are, or are contemplated to be, listed on an Exchange and there is a requirement for a new prospectus in order for the Additional Bonds to be listed together with the Bonds, the Additional Bonds may be issued under a separate ISIN (secured under the Transaction Security and solely the Tap Issue funds deposited on an escrow account) (such Bonds referred to as the “**Temporary Bonds**”). Upon the approval of the prospectus, the Issuer shall (i) notify the Bond Trustee, the Exchange and the Paying Agent and (ii) ensure that the Temporary Bonds are converted into the ISIN for the Bonds.

- (b) The Bonds are denominated in US Dollars (USD), being the legal currency of the United States of America.
- (c) The Initial Nominal Amount of each Bond is USD 1.
- (d) The ISIN of the Bonds is set out on the front page. These Bond Terms apply with identical terms and conditions to (i) all Bonds issued under this ISIN, (ii) any Temporary Bonds and (iii) any Overdue Amounts issued under one or more separate ISIN in accordance with the regulations of the CSD from time to time.
- (e) Holders of Overdue Amounts related to interest claims will not have any other rights under these Bond Terms than their claim for payment of such interest claim which claim shall be subject to paragraph (b) of Clause 15.1 (*Authority of the Bondholders’ Meeting*).

2.2 **Tenor of the Bonds**

The tenor of the Bonds is from and including the Issue Date to but excluding the Maturity Date.

2.3 **Use of proceeds**

- (a) The Issuer will use the Net Proceeds from the Initial Bond Issue towards:
 - (i) discharging the Existing Banking Facilities in full (approx. USD 220,000,000 plus any accrued interest, breakage costs and other accrued amounts);
 - (ii) funding the Debt Service Retention Account with an amount equal to an amount of 24 months of interest payments on the Bonds;
 - (iii) payment of Project Costs; and
 - (iv) after Project Completion, general corporate purposes of the Issuer.
- (b) The Issuer will use the Net Proceeds from the issuance of any Additional Bonds towards:
 - (i) funding the Debt Service Retention Account with the additional amounts (if any) required to be paid to the Debt Service Retention Account as a consequence of the Tap Issue;
 - (ii) Payment of Project Costs; and
 - (iii) after Project Completion, general corporate purposes of the Issuer.

2.4 Status of the Bonds

The Bonds shall constitute senior debt obligations of the Issuer. The Bonds will rank *pari passu* between themselves and at least *pari passu* with all other senior obligations of the Issuer (save for such claims which are preferred by bankruptcy, insolvency, liquidation or other similar laws of general application).

The Bonds will be secured on a *pari passu* basis with the claims of the other Secured Parties in respect of the Transaction Security (other than the Escrow Account Pledge and the pledge over the Debt Service Retention Account), subject to the super senior status of any Credit Facility. The Super Senior Creditors (as defined in the Intercreditor Agreement) will receive (i) the proceeds from any enforcement of the Transaction Security (other than the Escrow Account Pledge and the pledge over the Debt Service Retention Account), Guarantees and certain distressed disposals and (ii) any payments following any other enforcement event prior to the Bondholders (but otherwise rank *pari passu* in right of payment with the Bonds) in accordance with the waterfall provisions of the Intercreditor Agreement.

2.5 Transaction Security

- (a) The Transaction Security and the Transaction Security Documents will be subject to the Agreed Security Principles.
- (b) Subject to the exceptions expressly set out herein and/or otherwise agreed, as Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent on behalf of the Secured Parties with first priority within the times agreed in Clause 6 (*Conditions for Disbursement*):

Pre-Settlement Security

- (i) The Escrow Account Pledge;

Pre-First Release Security

- (ii) a Guarantee from the Parent;
- (iii) a security assignment (or a pledge, as the case may be) over the Debt Service Retention Account;

Pre-Second Release Security

- (iv) a Guarantee from each Guarantor (other than the Parent) from time to time;
- (v) a pledge/charge over the entire share capital of the Issuer and each Guarantor (other than the Parent, the Mining Company and any other Guarantor holding a controlling interest in the Mining Company (being, at this time, Boteti Diamond Holdings Inc and Lucara Diamond Holdings (I) Inc)), from time to time;
- (vi) a security assignment (or pledge, as the case may be) of each Intercompany Loan from time to time;

- (vii) a security assignment (or pledge/charge, as the case may be) of the balance of each Account (other than any Account of the Mining Company in Botswana) from time to time; and
- (viii) the Botswana Part 1 Security.
- (c) The Guarantees and Transaction Security shall be granted as follows:
 - (i) The Pre-Settlement Security shall be granted and perfected in favour of the Security Agent (on behalf of the Secured Parties) and shall be established in due time (as determined by the Bond Trustee) prior to the Initial Issue Date. The Security Agent shall have the right (acting in its sole discretion) to release the Pre-Settlement Security in connection with the release of funds from the Escrow Account.
 - (ii) The Pre-First Release Security shall be granted and perfected in favour of the Security Agent (on behalf of the Secured Parties) in respect of the Secured Obligations in due time (as determined by the Bond Trustee) prior to the first release from the Escrow Account.
 - (iii) The Pre-Second Release Security shall be granted and perfected in favour of the Security Agent (on behalf of the Secured Parties) or the Botswana Security SPV (in the case of the Botswana Part 1 Security) and the other relevant persons (as relevant) in respect of the Secured Obligations and the other relevant obligations (as relevant) and no later than:
 - (A) in respect of the Transaction Security described in Clause 2.5 (b) paragraphs (iv) - (vii) above, 45 days after the date of the first release from the Escrow Account; and
 - (B) in respect of the Botswana Part 1 Security, 60 days after the date of the first release from the Escrow Account.
- (d) The Security listed in Clause 2.5 (b) above will be referred to herein as the "**Initial Security**" and the agreements, documents and instruments documenting the granting, terms and perfection thereof will be referred to as the "**Initial Security Documents**".
- (e) In addition to the Initial Security the Group shall use reasonable best efforts to obtain, as soon as practically possible, any consents in respect of, and subsequently enter into documentation to create and conclude any required perfection steps, the Botswana Part 2 Security and security over the entire share capital of any Guarantor holding a controlling interest in the Mining Company (being, at this time, Boteti Diamond Holdings Inc and Lucara Diamond Holdings (I) Inc) (the "**Post-Disbursement Best Effort Security**").
- (f) The Bond Issue and the Credit Facility will share and have the same Transaction Security, provided that only the Bond Issue will have Transaction Security over the Escrow Account and the Debt Service Retention Account.

- (g) Reference is particularly made to the Agreed Security Principles for a detailed description of the structure for the Transaction Security over the shares in and assets of the Mining Company.
- (h) The Transaction Security and the Intercreditor Agreement shall be entered into on such terms and conditions as the Security Agent and the Bond Trustee in their discretion deem appropriate in order to create the intended benefit for the Secured Parties under the relevant document.
- (i) The Security Agent shall have the right (acting in its sole discretion) to release the Escrow Account Pledge after all funds on the Escrow Account have been fully and irrevocably released to the Issuer.
- (j) The Security Agent is irrevocably authorised to (i) release any Guarantees and Transaction Security over assets which are sold or otherwise disposed of (directly or indirectly) (A) in any merger, de-merger or disposal permitted in compliance with Clauses 13.5 (*Mergers and de-mergers*) or 13.17 (*Investments in and ownership of mining assets*) and (B) following an enforcement.

2.6 Additional Transaction Security

Additional Security and Guarantees shall be granted pursuant to and in accordance with the Attachment 4 (*Agreed Security Principles*).

3. THE BONDHOLDERS

3.1 Bond Terms binding on all Bondholders

- (a) By virtue of being registered as a Bondholder (directly or indirectly) with the CSD, the Bondholders are bound by these Bond Terms and any other Finance Document, without any further action required to be taken or formalities to be complied with by the Bond Trustee, the Bondholders, the Issuer or any other party.
- (b) The Bond Trustee is always acting with binding effect on behalf of all the Bondholders.

3.2 Limitation of rights of action

- (a) No Bondholder is entitled to take any enforcement action, instigate any insolvency procedures or take other legal action against the Issuer or any other party in relation to any of the liabilities of the Issuer or any other party under or in connection with the Finance Documents, other than through the Bond Trustee and in accordance with these Bond Terms, provided, however, that the Bondholders shall not be restricted from exercising any of their individual rights derived from these Bond Terms, including the right to exercise the Put Option.
- (b) Each Bondholder shall immediately upon request by the Bond Trustee provide the Bond Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Bond Trustee), as the Bond Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Bond Trustee is under no obligation to represent a Bondholder which does not comply with such request.

3.3 Bondholders' rights

- (a) If a beneficial owner of a Bond not being registered as a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain proof of ownership of the Bonds, acceptable to the Bond Trustee.
- (b) A Bondholder (whether registered as such or proven to the Bond Trustee's satisfaction to be the beneficial owner of the Bond as set out in paragraph (a) above) may issue one or more powers of attorney to third parties to represent it in relation to some or all of the Bonds held or beneficially owned by such Bondholder. The Bond Trustee shall only have to examine the face of a power of attorney or similar evidence of authorisation that has been provided to it pursuant to this Clause 3.3 and may assume that it is in full force and effect, unless otherwise is apparent from its face or the Bond Trustee has actual knowledge to the contrary.

4. ADMISSION TO LISTING

The Issuer shall use its reasonable endeavours to ensure that the Bonds are listed on an Exchange within 6 months of the Issue Date and thereafter remain listed on an Exchange until the Bonds have been redeemed in full. The Issuer shall use its reasonable endeavours to ensure that any Temporary Bonds are listed on an Exchange within 3 months of the issue date for such Temporary Bonds.

5. REGISTRATION OF THE BONDS

5.1 Registration in the CSD

The Bonds shall be registered in dematerialised form in the CSD (as the primary recording of the Bonds) according to the relevant securities registration legislation and the requirements of the CSD.

5.2 Obligation to ensure correct registration

The Issuer will at all times ensure that the registration of the Bonds in the CSD is correct and shall immediately upon any amendment or variation of these Bond Terms give notice to the CSD of any such amendment or variation.

5.3 Country of issuance

The Bonds have not been issued under any other country's legislation than that of the Relevant Jurisdiction. Save for the registration of the Bonds in the CSD, the Issuer is under no obligation to register, or cause the registration of, the Bonds in any other registry or under any other legislation than that of the Relevant Jurisdiction.

6. CONDITIONS FOR DISBURSEMENT

6.1 Conditions precedent for disbursement to the Issuer

- (a) Payment of the Net Proceeds from the issuance of the Bonds to the Escrow Account shall be conditional on the Bond Trustee having received in due time (as determined by the Bond Trustee) prior to the Issue Date each of the following documents, in form and substance satisfactory to the Bond Trustee (in consultation with its advisors):
 - (i) these Bond Terms duly executed by all parties hereto;

- (ii) in respect of the Issuer:
 - (A) copies of all necessary corporate resolutions required to execute and perform the Finance Documents to which it is a party;
 - (B) if applicable, a copy of a power of attorney (unless included in the relevant corporate resolutions) from it to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on its behalf; and
 - (C) copies of its articles of association;
 - (D) an excerpt (*extrait*) from the Register of Commerce and Companies, Luxembourg (*Registre de Commerce et des Sociétés, Luxembourg*) dated no older than 1 Business Day prior to the date of the Bond Terms; and
 - (E) an electronic copy of a negative certificate (*certificat de non-inscription d'une décision judiciaire ou de dissolution administrative sans liquidation*) dated no older than 1 Business Day prior to the date of the Bond Terms.
 - (iii) the Escrow Account Pledge duly executed by all parties thereto and perfected in accordance with applicable law (including all applicable notices, acknowledgements and consents from the account bank);
 - (iv) copies of the Parent's latest Financial Reports;
 - (v) confirmation that the applicable prospectus requirements (ref. the EU prospectus regulation ((EU) 2017/1129)) concerning the issuance of the Bonds have been fulfilled;
 - (vi) copies of any necessary governmental approval, consent or waiver (as the case may be) required at such time to issue the Bonds;
 - (vii) confirmation that the Bonds are registered in the CSD (by obtaining an ISIN for the Bonds);
 - (viii) copies of any written documentation used in marketing the Bonds or made public by the Issuer or any Manager in connection with the issuance of the Bonds;
 - (ix) the Fee Agreement duly executed by all parties thereto; and
 - (x) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of these Bond Terms and the Finance Documents).
- (b) The first release of Net Proceeds from the Escrow Account will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:

- (i) unless delivered under paragraph (a) above, as pre-settlement conditions precedent:
 - (A) copies of all necessary corporate resolutions of the Parent to execute and perform the Finance Documents to which it is a party;
 - (B) if applicable, copy of a power of attorney (unless included in the corporate resolutions) from the Parent to relevant individuals for their execution of the Finance Documents to which it is a party or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the Parent; and
 - (C) copies of the Parent's certificate of continuation, notice of articles and articles;
- (ii) the Guarantees and Transaction Security Documents documenting the Pre-First Release Security duly executed by all parties thereto and evidence of the establishment and perfection of such Transaction Security.
- (iii) Confirmation of acceptance from any process agent;
- (iv) The Intercreditor Agreement duly executed by the parties thereto;
- (v) a release notice substantially in the form as set out in Attachment 2 (*Release Notice – Escrow Account*) (a “**Release Notice**”) from the Issuer to the Bond Trustee for the release of Net Proceeds for utilization towards the purposes described in paragraphs (a) (i) and (ii) of 2.3 (*Use of Proceeds*), evidencing that the amount to be released is sufficient to ensure (i) the repayment of the Existing Banking Facilities in full and (ii) that the Debt Service Retention Account will be funded with the amount required;
- (vi) a payoff letter or similar to the Bond Trustee from the lenders (or their agent) under the Existing Banking Facilities confirming (i) the amount required to repay the Existing Banking Facilities in full and (ii) that, upon receipt of such amount, all Group Companies and all of their assets will be released from all obligations and liabilities (including any Security, guarantees and indemnities) under or in connection with the Existing Banking Facilities;
- (vii) a fully executed copy of the Independent Engineer appointment letter;
- (viii) a copy of the Project Construction Plan;
- (ix) a copy of the Master Control Budget;
- (x) a copy of the Feasibility Study Technical Report;
- (xi) confirmation from the Parent that:

- (A) there are, in general, no material changes to the budget or timeline of the Project from what is described in the Feasibility Study Technical Report and in the marketing material for the Bond Issue; and
 - (B) each of the Project Construction Plan and the Master Control Budget reflect the construction plan, budget and timeline for the Project as set out in the Feasibility Study Technical Report;
 - (xii) a copy of each executed Project Document (including amendments thereto);
 - (xiii) copy of insurance policies together with a certificate from the Issuer confirming that insurances have been obtained in accordance with the requirements set forth herein;
 - (xiv) a report of an insurance consultant or broker appointed by the Issuer, which shall confirm that the insurance policies of the Mining Company are appropriate and sufficient for its business and conform with the requirements set forth herein; and
 - (xv) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the Parent and the legality, validity and enforceability of these Bond Terms and the Finance Documents).
- (c) The second release (and final release) of Net Proceeds from the Escrow Account will not be disbursed to the Issuer unless the Bond Trustee has received or is satisfied that it will receive in due time (as determined by the Bond Trustee) prior to such disbursement to the Issuer each of the following documents, in form and substance satisfactory to the Bond Trustee:
- (i) unless delivered under paragraph (a) or (b) above and in respect of each Obligor and Security Provider:
 - (A) copies of all necessary corporate resolutions required to provide the Transaction Security and execute the Finance Documents to which it is a party;
 - (B) if applicable, a copy of a power of attorney (unless included in the relevant corporate resolutions) from it to relevant individuals for their execution of the Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on behalf of the relevant Obligor;
 - (C) copies of the articles of association/constitution and certificate of registration/certificate of incorporation (or similar documents);
 - (ii) in respect of the Botswana Security SPV:

- (A) constitutional documents in respect of the Botswana Security SPV (company constitution), which shall include provisions whereby its business activities shall only be limited to (i) acting as security holder and guarantor in respect of the finance documents, (ii) entering into, holding, administering and enforcing security, (iii) issuing guarantees and related undertakings in favour of the lenders and (iv) activities ancillary or incidental thereto. It should prohibit the Botswana Security SPV from incurring other indebtedness, granting additional security, carrying on trading activities, employing staff (other than as required), or having assets or liabilities other than those contemplated by the transaction documents;
- (B) a Security management/ administration agreement, and which shall include provisions regarding the appointment of a security manager/administrator to administer, maintain and (if instructed) enforce the security on behalf of the Botswana Security SPV and ultimately for the benefit of the Bond Trustee and the Bondholders, and which should set out (i) scope of authority, (ii) decision-making mechanics (including acting only on lender/trustee instructions post-enforcement trigger), (iii) standard of care, (iv) reporting obligations, (v) remuneration, and (vi) limitations of liability and indemnities;
- (C) the constitutional documents in respect of the owner trust (trust deed);
- (D) a Guarantee granted by the Botswana Security SPV and which shall include similar undertakings as those applicable to the Group Companies (as determined by the Bond Trustee); and
- (E) a counter indemnity agreement between the relevant Group Company and the Botswana Security SPV,

in each case as customarily required in Botswana provided it has been required by the Bond Trustee's local legal counsel.

- (iii) the Guarantees and Transaction Security Documents for the Pre-Second Release Security duly executed by all parties thereto and evidence of the establishment and perfection of such Transaction Security.
- (iv) a Release Notice from the Issuer to the Bond Trustee for the release of Net Proceeds for utilization towards the purposes described in paragraph (a) (iii) of 2.3 (*Use of Proceeds*) above, and for the transfer of such Net Proceeds to a Project Account;
- (v) copies of all loan agreements for Subordinated Loans;
- (vi) the accession of Nemesia to the Intercreditor Agreement (including legal opinion);
- (vii) a copy of any Credit Facility that has been entered into; and

- (viii) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the Parent/other Obligors and the legality, validity and enforceability of these Bond Terms and the Finance Documents).
- (d) The Issuer shall ensure that the pre second release conditions precedent set out in paragraph (c) above (other than the condition precedent described in paragraph (iv) (the Release Notice)) are satisfied no later than 45 days after the date of the first release from the Escrow Account, provided that the granting and perfection of the Initial Transaction Security, together with the delivery of legal opinions in relation thereto, shall be satisfied within the timeline set out in Clause 2.5 (*Transaction Security*).
- (e) No Event of Default shall occur if item (vi) of paragraph (c) above (the accession of Nemesia to the Intercreditor Agreement) is not satisfied within 45 days after the date of the first release from the Escrow Account in accordance with paragraph (d) above (a “**Nemesia Accession Failure Event**”), however such Nemesia Accession Failure Event shall result in the accrual of default interest in accordance with paragraph (d) of Clause 8.2 (Default interest) for as long as such Nemesia Accession Failure Event is continuing.
- (f) The Bond Trustee, acting in its sole discretion, may, regarding this Clause 6.1, waive the requirements for documentation or decide that delivery of certain documents shall be made subject to an agreed closing procedure (the “**Closing Procedure**”) between the Bond Trustee and the Issuer.

6.2 Issuance of the Bonds and disbursement of the Net Proceeds

- (a) Issuance of the Bonds to the Bondholders and disbursement of the Net Proceeds are conditional on the Bond Trustee’s confirmation to the Paying Agent and the Managers that the conditions in Clause 6.1 (*Conditions precedent for disbursement to the Issuer*) have been either satisfied in the Bond Trustee’s discretion or waived by the Bond Trustee pursuant to paragraph (e) of Clause 6.1 (*Conditions precedent for disbursement to the Issuer*).
- (b) Releases from the Escrow Account shall be made by the Issuer issuing a Release Notice signed by the Issuer, and specifying the amount requested to be released to the Account Bank, countersigned by the Bond Trustee. Each Release Notice will, inter alia, contain:
 - (i) the amount requested for release, a description of the intended use of the funds and relevant calculations as required in the relevant conditions precedent, and a confirmation from the Issuer that the released amount will be used towards the stated purpose; and
 - (ii) a confirmation from the Issuer that no Event of Default is continuing or will result from the release.
- (c) The funds credited to the Escrow Account shall be released in two releases:
 - (i) the first release shall be limited to the amount required to (a) repay and discharge in full all amounts outstanding under the Existing Banking Facilities (estimated at approximately USD 220,000,000, together with accrued interest, breakage costs,

and any other accrued amounts) and (b) fund the Debt Service Retention Account in an amount equal to the amount representing 24 months of interest payments on the Bonds; and

- (ii) the second release shall include all remaining amounts standing to the credit of the Escrow Account at such time, and shall be credited to the Project Account(s), and thereafter be applied towards the payment of Project Costs and, following Project Completion, for general corporate purposes,

in each case as set out in Clause 2.3 (*Use of Proceeds*).

- (d) The first release is subject to the satisfaction of the pre first release conditions precedent set out in Clause 6.1(b) and the second release is subject to the pre second release conditions precedent set out in Clause 6.1(c).

6.3 Conditions Subsequent

The Group shall use reasonable best efforts to obtain, as soon as practically possible, any consents in respect of, and subsequently enter into documentation to create and conclude any required perfection steps, for the Post-Disbursement Best Effort Security.

6.4 Tap Issues

- (a) The Issuer may issue Additional Bonds if:

- (i) the Bond Trustee has received each of the following documents, in form and substance satisfactory to the Bond Trustee:

- (A) a Tap Issue Addendum duly executed by all parties thereto;
- (B) a Compliance Certificate which includes (in reasonable detail) calculations and figures evidencing compliance with the Incurrence Test;
- (C) in respect of the Issuer:

- (i) copies of all necessary corporate resolutions required to execute and perform the Tap Issue Addendum and the other additional Finance Documents to which it is a party;
- (ii) if applicable, a copy of a power of attorney (unless included in the relevant corporate resolutions) from it to relevant individuals for their execution of the Tap Issue Addendum and other additional Finance Documents to which it is a party, or extracts from the relevant register or similar documentation evidencing such individuals' authorisation to execute such Finance Documents on its behalf; and
- (iii) copies of its articles of association;
- (iv) an excerpt (*extrait*) from the Register of Commerce and Companies, Luxembourg (*Registre de Commerce et des*

Sociétés, Luxembourg) dated no older than 1 Business Day prior to the date of the Tap Issue Addendum; and

- (v) an electronic copy of a negative certificate (*certificat de non-inscription d'une décision judiciaire ou de dissolution administrative sans liquidation*) dated no older than 1 Business Day prior to the date of the Tap Issue Addendum.
- (D) a duly executed Release Notice for the release of Net Proceeds for utilization towards the purposes described in paragraphs (b) (i) and (ii) of Clause 2.3 (*Use of Proceeds*) above and with a confirmation from the Issuer that the Debt Service Retention Account will be funded with such amount as is required;
- (E) a confirmation from the Issuer that the representations and warranties remain true and correct in all material respects and are repeated by the Issuer;
- (F) a confirmation from the Issuer that the Cost-to-Complete Test is satisfied;
- (G) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and as applicable the Parent/other Obligors and the legality, validity and enforceability of the Tap Issue addendum and any other Finance Documents (if applicable)).
- (H) any amendment or security and guarantee confirmation required in respect of any Finance Documents in relation to the Tap Issue;
- (I) confirmation that the applicable prospectus requirements (ref. the EU prospectus regulation ((EU) 2017/1129)) concerning the issuance of the Additional Bonds have been fulfilled;
- (J) copies of any written documentation used in marketing the Additional Bonds or made public by the Issuer or any Manager in connection with the issuance of the Additional Bonds; and
- (K) legal opinions or other statements as may be required by the Bond Trustee (including in respect of corporate matters relating to the Issuer and the legality, validity and enforceability of the Tap Issue Addendum and any other Finance Documents(if applicable));
- (ii) no Event of Default is continuing; and
- (iii) the representations and warranties contained in Clause 7 (*Representations and Warranties*) of these Bond Terms are true and correct in all material respects and repeated by the Issuer as at the date of issuance of such Additional Bonds.

- (b) The Issuer may establish a separate escrow account (with a bank acceptable to the Bond Trustee, and where the bank has waived any set-off rights), where the Net Proceeds from the Tap Issue may be deposited until all conditions precedent for release from the Escrow Account have been fulfilled. Such escrow account shall be pledged on a first priority basis in favour of the Bond Trustee (on behalf of the Bondholders under the relevant Tap Issue), and be blocked (or otherwise restricted, as determined by the Bond Trustee) so that no withdrawals can be made therefrom without the Bond Trustee's prior written consent.
- (c) If the Net Proceeds from the Tap Issue will be deposited on a separate escrow account in accordance with paragraph (b) above, the Additional Bonds will be issued under a separate ISIN as Temporary Bonds. The Temporary Bonds will only be secured with the pledge over the escrow account. After all funds on the escrow account have been fully and irrevocably released to the Issuer, the Issuer shall ensure that the Temporary Bonds are converted into the ISIN for the Bonds. Temporary Bonds may, prior to conversion into the ISIN for the Bonds, be subject to mandatory provisions in the relevant Tap Issue Addendum.
- (d) The Bond Trustee may (at its sole discretion and in each case) waive or postpone the delivery of certain conditions precedent, and the Bond Trustee may (on behalf of the Bondholders) agree to a closing procedure with the Issuer, substantially on the same terms as the Closing Procedure (to the extent applicable).

7. REPRESENTATIONS AND WARRANTIES

The Issuer makes the representations and warranties set out in this Clause 7, in respect of itself and in respect of each Obligor to the Bond Trustee (on behalf of the Bondholders) at the following times and with reference to the facts and circumstances then existing:

- (a) on the date of these Bond Terms;
- (b) on the Issue Date;
- (c) on each date of disbursement of proceeds from the Escrow Account; and
- (d) on the date of issuance of any Additional Bonds.

7.1 Status

It is a private limited liability company, duly incorporated and validly existing and registered under the laws of its jurisdiction of incorporation, and has the power to own its assets and carry on its business as it is being conducted.

7.2 Power and authority

It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated by those Finance Documents.

7.3 Valid, binding and enforceable obligations

These Bond Terms and each other Finance Document to which it is a party constitutes (or will constitute, when executed by the respective parties thereto) its legal, valid and binding obligations, enforceable in accordance with their respective terms, and (save as provided for therein) no further registration, filing, payment of tax or fees or other formalities are necessary or desirable to render the said documents enforceable against it.

7.4 Non-conflict with other obligations

The entry into and performance by it of these Bond Terms and any other Finance Document to which it is a party and the transactions contemplated thereby do not and will not conflict with (i) any law or regulation or judicial or official order; (ii) its constitutional documents; or (iii) any agreement or instrument which is binding upon it or any of its assets.

7.5 No Event of Default

- (a) No Event of Default exists or is likely to result from the making of any disbursement of proceeds or the entry into, the performance of, or any transaction contemplated by, any Finance Document.
- (b) No other event or circumstance has occurred which constitutes (or with the expiry of any grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (howsoever described) under any other agreement or instrument which is binding on it or any of its Subsidiaries or to which its (or any of its Subsidiaries') assets are subject which has or is likely to have a Material Adverse Effect.

7.6 Authorisations and consents

All authorisations, consents, approvals, resolutions, licences, exemptions, filings, notarisations or registrations required:

- (a) to enable it to enter into, exercise its rights and comply with its obligations under these Bond Terms or any other Finance Document to which it is a party; and
- (b) to carry on its business as presently conducted and as contemplated by these Bond Terms,

have been obtained or effected and are in full force and effect.

7.7 Litigation

No litigation, arbitration or administrative proceedings or investigations of or before any court, arbitral body or agency which, if adversely determined, is likely to have a Material Adverse Effect and have (to the best of its knowledge and belief) been started or threatened against it or any of its Subsidiaries.

7.8 Financial Reports

Its most recent Financial Reports fairly and accurately represent the assets and liabilities and financial condition as at their respective dates, and have been prepared in accordance with the Accounting Standard, consistently applied (and save that as of the date of these Bond Terms,

the Issuer has not yet provided any Financial Reports and first Financial Reports will be prepared for first quarter of 2026 ending 31 March 2026).

7.9 No Material Adverse Effect

Since the date of the most recent Financial Reports, there has been no change in its business, assets or financial condition that is likely to have a Material Adverse Effect.

7.10 No misleading information

Any factual information provided by it to the Bondholders or the Bond Trustee for the purposes of the issuance of the Bonds was true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.

7.11 No withholdings

The Issuer is not required to make any deduction or withholding from any payment which it may become obliged to make to the Bond Trustee or the Bondholders under the Finance Documents.

7.12 Pari passu ranking

Its payment obligations under these Bond Terms or any other Finance Document to which it is a party ranks as set out in Clause 2.4 (*Status of the Bonds*).

7.13 Security

No Security exists over any of the present assets of any Group Company in conflict with these Bond Terms.

8. PAYMENTS IN RESPECT OF THE BONDS

8.1 Covenant to pay

- (a) The Issuer will unconditionally make available to or to the order of the Bond Trustee and/or the Paying Agent all amounts due on each Payment Date pursuant to the terms of these Bond Terms at such times and to such accounts as specified by the Bond Trustee and/or the Paying Agent in advance of each Payment Date or when other payments are due and payable pursuant to these Bond Terms.
- (b) All payments to the Bondholders in relation to the Bonds shall be made to each Bondholder registered as such in the CSD on the Relevant Record Date, by, if no specific order is made by the Bond Trustee, crediting the relevant amount to the bank account nominated by such Bondholder in connection with its securities account in the CSD.
- (c) Payment constituting good discharge of the Issuer's payment obligations to the Bondholders under these Bond Terms will be deemed to have been made to each Bondholder once the amount has been credited to the bank holding the bank account nominated by the Bondholder in connection with its securities account in the CSD. If the paying bank and the receiving bank are the same, payment shall be deemed to have been made once the amount has been credited to the bank account nominated by the Bondholder in question.

- (d) If a Payment Date or a date for other payments to the Bondholders pursuant to the Finance Documents falls on a day on which either of the relevant CSD settlement system or the relevant currency settlement system for the Bonds are not open, the payment shall be made on the first following possible day on which both of the said systems are open, unless any provision to the contrary has been set out for such payment in the relevant Finance Document.

8.2 Default interest

- (a) Default interest will accrue on any Overdue Amount from and including the Payment Date on which it was first due to and excluding the date on which the payment is made at the Interest Rate plus 3 percentage points per annum.
- (b) Default interest accrued on any Overdue Amount pursuant to this Clause 8.2 will be added to the Overdue Amount on each Interest Payment Date until the Overdue Amount and default interest accrued thereon have been repaid in full.
- (c) Upon the occurrence of a Listing Failure Event and for as long as such Listing Failure Event is continuing, the interest on any principal amount outstanding under these Bond Terms will accrue at the Interest Rate plus 1 percentage point per annum. In the event the Listing Failure Event relates to Temporary Bonds, the Interest Rate will only be increased in respect of such Temporary Bonds.
- (d) Upon the occurrence of a Nemesis Accession Failure Event and for as long as such Nemesis Accession Failure Event is continuing, the interest on any principal amount outstanding under these Bond Terms will accrue at the Interest Rate plus 3 percentage point per annum. In the event the Nemesis Accession Failure Event relates to Temporary Bonds, the Interest Rate will only be increased in respect of such Temporary Bonds.

8.3 Partial Payments

- (a) If the Paying Agent or the Bond Trustee receives a Partial Payment, such Partial Payment shall, in respect of the Issuer's debt under the Finance Documents be considered made for discharge of the debt of the Issuer in the following order of priority:
 - (i) firstly, towards any outstanding fees, liabilities and expenses of the Bond Trustee (and any Security Agent);
 - (ii) secondly, towards accrued interest due but unpaid; and
 - (iii) thirdly, towards any other outstanding amounts due but unpaid under the Finance Documents.
- (b) Notwithstanding paragraph (a) above, any Partial Payment which is distributed to the Bondholders, shall, after the above mentioned deduction of outstanding fees, liabilities and expenses, be applied (i) firstly towards any principal amount due but unpaid and (ii) secondly, towards accrued interest due but unpaid, in the following situations;
 - (i) if the Bond Trustee has served a Default Notice in accordance with Clause 14.2 (*Acceleration of the Bonds*); or

- (ii) if a resolution according to Clause 15 (*Bondholders' Decisions*) has been made.

8.4 Taxation

- (a) Each Obligor is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the Finance Documents.
- (b) The Obligors shall, if any tax is withheld in respect of the Bonds under the Finance Documents:
 - (i) gross up the amount of the payment due from it up to such amount which is necessary to ensure that the Bondholders or the Bond Trustee, as the case may be, receive a net amount which is (after making the required withholding) equal to the payment which would have been received if no withholding had been required; and
 - (ii) at the request of the Bond Trustee, deliver to the Bond Trustee evidence that the required tax deduction or withholding has been made.
- (c) Any public fees levied on the trade of Bonds in the secondary market shall be paid by the Bondholders, unless otherwise provided by law or regulation, and the Issuer shall not be responsible for reimbursing any such fees.
- (d) The Bond Trustee shall not have any responsibility to obtain information about the Bondholders relevant for the tax obligations pursuant to these Bond Terms.

8.5 Currency

- (a) All amounts payable under the Finance Documents shall be payable in the Bond Currency. If, however, the Bond Currency differs from the currency of the bank account connected to the Bondholder's account in the CSD, any cash settlement may be exchanged and credited to this bank account.
- (b) Any specific payment instructions, including foreign exchange bank account details, to be connected to the Bondholder's account in the CSD must be provided by the relevant Bondholder to the Paying Agent (either directly or through its account manager in the CSD) within 5 Business Days prior to a Payment Date. Depending on any currency exchange settlement agreements between each Bondholder's bank and the Paying Agent, and opening hours of the receiving bank, cash settlement may be delayed, and payment shall be deemed to have been made once the cash settlement has taken place, provided, however, that no default interest or other penalty shall accrue for the account of the Issuer for such delay.

8.6 Set-off and counterclaims

No Obligor may apply or perform any counterclaims or set-off against any payment obligations pursuant to these Bond Terms or any other Finance Document.

9. INTEREST

9.1 Calculation of interest

- (a) Each Outstanding Bond will accrue interest at the Interest Rate on the Nominal Amount for each Interest Period, commencing on and including the first date of the Interest Period, and ending on but excluding the last date of the Interest Period.
- (b) Any Additional Bond will accrue interest at the Interest Rate on the Nominal Amount commencing on the first date of the Interest Period in which the Additional Bonds are issued and thereafter in accordance with paragraph (a) above.
- (c) Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each (30/360-days basis), unless:
 - (i) the last day in the relevant Interest Period is the 31st calendar day but the first day of that Interest Period is a day other than the 30th or the 31st day of a month, in which case the month that includes that last day shall not be shortened to a 30-day month; or
 - (ii) the last day of the relevant Interest Period is the last calendar day in February, in which case February shall not be lengthened to a 30-day month.

9.2 Payment of interest

Interest shall fall due on each Interest Payment Date for the corresponding preceding Interest Period and, with respect to accrued interest on the principal amount then due and payable, on each Repayment Date.

10. REDEMPTION AND REPURCHASE OF BONDS

10.1 Redemption of Bonds

- (a) The Bonds shall be repaid by the Issuer in instalments of a Nominal Amount of USD 25,000,000 on each Interest Payment Date, commencing on the Interest Payment Date falling 36 months after the Initial Issue Date.
- (b) The amortization shall be increased on a pro rata basis following a Tap Issue.
- (c) Instalment payments will be made pro rata in accordance with the applicable regulations of the CSD.
- (d) Any remaining Outstanding Bonds will be redeemed in full on the Maturity Date at a price equal to 100 per cent. of the Nominal Amount.

10.2 Voluntary early redemption - Call Option

- (a) The Issuer may redeem all or some of the Outstanding Bonds (the “**Call Option**”) on any Business Day from and including:
 - (i) the Issue Date to, but not including, the First Call Date at a price equal to the Make Whole Amount;

- (ii) the First Call Date to, but not including, the Interest Payment Date in March 2030 at a price equal to 105.00 per cent. of the Nominal Amount for each redeemed Bond (the “**First Call Price**”);
 - (iii) Interest Payment Date in March 2030 to, but not including, the Interest Payment Date in September 2030 at a price equal to 102.50 per cent. of the Nominal Amount for each redeemed Bond; and
 - (iv) the Interest Payment Date in September 2030 to, but not including, the Maturity Date at a price equal to 100 per cent. of the Nominal Amount for each redeemed Bond.
- (b) Any redemption of Bonds pursuant to paragraph (a) above shall be determined based upon the redemption prices applicable on the Call Option Repayment Date.
 - (c) The Call Option may be exercised by the Issuer by written notice (the “**Call Notice**”) to the Bond Trustee and the Bondholders at least 10 Business Days prior to the proposed Call Option Repayment Date. Such Call Notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date, but may, at the Issuer’s discretion, be subject to the satisfaction of one or more conditions precedent, to be satisfied or waived by the Issuer no later than 3 Business Days prior to the Call Option Repayment Date. If such conditions precedent have not been satisfied or waived by that date, the Call Notice shall be null and void.
 - (d) The Call Option Repayment Date may, at the Issuer's discretion, be postponed maximum 3 times by written notice to the Bond Trustee at least 3 Business Days before the then applicable Call Option Repayment Date, provided that the Call Option Repayment Date will not be delayed with more than a total of 10 Business Days from the original Call Option Repayment Date.
 - (e) Unless the Make Whole Amount is set out in the Call Notice, the Issuer shall calculate the Make Whole Amount and provide such calculation by written notice to the Bond Trustee as soon as possible and at the latest within 3 Business Days from the date of the Call Notice.
 - (f) Any Call Option exercised in part will be used for pro rata payment to the Bondholders in accordance with the applicable regulations of the CSD.

10.3 Mandatory repurchase due to a Put Option Event

- (a) Upon the occurrence of a Put Option Event, each Bondholder will have the right (the “**Put Option**”) to require that the Issuer purchases all or some of the Bonds held by that Bondholder at a price equal to 101 per cent. of the Nominal Amount.
- (b) The Put Option must be exercised within 20 Business Days after the Issuer has given notice to the Bond Trustee and the Bondholders via the CSD that a Put Option Event has occurred pursuant to Clause 12.3 (*Put Option Event*). Once notified, the Bondholders’ right to exercise the Put Option is irrevocable.

- (c) Each Bondholder may exercise its Put Option by written notice to its account manager for the CSD, who will notify the Paying Agent of the exercise of the Put Option. The Put Option Repayment Date will be the 10th Business Day after the end of 20 Business Days exercise period referred to in paragraph (b) above. However, the settlement of the Put Option will be based on each Bondholders holding of Bonds at the Put Option Repayment Date.
- (d) If Bonds representing more than 90 per cent. of the Outstanding Bonds have been repurchased pursuant to this Clause 10.3, the Issuer is entitled to repurchase all the remaining Outstanding Bonds at the price stated in paragraph (a) above by notifying the remaining Bondholders of its intention to do so no later than 10 Business Days after the Put Option Repayment Date. Such notice sent by the Issuer is irrevocable and shall specify the Call Option Repayment Date.

10.4 Early redemption option due to a tax event

If the Issuer is or will be required to gross up any withheld tax imposed by law from any payment in respect of the Bonds under the Finance Documents pursuant to Clause 8.4 (*Taxation*) as a result of a change in applicable law implemented after the date of these Bond Terms, the Issuer will have the right to redeem all, but not only some, of the Outstanding Bonds at a price equal to 100 per cent. of the Nominal Amount. The Issuer shall give written notice of such redemption to the Bond Trustee and the Bondholders at least 20 Business Days prior to the Tax Event Repayment Date, provided that no such notice shall be given earlier than 40 days prior to the earliest date on which the Issuer would be obliged to withhold such tax were a payment in respect of the Bonds then due.

10.5 Long Stop Date Redemption

If the first release from the Escrow Account has not occurred within 90 days of the Initial Issue Date, then the Issuer is permitted to repay all Outstanding Bonds at a price equal to 101% of the Nominal Amount for each redeemed Bond, plus accrued and unpaid interest on each redeemed Bond.

11. PURCHASE AND TRANSFER OF BONDS

11.1 Issuer's purchase of Bonds

The Issuer may purchase and hold Bonds and such Bonds may be retained, sold, but not cancelled, in the Issuer's sole discretion, including with respect to Bonds purchased pursuant to Clause 10.3 (*Mandatory repurchase due to a Put Option Event*). For clarity, the Issuer may not use funds from the Escrow Account or the Debt Service Retention Account to repurchase Bonds in part unless then Bonds are repurchased in full. Any Bonds owned by the Issuer or any of its Affiliates shall not have voting rights. No Group Company may purchase Bonds prior to Project Completion unless the Issuer satisfies the Cost-to-Complete Test pro-forma immediately after such repayment and by reducing the repayment amount from the balance on the Accounts for the purpose of calculating the Available Funding.

11.2 Restrictions

- (a) Certain purchase or selling restrictions may apply to Bondholders under applicable local laws and regulations from time to time. Neither the Issuer nor the Bond Trustee shall be responsible for ensuring compliance with such laws and regulations and each

Bondholder is responsible for ensuring compliance with the relevant laws and regulations at its own cost and expense.

- (b) A Bondholder who has purchased Bonds in breach of applicable restrictions may, notwithstanding such breach, benefit from the rights attached to the Bonds pursuant to these Bond Terms (including, but not limited to, voting rights), provided that the Issuer shall not incur any additional liability by complying with its obligations to such Bondholder.

12. INFORMATION UNDERTAKINGS

12.1 Financial Reports

- (a) The Issuer shall supply copies of the Annual Financial Statements in the English language and make them available on the Parent's website (alternatively on another relevant information platform) as soon as they become available, and not later than 120 days after the end of the financial year, in respect of the Parent, first time for the financial year ending 31 December 2025, and in respect of the Issuer, first time for the financial year ending 31 December 2026.
- (b) The Issuer shall supply copies of the Interim Accounts in the English language and make them available on the Parent's website (alternatively on another relevant information platform) as soon as they become available, and not later than 60 days after the end of the relevant interim period, first time for the quarter ending 31 March 2026.
- (c) The Issuer shall procure that the Financial Reports are prepared using the Accounting Standard consistently applied.

12.2 Requirements for Compliance Certificates

- (a) The Issuer shall supply to the Bond Trustee, in connection with the publication of its Financial Reports pursuant to Clause 12.1 (*Financial Reports*) (but not including the periods ending prior to the Issue Date), a Compliance Certificate with a copy of the Financial Reports attached thereto. The Compliance Certificate shall be duly signed by the chief executive officer or the chief financial officer or any other authorized signatory of the Issuer, certifying *inter alia* that the Financial Reports fairly represent its financial condition as at the date of the relevant Financial Report and setting out (in reasonable detail) computations evidencing compliance with Clause 13.28 (*Financial covenants*) as at such date, provided that the compliance with the Cost-to-Complete Test shall only be certified in the Compliance Certificates delivered together with the Interim Accounts for the quarterly period ending on each 31 December and 30 June.
- (b) If there is an event which is subject to the Incurrence Test, the Compliance Certificate shall include (in reasonable detail) calculations and figures evidencing compliance with the Incurrence Test.

12.3 Investor presentations

For each financial quarter after the Interim Accounts are made available as set out in 12.1 (b) above, either host quarterly investor calls with management or host live investor presentations.

12.4 Put Option Event

The Issuer shall promptly inform the Bond Trustee in writing after becoming aware that a Put Option Event has occurred.

12.5 Listing Failure Event

The Issuer shall promptly inform the Bond Trustee in writing if a Listing Failure Event has occurred. However, no Event of Default shall occur if the Issuer fails (i) to list the Bonds in accordance with Clause 4 (*Admission to Listing*) or (ii) to inform of such Listing Failure Event, and such failure shall result in the accrual of default interest in accordance with paragraph (c) of Clause 8.2 (*Default interest*) for as long as such Listing Failure Event is continuing.

12.6 Information: Miscellaneous

The Issuer shall:

- (a) promptly inform the Bond Trustee in writing of any Event of Default or any event or circumstance which the Issuer understands or could reasonably be expected to understand may lead to an Event of Default and the steps, if any, being taken to remedy it;
- (b) share with the Bond Trustee any information shared with the Parent's shareholders generally (or any class of them);
- (c) at the request of the Bond Trustee, report the balance of the Issuer's Bonds (to the best of its knowledge, having made due and appropriate enquiries);
- (d) send the Bond Trustee copies of any statutory notifications of the Issuer, including but not limited to in connection with mergers, de-mergers and reduction of the Issuer's share capital or equity;
- (e) if the Bonds are listed on an Exchange, send a copy to the Bond Trustee of its notices to the Exchange;
- (f) if the Issuer and/or the Bonds are rated, inform the Bond Trustee of its and/or the rating of the Bonds, and any changes to such rating;
- (g) inform the Bond Trustee of changes in the registration of the Bonds in the CSD; and
- (h) within a reasonable time, provide such information about the Issuer's [and the Group's] business, assets and financial condition as the Bond Trustee may reasonably request.

13. GENERAL AND FINANCIAL UNDERTAKINGS

The Issuer undertakes to (and shall, where applicable, procure that the other Group Companies will) comply with the undertakings set forth in this Clause 13.

13.1 Authorisations

The Issuer shall, and shall procure that each other Group Company will, in all respects obtain, maintain and comply with the terms of any material authorisation, approval, licence and

consent required for the conduct of its business as carried out from time to time, if failure to do so is likely to have a Material Adverse Effect.

13.2 Compliance with laws

The Issuer shall, and shall procure that each other Group Company will, comply in all material respects with all laws and regulations (including, without limitation, any applicable sanctions laws and the Luxembourg Securitisation Law) to which it may be subject from time to time, if failure to do so is likely to have a Material Adverse Effect.

13.3 Anti-corruption and sanctions

The Issuer shall, and shall procure that all other Group Companies will:

- (a) ensure that no proceeds from the Bond Issue are used by it directly or indirectly for any purpose which would breach any applicable acts, regulations or laws on bribery, corruption or similar; and
- (b) conduct its businesses and maintain policies and procedures in compliance with applicable anti-corruption laws in all material respects.

The Issuer shall not, and shall ensure that no Group Company will, in all material respects, engage in any conduct prohibited by any sanctions.

13.4 Corporate status

The Issuer shall not, and shall procure that no other Group Company (other than a Non-Material Company) will, change its current jurisdiction of incorporation or entity form.

13.5 Continuation of business

The Issuer shall not, and shall procure that no other Group Company (other than a Non-Material Company) will, cease to carry on its business or substantially change the general nature of its business from that carried on by it at the Initial Issue Date.

13.6 Arm's length transactions

The Issuer shall not, and shall procure that no other Group Company will, engage in any transaction with any Group Company which is not an Obligor (without limitation, the purchase, sale or exchange of assets or the rendering of any service) except on an arm's length terms.

13.7 Mergers

The Issuer shall not, and shall procure that no other Group Company shall, carry out any merger or other business combination or corporate reorganization involving the consolidation of any of their assets and obligations, other than a merger or combination involving either two Group Companies and, in respect of any merger involving the Issuer or the Parent such entity shall be the surviving entity.

13.8 De-mergers

The Issuer shall not, and shall procure that no other Group Company will, carry out any de-merger or other corporate reorganisation having the same effect as a de-merger, other than any de-merger or other corporate reorganisation of any Group Company (other than the Issuer) into

two or more separate companies or entities which are directly or indirectly wholly-owned (directly/indirectly) by the Issuer or the Parent.

13.9 Financial Indebtedness

The Issuer shall not, and shall procure that no other Group Company will, incur, allow to exist or prolong any Financial Indebtedness, other than any Permitted Financial Indebtedness.

13.10 Limitations on repayment of the Credit Facility

- (a) No Credit Facility shall have scheduled amortization of principal occurring prior to the Interest Payment Date falling 36 months after the Initial Issue Date.
- (b) No principal amount outstanding under the Credit Facility may be repaid or prepaid unless, immediately after giving effect to such repayment on a pro-forma basis:
 - (i) the Cost-to-Complete Test is satisfied (calculated by deducting the repayment amount from the relevant Account balances when determining pro-forma Available Funding); and
 - (ii) no Event of Default is continuing or would result therefrom.

13.11 Negative pledge

The Issuer shall not, and shall procure that no other Group Company will, create or allow to subsist, retain, provide, prolong or renew any Security over any of its/their assets (whether present or future), other than any Permitted Security.

13.12 Financial Support

The Issuer shall not, and shall procure that no other Group Company will, be a creditor in respect of any Financial Support to or for the benefit of any person other than any Permitted Loan, Permitted Guarantee or Permitted Security.

13.13 Distributions

The Issuer shall not, and shall procure that no other Group Company will, make any Distribution, other than a Distribution from one Group Company to another Group Company and provided always that no Distribution may be made by the Parent to any of its direct or indirect shareholders or their Affiliates (other than Group Companies).

13.14 Subsidiaries' Distributions

The Issuer shall procure that no other Group Company creates or permits to exist any contractual obligation (or encumbrance), other than as set out in the Existing Banking Facilities, restricting the right to (i) pay dividends or make other Distributions to its shareholders or (ii) service any Financial Indebtedness to the Issuer, other than where such obligation or encumbrance is not reasonably likely to have a Material Adverse Effect.

13.15 Transaction Security

The Issuer shall, and shall procure that each other Group Company and each other security provider will procure that the Transaction Security and the terms of the Transaction Security Documents are and remain valid, binding, legal and enforceable and perfected on its intended priority.

13.16 Ownership of Group Companies

The Issuer shall ensure that i) the Parent directly owns and controls 100% of the shares and voting rights of the Issuer and ii) the Parent directly or indirectly owns and controls 100% of the shares and voting rights in the Mining Company and all other Group Companies.

13.17 Investments in and ownership of mining assets

The Issuer shall ensure that:

- (i) no Group Company shall invest in or be engaged in any business activity not primarily related to the Project, except if such activity is otherwise permitted by the Finance Documents;
- (ii) no Group Company shall acquire shares, securities or other ownership interests in any other person, other than in another Group Company or a person that becomes a Group Company (a "**New Group Company**");
- (iii) all direct investment related to the Project, including the acquisition of any assets relating thereto and the ownership of any Project Assets, shall be made in and remain with the Mining Company;
- (iv) all material business operations and activities relating to the Project are conducted directly by the Mining Company and not any other member of the Group except as permitted in accordance with the Finance Documents; and
- (v) the Mining Company shall not sell, transfer, dilute its share in, abandon or otherwise dispose of any Project Asset, other than through a Permitted Disposal or Permitted Security,

provided in each case that any member of the Group may hold Cash and Cash Equivalents

13.18 Mining Operations

The Issuer shall procure that:

- (i) all Mining Tenements and any other material mineral claims and mining leases relating to the ownership and operation of the Project and the Project Assets which are necessary to carry out the Project, are at all times maintained in full force and effect, except as contemplated by paragraph (ii) below;
- (ii) the Mining Company shall not surrender, relinquish or amalgamate any mineral claims or mining leases listed in Attachment 3 hereto, or any part thereof, except to the extent such claims or leases are not required for the operation of the Project, or such action (i) would not have a Material Adverse Effect (ii) is required by law or regulation (iii) consistent with the Project Construction Plan or any updated mine plan; and
- (iii) the Mining Company shall construct, operate and maintain the Project in material compliance with good industry practice.

13.19 Inspection

The Issuer shall, and shall ensure that the relevant Group Company will allow the Bond Trustee or its representatives to have access upon not less than ten (10) Business Days' prior written

notice and at reasonable times on customary terms (and not more than twice per calendar year unless an Event of Default is continuing) to all premises used for the Project (at the Issuer's reasonable cost) to inspect the assets and activities related to the Project. Any such inspection shall be coordinated with the Issuer to minimise disruption to the Group's business operations, and the Bond Trustee and its representatives shall keep all information obtained during any such inspection confidential.

13.20 Insurances

Each Group Company and the Botswana Security SPV (other than a Non-Material Company) shall maintain insurances on and in relation to its material business and assets against those risks and to the extent as is usual for companies carrying on the same or substantially similar business. All insurances must be with reputable independent insurance companies or underwriters. The Issuer shall ensure that all payments received from claims made under insurances are paid to a Project Account.

13.21 Project Documents

In respect of any Project Document to which it is or becomes a party each Group Company shall (A) promptly provide the Bond Trustee with a copy of any new Project Document and any material amendment to any existing Project Document, (B) promptly notify the Bond Trustee of any circumstance that would reasonably be expected to result in the termination of any Project Document and (C) to the extent that a failure to do so would be reasonably likely to have a material adverse impact on the development, completion or operation of the Project or otherwise constitute a Material Adverse Effect:

- (i) duly perform and observe all of its material obligations under each Project Document;
- (ii) take all reasonable actions to prevent the termination of any Project Document, other than by expiry of its stated term or where such Project Document is replaced within 180 days of its termination by another agreement on terms not materially less favourable to the Mining Company than the terms of the Material Project Document being replaced;
- (iii) promptly enforce its rights and collect all amounts due to it under the Project Documents; and
- (iv) not, without the prior consent of the Bond Trustee, cancel, terminate, dispose of any interest in, waive any default or breach under, amend, supplement, modify, give any consent or exercise any option under, or otherwise breach or default under any Project Document, nor take any action that would reasonably be expected to result in any such breach or default.

13.22 Requirements to update plans and budgets

The Issuer shall, for the period up to Project Completion, ensure that each of the Project Construction Plan and the Master Control Budget are promptly updated to reflect the actual development for the construction plan, budget and timeline (including to reflect cost increases or delays) for the Project and that updates are shared with the Independent Engineer.

13.23 Available Funding

Any sums which have been included in the calculation of Available Funding may not subsequently be employed towards any purpose other than funding of Project Costs.

13.24 Non-Material Company

The Issuer shall ensure that no Non-Material Company shall have assets with a fair value in excess of USD 1,000,000 (or the equivalent in other currencies).

13.25 Financing Company

The Issuer shall remain a financing company with no other business and liabilities other than (i) the issuance of the Bonds, (ii) any Subordinated Loans, (iii) the provision of financing to the Group and (iv) business and assets incidental to the foregoing, to the extent permitted by the Luxembourg Securitisation Law.

13.26 Independent Engineer

- (a) The Bond Trustee will, prior to the first release from the Escrow Account and at the cost of the Issuer and in consultation with the Managers and its advisors, engage SLR Consulting Limited as an independent engineer in connection with the Project. The costs of such engagement shall be covered directly by the Issuer.
- (b) The engagement of the Independent Engineer will last until immediately after Project Completion, and the Independent Engineer's scope of work will be governed by a separate agreement. The Bond Trustee may, after consultation with the Issuer, in the event that the Independent Engineer is not complying with its obligations pursuant to such agreement, replace the Independent Engineer with another independent engineer to act in such capacity.
- (c) The Independent Engineer shall (a) monitor the progress of the Project Construction Plan and (b) verify (i) each Cost-to-Complete Test, (ii) the date when Project Completion will occur, and (iii) when Project Completion has occurred.
- (d) The Independent Engineer:
 - (i) shall only be required to make separate and individual assessments and take such control actions as it deems required in relation to the verification of Project Costs and estimation or verification (as relevant) of the time of Project Completion; and
 - (ii) shall, for any determination of Available Funding (for the purpose of controlling the calculation of the Cost-to-Complete Test) and any determination of Project Costs not covered by paragraph (a) above, rely on the statements and determinations made by the Parent and the Mining Company (and certified by the CEO and CFO of the Parent and the Mining Company) and without any obligations to control or verify such statements or determinations, other than for production levels used when estimating revenue.
- (e) The Bond Trustee shall (acting on the instructions of the Bondholders), at the cost of the Issuer, be entitled to expand the scope of the monitoring and/or verifications by the Independent Engineer (or another competent and independent third party appointed by

the Bond Trustee) to also cover the Available Funding, provided in each case that such events or circumstances have occurred which (i) constitute an Event of Default, (ii) which the Bond Trustee reasonably believes is or may lead to an Event of Default or there are delays or cost overruns with respect to the Project.

- (f) The Issuer shall ensure that each Group Company as soon as reasonably practicable provides the Independent Engineer with such documents and information as the Independent Engineer shall reasonably request from time to time for the purposes of complying with the requirements above.

13.27 Accounts

- (a) The Obligors shall, where relevant, establish and maintain (or, where relevant, ensure that the same is established and maintained), the following cash Accounts, each of which shall be subject to the Transaction Security:

- (i) the Escrow Account

The Escrow Account shall be pledged in favour of the Bond Trustee (on behalf of itself and the Bondholders) pursuant to the Escrow Account Pledge and blocked so that no withdrawals can be made from such account without the Bond Trustee's prior written consent, and the Account Bank shall waive any set-off rights to such account.

- (ii) the Debt Service Retention Account

(A) The Debt Service Retention Account shall be pledged in favour of the Security Agent, but not blocked (unless an Event of Default has occurred and is continuing upon which the Debt Service Retention Account may be blocked at the direction of the Bond Trustee for as long as the Event of Default is continuing) and the Account Bank shall waive any set-off rights to such account.

(B) The Issuer shall ensure that:

- (1) the balance on the Debt Service Retention Account is only used towards payment of interest on the Bonds (or towards redemption of Bonds in case all Outstanding Bonds are redeemed or otherwise are repaid);
- (2) as part of the first release from the Escrow Account, the Debt Service Retention Account is funded with an amount of USD 24 months of interest on the Bonds;
- (3) as part of the release of any Net Proceeds from the Escrow Account from any Tap Issue, the Debt Service Retention Account is funded with an additional amount sufficient to ensure that the balance on the Debt Service Retention Account is no less than the aggregate amount of interest payment on the Bonds up to and including the Interest Payment Date occurring 24 months after the Initial Issue Date; and

- (4) up until 1 January 2029, the balance on the Debt Service Retention Account shall never be less than the aggregate amount of interest on the Bonds for the next 6-month period.

(iii) the Project Account(s)

- (A) The Issuer shall ensure that the Obligors will, prior to the second release from the Escrow Account, establish (or designate as) one or more accounts (each a "**Project Account**") denominated in USD or any other required currency with an Acceptable Bank.
 - (B) All revenues generated and other amounts received by the Group, including amounts derived from and associated with the Project, shall be paid directly into a Project Account, and any amounts in the Project Accounts shall be solely employed towards purposes related to the Project (including payments related to the Credit Facilities and other Project Costs) and payment obligations related to the Bonds (including interest payments).
 - (C) The Project Accounts shall be pledged in favour of the Security Agent, but not blocked (unless an Event of Default has occurred and is continuing upon which each Project Account may be blocked at the direction of the Bond Trustee for as long as the Event of Default is continuing) and the Account Bank shall waive any set-off rights to such account.
- (b) All Accounts shall be maintained with an Acceptable Bank (the "**Account Bank**").
 - (c) The Escrow Account will be the only blocked Account, provided that the other Accounts may (at the direction of the Bond Trustee) be blocked for as long as an Event of Default is continuing.
 - (d) The Issuer shall ensure that no Obligor maintains any bank account which is not an Account, other than an Excluded Account.
 - (e) The Issuer shall ensure that not more than USD 20,000,000 (or its equivalent in other currencies) (not including any amounts held in an account in respect of an arrangement contemplated by item c) in the definition of "Permitted Security" (or its equivalent in other currencies) are at any time held on Accounts with a bank or financial institution in Botswana which is only qualifying as an Acceptable Bank under paragraph (c) of the definition thereof.

13.28 Financial covenants

- (a) The Issuer undertakes to ensure compliance with the following financial covenants:
 - (i) **Minimum Liquidity:** The Group shall at all times maintain cash on the Accounts, and which are freely available, in an aggregate amount not less than:
 - (A) for the period up to and including 31 December 2028, USD 25,000,000 (or its equivalent in other currencies); and

(B) for the period from and including 1 January 2029, USD 45,000,000 (or its equivalent in other currencies).

(ii) **Cost-to Complete Test:** The Issuer shall, for the period up to Project Completion, satisfy the Cost-to-Complete Test on each:

(A) 31 December and 30 June occurring each year, first time 31 December 2026; and

(B) each date a Material Update occurs.

A Cost-to-Complete Certificate showing whether the Cost-to-Complete Test was satisfied shall be delivered to the Bond Trustee no later than 60 days after the relevant testing date.

- (b) If the Issuer fails (or would otherwise fail) to comply with the Cost-to-Complete Test, and the Issuer, no later than 60 days after the relevant Cost-to-Complete Certificate was due (the Cure Period), (A) receives on the Project Account(s) net cash proceeds from its shareholders in the form of (i) new cash equity or (ii) Subordinated Loan or (B) otherwise secures an increase in the amount of the Available Funding for the relevant period (collectively an "**Increase Amount**"), then the Cost-to-Complete Test shall be recalculated on the basis that Increase Amount shall be deemed to correspondingly increase the amount of the Available Funding, in each case immediately prior to the relevant calculation date.
- (c) If, after the Cost-to-Complete Test is recalculated as set out above, the breach has been remedied, the relevant test shall be deemed to have been satisfied on the relevant testing date.
- (d) There are no limitations on the number of times a failure to satisfy the Cost-to-Complete Test can be cured.

13.29 Incurrence Test

- (a) The Incurrence Test shall be applied in respect of any Tap Issues.
- (b) The Incurrence Test is met in respect of any Tap Issue if,
 - (i) the Cost-to-Complete Test is satisfied pro-forma for such Tap Issue by adding the net proceeds of the Tap Issue to Available funding (such test to be conducted no earlier than 20 days prior to the date of the Tap Issue);
 - (ii) no Event of Default is continuing on the date of the Tap Issue or will result therefrom and
 - (iii) the conditions precedent set out in Clause 6.4 (*Tap Issues*) are satisfied.

14. EVENTS OF DEFAULT AND ACCELERATION OF THE BONDS

14.1 Events of Default

Each of the events or circumstances set out in this Clause 14.1 shall constitute an Event of Default:

(a) Non-payment

An Obligor fails to pay any amount payable by it under the Finance Documents when such amount is due for payment, unless:

- (i) its failure to pay is caused by administrative or technical error in payment systems or the CSD and payment is made within 5 Business Days following the original due date; or
- (ii) in the discretion of the Bond Trustee, the Issuer has substantiated that it is likely that such payment will be made in full within 5 Business Days following the original due date.

(b) Breach of other obligations

An Obligor does not comply with any provision of the Finance Documents other than set out under paragraph (a) (*Non-payment*) above, unless such failure is capable of being remedied and is remedied within 20 Business Days after the earlier of the Issuer's actual knowledge thereof, or notice thereof is given to the Issuer by the Bond Trustee.

(c) Misrepresentation

Any representation, warranty or statement (including statements in Compliance Certificates) made by the Issuer under or in connection with any Finance Documents is or proves to have been incorrect, inaccurate or misleading in any material respect when made, unless the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within 20 Business Days of the earlier of the Bond Trustee giving notice to the Issuer or the Issuer becoming aware of such misrepresentation.

(d) Cross default

If for any Obligor:

- (i) any Financial Indebtedness is not paid when due nor within any applicable grace period; or
- (ii) any Financial Indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described); or
- (iii) any commitment for any Financial Indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described); or

- (iv) any creditor becomes entitled to declare any Financial Indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

provided however that the aggregate amount of such Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above exceeds a total of USD 5,000,000 (or the equivalent thereof in any other currency).

(e) *Insolvency and insolvency proceedings*

Any Obligor:

- (i) is Insolvent; or
- (ii) is object of any corporate action or any legal proceedings is taken in relation to:
 - (A) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) other than a solvent liquidation or reorganisation; or
 - (B) a composition, compromise, assignment or arrangement with any creditor which may materially impair its ability to perform its obligations under these Bond Terms; or
 - (C) the appointment of a liquidator (other than in respect of a solvent liquidation), receiver, administrative receiver, administrator, compulsory manager or other similar officer of any of its assets; or
 - (D) enforcement of any Security over any of its or their assets having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) above; or
 - (E) for paragraphs (A) to (D) above, any analogous procedure or step is taken in any jurisdiction in respect of any such company.

However, this shall not apply to any petition which is frivolous or vexatious and is discharged, stayed or dismissed within 20 Business Days of commencement.

(f) *Creditor's process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor having an aggregate value exceeding the threshold amount set out in paragraph (d) (*Cross default*) above and is not discharged within 20 Business Days.

(g) *Unlawfulness*

It is or becomes unlawful for an Obligor to perform or comply with any of its obligations under the Finance Documents to the extent this may materially impair:

- (i) the ability of such Obligor to perform its obligations under these Bond Terms; or
- (ii) the ability of the Bond Trustee [or any Security Agent] to exercise any material right or power vested to it under the Finance Documents.

14.2 Acceleration of the Bonds

If an Event of Default has occurred and is continuing, the Bond Trustee may, in its discretion in order to protect the interests of the Bondholders, or upon instruction received from the Bondholders pursuant to Clause 14.3 (*Bondholders' instructions*) below, by serving a notice (a "**Default Notice**") to the Issuer:

- (a) declare that the Outstanding Bonds, together with accrued interest and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable; and/or
- (b) exercise (or direct the Security Agent to exercise) any or all of its rights, remedies, powers or discretions under the Finance Documents or take such further measures as are necessary to recover the amounts outstanding under the Finance Documents.

14.3 Bondholders' instructions

The Bond Trustee shall serve a Default Notice if:

- (a) the Bond Trustee receives a demand in writing from Bondholders representing a simple majority of the Voting Bonds, that an Event of Default shall be declared, and a Bondholders' Meeting has not made a resolution to the contrary; or
- (b) the Bondholders' Meeting, by a simple majority decision, has approved the declaration of an Event of Default.

14.4 Calculation of claim

The claim derived from the Outstanding Bonds due for payment as a result of the serving of a Default Notice will be calculated at the call prices set out in Clause 10.2 (*Voluntary early redemption – Call Option*), as applicable at the following dates (and regardless of the Default Repayment Date):

- (a) for any Event of Default arising out of a breach of paragraph (a) (*Non-payment*) of Clause 14.1 (*Events of Default*), the claim will be calculated at the call price applicable at the date when such Event of Default occurred; and
- (b) for any other Event of Default, the claim will be calculated at the call price applicable at the date when the Default Notice was served by the Bond Trustee.

However, if the situations described in paragraph (a) or (b) above takes place prior to the First Call Date, the calculation shall be based on the First Call Price.

15. BONDHOLDERS' DECISIONS

15.1 Authority of the Bondholders' Meeting

- (a) Subject to Clause 17.1 (*Procedure for amendments and waivers*), a Bondholders' Meeting may, on behalf of the Bondholders, resolve to alter any of these Bond Terms, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.
- (b) The Bondholders' Meeting cannot resolve that any overdue payment of any instalment shall be reduced unless there is a pro rata reduction of the principal that has not fallen due, but may resolve that accrued interest (whether overdue or not) shall be reduced without a corresponding reduction of principal.
- (c) The Bondholders' Meeting may not adopt resolutions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders.
- (d) Subject to the power of the Bond Trustee to take certain action as set out in Clause 16.1 (*Power to represent the Bondholders*), if a resolution by, or an approval of, the Bondholders is required, such resolution may be passed at a Bondholders' Meeting.
- (e) Resolutions passed at any Bondholders' Meeting will be binding upon all Bondholders.
- (f) At least 50 per cent. of the Voting Bonds must be represented at a Bondholders' Meeting for a quorum to be present.
- (g) Resolutions will be passed by simple majority of the Voting Bonds represented at the Bondholders' Meeting, unless otherwise set out in paragraph (h) below.
- (h) Save for any amendments or waivers which can be made without resolution pursuant to paragraph (a)(i) and (ii) of Clause 17.1 (*Procedure for amendments and waivers*), a majority of at least 2/3 of the Voting Bonds represented at the Bondholders' Meeting is required for approval of any waiver or amendment of these Bond Terms.

15.2 Procedure for arranging a Bondholders' Meeting

- (a) A Bondholders' Meeting shall be convened by the Bond Trustee upon the request in writing of:
 - (i) the Issuer;
 - (ii) Bondholders representing at least 1/10 of the Voting Bonds;
 - (iii) the Exchange, if the Bonds are listed and the Exchange is entitled to do so pursuant to the general rules and regulations of the Exchange; or
 - (iv) the Bond Trustee.

The request shall clearly state the matters to be discussed and resolved.

- (b) If the Bond Trustee has not convened a Bondholders' Meeting within 10 Business Days after having received a valid request for calling a Bondholders' Meeting pursuant to paragraph (a) above, then the requesting party may call the Bondholders' Meeting itself.
- (c) Summons to a Bondholders' Meeting must be sent no later than 10 Business Days prior to the proposed date of the Bondholders' Meeting. The Summons shall be sent to all Bondholders registered in the CSD at the time the Summons is sent from the CSD. If the Bonds are listed, the Issuer shall ensure that the Summons is published in accordance with the applicable regulations of the Exchange. The Summons shall also be published on www.stamdata.com (or other relevant information platform).
- (d) Any Summons for a Bondholders' Meeting must clearly state the agenda for the Bondholders' Meeting and the matters to be resolved. The Bond Trustee may include additional agenda items to those requested by the person calling for the Bondholders' Meeting in the Summons. If the Summons contains proposed amendments to these Bond Terms, a description of the proposed amendments must be set out in the Summons.
- (e) Items which have not been included in the Summons may not be put to a vote at the Bondholders' Meeting.
- (f) By written notice to the Issuer, the Bond Trustee may prohibit the Issuer from acquiring or dispose of Bonds during the period from the date of the Summons until the date of the Bondholders' Meeting, unless the acquisition of Bonds is made by the Issuer pursuant to Clause 10 (*Redemption and Repurchase of Bonds*).
- (g) A Bondholders' Meeting may be held on premises selected by the Bond Trustee, or if paragraph (b) above applies, by the person convening the Bondholders' Meeting (however to be held in the capital of the Relevant Jurisdiction). The Bondholders' Meeting will be opened and, unless otherwise decided by the Bondholders' Meeting, chaired by the Bond Trustee. If the Bond Trustee is not present, the Bondholders' Meeting will be opened by a Bondholder and be chaired by a representative elected by the Bondholders' Meeting (the Bond Trustee or such other representative, the "**Chairperson**").
- (h) Each Bondholder, the Bond Trustee and, if the Bonds are listed, representatives of the Exchange, or any person or persons acting under a power of attorney for a Bondholder, shall have the right to attend the Bondholders' Meeting (each a "**Representative**"). The Chairperson may grant access to the meeting to other persons not being Representatives, unless the Bondholders' Meeting decides otherwise. In addition, each Representative has the right to be accompanied by an advisor. In case of dispute or doubt regarding whether a person is a Representative or entitled to vote, the Chairperson will decide who may attend the Bondholders' Meeting and exercise voting rights.
- (i) Representatives of the Issuer have the right to attend the Bondholders' Meeting. The Bondholders Meeting may resolve to exclude the Issuer's representatives and/or any person holding only Issuer's Bonds (or any representative of such person) from participating in the meeting at certain times, however, the Issuer's representative and any such other person shall have the right to be present during the voting.

- (j) Minutes of the Bondholders' Meeting must be recorded by, or by someone acting at the instruction of, the Chairperson. The minutes must state the number of Voting Bonds represented at the Bondholders' Meeting, the resolutions passed at the meeting, and the results of the vote on the matters to be decided at the Bondholders' Meeting. The minutes shall be signed by the Chairperson and at least one other person. The minutes will be deposited with the Bond Trustee who shall make available a copy to the Bondholders and the Issuer upon request.
- (k) The Bond Trustee will ensure that the Issuer, the Bondholders and the Exchange are notified of resolutions passed at the Bondholders' Meeting and that the resolutions are published on www.stamdata.com (or other relevant electronically platform or stock exchange announcement).
- (l) The Issuer shall bear the costs and expenses incurred in connection with convening a Bondholders' Meeting regardless of who has convened the Bondholders' Meeting, including any reasonable costs and fees incurred by the Bond Trustee.

15.3 Voting rules

- (a) Each Bondholder (or person acting for a Bondholder under a power of attorney) may cast one vote for each Voting Bond owned on the Relevant Record Date, ref. Clause 3.3 (*Bondholders' rights*). The Chairperson may, in its sole discretion, decide on accepted evidence of ownership of Voting Bonds.
- (b) Issuer's Bonds shall not carry any voting rights. The Chairperson shall determine any question concerning whether any Bonds will be considered Issuer's Bonds.
- (c) For the purposes of this Clause 15, a Bondholder that has a Bond registered in the name of a nominee will, in accordance with Clause 3.3 (*Bondholders' rights*), be deemed to be the owner of the Bond rather than the nominee. No vote may be cast by any nominee if the Bondholder has presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders' rights*) stating that it is the owner of the Bonds voted for. If the Bondholder has voted directly for any of its nominee registered Bonds, the Bondholder's votes shall take precedence over votes submitted by the nominee for the same Bonds.
- (d) Any of the Issuer, the Bond Trustee and any Bondholder has the right to demand a vote by ballot. In case of parity of votes, the Chairperson will have the deciding vote.

15.4 Repeated Bondholders' Meeting

- (a) Even if the necessary quorum set out in paragraph (f) of Clause 15.1 (*Authority of the Bondholders' Meeting*) is not achieved, the Bondholders' Meeting shall be held and voting completed for the purpose of recording the voting results in the minutes of the Bondholders' Meeting. The Bond Trustee or the person who convened the initial Bondholders' Meeting may, within 10 Business Days of that Bondholders' Meeting, convene a repeated meeting with the same agenda as the first meeting.
- (b) The provisions and procedures regarding Bondholders' Meetings as set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and Clause 15.3 (*Voting rules*) shall apply *mutatis mutandis* to a

repeated Bondholders' Meeting, with the exception that the quorum requirements set out in paragraph (f) of Clause 15.1 (*Authority of the Bondholders' Meeting*) shall not apply to a repeated Bondholders' Meeting. A Summons for a repeated Bondholders' Meeting shall also contain the voting results obtained in the initial Bondholders' Meeting.

- (c) A repeated Bondholders' Meeting may only be convened once for each original Bondholders' Meeting. A repeated Bondholders' Meeting may be convened pursuant to the procedures of a Written Resolution in accordance with Clause 15.5 (*Written Resolutions*), even if the initial meeting was held pursuant to the procedures of a Bondholders' Meeting in accordance with Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*) and vice versa.

15.5 Written Resolutions

- (a) Subject to these Bond Terms, anything which may be resolved by the Bondholders in a Bondholders' Meeting pursuant to Clause 15.1 (*Authority of the Bondholders' Meeting*) may also be resolved by way of a Written Resolution. A Written Resolution passed with the relevant majority is as valid as if it had been passed by the Bondholders in a Bondholders' Meeting, and any reference in any Finance Document to a Bondholders' Meeting shall be construed accordingly.
- (b) The person requesting a Bondholders' Meeting may instead request that the relevant matters are to be resolved by Written Resolution only, unless the Bond Trustee decides otherwise.
- (c) The Summons for the Written Resolution shall be sent to the Bondholders registered in the CSD at the time the Summons is sent from the CSD and published at www.stamdata.com, or other relevant electronic platform or via stock exchange announcement.
- (d) The provisions set out in Clause 15.1 (*Authority of the Bondholders' Meeting*), 15.2 (*Procedure for arranging a Bondholders' Meeting*), Clause 15.3 (*Voting rules*) and Clause 15.4 (*Repeated Bondholders' Meeting*) shall apply *mutatis mutandis* to a Written Resolution, except that:
 - (i) the provisions set out in paragraphs (g), (h) and (i) of Clause 15.2 (*Procedure for arranging Bondholders Meetings*); or
 - (ii) provisions which are otherwise in conflict with the requirements of this Clause 15.5,

shall not apply to a Written Resolution.
- (e) The Summons for a Written Resolution shall include:
 - (i) instructions as to how to vote to each separate item in the Summons (including instructions as to how voting can be done electronically if relevant); and
 - (ii) the time limit within which the Bond Trustee must have received all votes necessary in order for the Written Resolution to be passed with the requisite

majority, which shall be at least 10 Business Days but not more than 15 Business Days from the date of the Summons (the “**Voting Period**”).

- (f) Only Bondholders of Voting Bonds registered with the CSD on the Relevant Record Date, or the beneficial owner thereof having presented relevant evidence to the Bond Trustee pursuant to Clause 3.3 (*Bondholders’ rights*), will be counted in the Written Resolution.
- (g) A Written Resolution is passed when the requisite majority set out in paragraph (f) or (g) of Clause 15.1 (*Authority of Bondholders’ Meeting*) has been obtained, based on a quorum of the total number of Voting Bonds, even if the Voting Period has not yet expired. A Written Resolution will also be resolved if the sufficient numbers of negative votes are received prior to the expiry of the Voting Period.
- (h) The effective date of a Written Resolution passed prior to the expiry of the Voting Period is the date when the resolution is approved by the last Bondholder that results in the necessary voting majority being obtained.
- (i) If no resolution is passed prior to the expiry of the Voting Period, the number of votes shall be calculated at the time specified in the summons on the last day of the Voting Period, and a decision will be made based on the quorum and majority requirements set out in paragraphs (e) to (g) of Clause 15.1 (*Authority of Bondholders’ Meeting*).

16. THE BOND TRUSTEE

16.1 Power to represent the Bondholders

- (a) The Bond Trustee has power and authority to act on behalf of, and/or represent, the Bondholders in all matters, including but not limited to taking any legal or other action, including enforcement of these Bond Terms, and the commencement of bankruptcy or other insolvency proceedings against the Issuer, or others.
- (b) The Issuer shall promptly upon request provide the Bond Trustee with any such documents, information and other assistance (in form and substance satisfactory to the Bond Trustee), that the Bond Trustee deems necessary for the purpose of exercising its and the Bondholders’ rights and/or carrying out its duties under the Finance Documents.

16.2 The duties and authority of the Bond Trustee

- (a) The Bond Trustee shall represent the Bondholders in accordance with the Finance Documents, including, *inter alia*, by following up on the delivery of any Compliance Certificates and such other documents which the Issuer is obliged to disclose or deliver to the Bond Trustee pursuant to the Finance Documents and, when relevant, in relation to accelerating and enforcing the Bonds on behalf of the Bondholders.
- (b) The Bond Trustee is not obligated to assess or monitor the financial condition of the Issuer or any other Obligor unless to the extent expressly set out in these Bond Terms, or to take any steps to ascertain whether any Event of Default has occurred. Until it has actual knowledge to the contrary, the Bond Trustee is entitled to assume that no Event of Default has occurred. The Bond Trustee is not responsible for the valid execution or enforceability of the Finance Documents, or for any discrepancy between the indicative

terms and conditions described in any marketing material presented to the Bondholders prior to issuance of the Bonds and the provisions of these Bond Terms.

- (c) The Bond Trustee is entitled to take such steps that it, in its sole discretion, considers necessary or advisable to protect the rights of the Bondholders in all matters pursuant to the terms of the Finance Documents. The Bond Trustee may submit any instructions received by it from the Bondholders to a Bondholders' Meeting before the Bond Trustee takes any action pursuant to the instruction.
- (d) The Bond Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents.
- (e) The Bond Trustee shall hold all amounts recovered on behalf of the Bondholders on separated accounts.
- (f) The Bond Trustee shall facilitate that resolutions passed at the Bondholders' Meeting are properly implemented, provided, however, that the Bond Trustee may refuse to implement resolutions that may be in conflict with these Bond Terms, any other Finance Document, or any applicable law. The Bond Trustee may, but is not obligated to, assess or monitor whether any instruction or resolution may be in conflict with these Bond Terms, any other Finance Document or any applicable law.
- (g) Notwithstanding any other provision of the Finance Documents to the contrary, the Bond Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (h) If the cost, loss or liability which the Bond Trustee may incur (including reasonable fees payable to the Bond Trustee itself) in:
 - (i) complying with instructions or resolutions of the Bondholders; or
 - (ii) taking any action at its own initiative,

will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or the relevant Bondholders pursuant to paragraphs (e) and (g) of Clause 16.4 (*Expenses, liability and indemnity*), the Bond Trustee may refrain from acting in accordance with such instructions or resolutions, or refrain from taking such action, until it has received such funding or indemnities (or adequate security has been provided therefore) as it may reasonably require.

- (i) If the Bond Trustee, in its reasonable opinion, may incur any cost, loss or liability for not acting in accordance with any request or demand from any party to a Finance Document or any court or governmental authority, which will not, in the reasonable opinion of the Bond Trustee, be covered by the Issuer or Bondholders to its satisfaction, the Bond Trustee may act in accordance with any such request or demand, without any liability towards the Bondholders, the Issuer or others.

- (j) The Bond Trustee shall give a notice to the Bondholders before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Bond Trustee under the Finance Documents.
- (k) The Bond Trustee may instruct the CSD to split the Bonds to a lower nominal value in order to facilitate partial redemptions, write-downs or restructurings of the Bonds or in other situations where such split is deemed necessary.

16.3 Equality and conflicts of interest

- (a) The Bond Trustee shall not make decisions which will give certain Bondholders an unreasonable advantage at the expense of other Bondholders. The Bond Trustee shall, when acting pursuant to the Finance Documents, act only as representative for the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (b) The Bond Trustee may act as agent, trustee, representative and/or security agent for several bond issues relating to the Issuer notwithstanding potential conflicts of interest. The Bond Trustee is entitled to delegate its duties to other professional parties.

16.4 Expenses, liability and indemnity

- (a) The Bond Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss. Irrespective of the foregoing, the Bond Trustee shall have no liability to the Bondholders for damage caused by the Bond Trustee acting in accordance with instructions or resolutions given by the Bondholders in accordance with these Bond Terms.
- (b) The Bond Trustee will not be liable to the Issuer for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless caused by its gross negligence or wilful misconduct. The Bond Trustee shall not be responsible for any indirect or consequential loss.
- (c) Any liability for the Bond Trustee for damage or loss is limited to the amount of the Outstanding Bonds. The Bond Trustee is not liable for the content of information provided to the Bondholders by or on behalf of the Issuer or any other person.
- (d) The Bond Trustee shall not be considered to have acted negligently in:
 - (i) acting in accordance with advice from or opinions of reputable external experts;
 - (ii) taking, delaying or omitting any action if acting with reasonable care and provided the Bond Trustee considers that such action is in the interests of the Bondholders; or
 - (iii) requesting funding, indemnities or security as conditions for taking any action.

- (e) The Issuer is liable for, and will indemnify the Bond Trustee fully in respect of, all losses, expenses and liabilities incurred by the Bond Trustee as a result of negligence by the Issuer (including its directors, management, officers, employees and agents) in connection with the performance of the Bond Trustee's obligations under the Finance Documents, including losses incurred by the Bond Trustee as a result of the Bond Trustee's actions based on misrepresentations made by the Issuer in connection with the issuance of the Bonds, the entering into or performance under the Finance Documents, and for as long as any amounts are outstanding under or pursuant to the Finance Documents.
- (f) The Issuer shall cover all costs and expenses incurred by the Bond Trustee in connection with it fulfilling its obligations under the Finance Documents. In this respect, if the Bond Trustee may borrow funds from Bondholders or others, the costs of such borrowings shall be considered as such costs and expenses incurred by the Bond Trustee. The Bond Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents. The Bond Trustee's obligations under the Finance Documents are conditioned upon the due payment of such fees and indemnifications. The fees of the Bond Trustee will be further set out in the Fee Agreement.
- (g) The Issuer shall on demand by the Bond Trustee pay all costs incurred for external experts engaged in relation to events or circumstances which (i) constitute an Event of Default, (ii) which the Bond Trustee reasonably believes is or may lead to an Event of Default or (iii) which the Bond Trustee reasonably believes may constitute or lead to a breach of any Finance Document or otherwise be detrimental to the interests of the Bond Trustee or Bondholders under the Finance Documents.
- (h) Fees, costs and expenses payable to the Bond Trustee which are not reimbursed in any other way due to an Event of Default, the Issuer being Insolvent or similar circumstances pertaining to any Obligors, may be covered by making an equal reduction in the proceeds to the Bondholders hereunder of any costs and expenses incurred by the Bond Trustee or the Security Agent in connection therewith. The Bond Trustee may withhold funds from any escrow account (or similar arrangement) or from other funds received from the Issuer or any other person, irrespective of such funds being subject to Transaction Security, and to set-off and cover any such costs and expenses from those funds. The Bond Trustee may also refrain from taking any further action until such fees, costs and expenses are paid to the Bond Trustee from others, hereunder the Bondholders and the Issuer, if the Bond Trustee such demands.
- (i) As a condition to effecting any instruction or resolution from the Bondholders (including, but not limited to, instructions set out in Clause 14.3 (*Bondholders' instructions*) or Clause 15.2 (*Procedure for arranging a Bondholders' Meeting*)) and including a resolution pursuant to Clause 16.5 (*Replacement of the Bond Trustee*)), the Bond Trustee may require satisfactory Security, guarantees and/or indemnities for any potential liability, loss, costs and expenses which may arise as a result of effecting such instruction or resolution (and, at its discretion, which may arise or have already arisen as a result of the Bond Trustee's engagement or previous actions in relation to the Bonds)

from those Bondholders who have given that instruction or resolution and/or who voted in favour of the decision to instruct the Bond Trustee.

16.5 Replacement of the Bond Trustee

- (a) The Bond Trustee may be replaced by a majority of 2/3 of Voting Bonds in accordance with the procedures set out in Clause 15 (*Bondholders' Decisions*), and the Bondholders may resolve to replace the Bond Trustee without the Issuer's approval.
- (b) The Bond Trustee may resign by giving notice to the Issuer and the Bondholders, in which case a successor Bond Trustee shall be elected pursuant to this Clause 16.5, initiated by the retiring Bond Trustee.
- (c) If the Bond Trustee is Insolvent, or otherwise is permanently unable to fulfil its obligations under these Bond Terms, the Bond Trustee shall be deemed to have resigned and a successor Bond Trustee shall be appointed in accordance with this Clause 16.5. The Issuer may appoint a temporary Bond Trustee until a new Bond Trustee is elected in accordance with paragraph (a) above.
- (d) The Bond Trustee may in its discretion decide that the change of Bond Trustee shall only take effect upon execution of all necessary actions to effectively substitute the retiring Bond Trustee, hereunder covering of such fees, loss, costs and expenses referred to in Clause 16.4 (*Expenses, liability and indemnity*). The retiring Bond Trustee shall be discharged from any further obligation in respect of the Finance Documents from the change takes effect, but shall remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Bond Trustee. The retiring Bond Trustee remains entitled to any benefits and any unpaid fees or expenses under the Finance Documents before the change has taken place.
- (e) Upon change of Bond Trustee, the Issuer shall co-operate in all reasonable manners without delay to replace the retiring Bond Trustee with the successor Bond Trustee and release the retiring Bond Trustee from any future obligations under the Finance Documents and any other documents.

16.6 Security Agent

- (a) The Bond Trustee is appointed to act as Security Agent for the Bonds, unless any other person is appointed. The main functions of the Security Agent may include holding Transaction Security on behalf of the Secured Parties and monitoring compliance by the Issuer and other relevant parties of their respective obligations under the Transaction Security Documents with respect to the Transaction Security on the basis of information made available to it pursuant to the Finance Documents.
- (b) The Bond Trustee shall, when acting as Security Agent for the Bonds, at all times maintain and keep all certificates and other documents received by it, that are bearers of right relating to the Transaction Security in safe custody on behalf of the Bondholders. The Bond Trustee shall not be responsible for or required to insure against any loss incurred in connection with such safe custody.

- (c) Before the appointment of a Security Agent other than the Bond Trustee, the Issuer shall be given the opportunity to state its views on the proposed Security Agent, but the final decision as to appointment shall lie exclusively with the Bond Trustee.
- (d) The functions, rights and obligations of the Security Agent may be determined by a Security Agent Agreement to be entered into between the Bond Trustee and the Security Agent, which the Bond Trustee shall have the right to require each Obligor and any other party to a Finance Document to sign as a party, or, at the discretion of the Bond Trustee, to acknowledge. The Bond Trustee shall at all times retain the right to instruct the Security Agent in all matters, whether or not a separate Security Agent Agreement has been entered into.
- (e) The provisions set out in Clause 16.4 (*Expenses, liability and indemnity*) shall apply *mutatis mutandis* to any expenses and liabilities of the Security Agent in connection with the Finance Documents.

17. AMENDMENTS AND WAIVERS

17.1 Procedure for amendments and waivers

- (a) The Issuer and the Bond Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive a past default or anticipated failure to comply with any provision in a Finance Document, provided that:
 - (i) such amendment or waiver is not detrimental to the rights and benefits of the Bondholders in any material respect, or is made solely for the purpose of rectifying obvious errors and mistakes;
 - (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
 - (iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 15 (*Bondholders' Decisions*).
- (b) Any changes to these Bond Terms necessary or appropriate in connection with the appointment of a Security Agent other than the Bond Trustee shall be documented in an amendment to these Bond Terms, signed by the Bond Trustee (in its discretion). If so desired by the Bond Trustee, any or all of the Transaction Security Documents shall be amended, assigned or re-issued, so that the Security Agent is the holder of the relevant Security (on behalf of the Bondholders). The costs incurred in connection with such amendment, assignment or re-issue shall be for the account of the Issuer.

17.2 Authority with respect to documentation

If the Bondholders have resolved the substance of an amendment to any Finance Document, without resolving on the specific or final form of such amendment, the Bond Trustee shall be considered authorised to draft, approve and/or finalise (as applicable) any required documentation or any outstanding matters in such documentation without any further approvals or involvement from the Bondholders being required.

17.3 Notification of amendments or waivers

- (a) The Bond Trustee shall as soon as possible notify the Bondholders of any amendments or waivers made in accordance with this Clause 17, setting out the date from which the amendment or waiver will be effective, unless such notice according to the Bond Trustee's sole discretion is unnecessary. The Issuer shall ensure that any amendment to these Bond Terms is duly registered with the CSD.
- (b) Prior to agreeing to an amendment or granting a waiver in accordance with paragraph (a)(i) of Clause 17.1 (*Procedure for amendments and waivers*), the Bond Trustee may inform the Bondholders of such waiver or amendment at a relevant information platform.

18. MISCELLANEOUS

18.1 Limitation of claims

All claims under the Finance Documents for payment, including interest and principal, will be subject to the legislation regarding time-bar provisions of the Relevant Jurisdiction.

18.2 Access to information

- (a) These Bond Terms will be made available to the public and copies may be obtained from the Bond Trustee or the Issuer. The Bond Trustee will not have any obligation to distribute any other information to the Bondholders or any other person, and the Bondholders have no right to obtain information from the Bond Trustee, other than as explicitly stated in these Bond Terms or pursuant to statutory provisions of law.
- (b) In order to carry out its functions and obligations under these Bond Terms, the Bond Trustee will have access to the relevant information regarding ownership of the Bonds, as recorded and regulated with the CSD.
- (c) The information referred to in paragraph (b) above may only be used for the purposes of carrying out their duties and exercising their rights in accordance with the Finance Documents and shall not disclose such information to any Bondholder or third party unless necessary for such purposes.

18.3 Notices, contact information

- (a) Unless otherwise specified, written notices to the Bondholders shall be provided as follows:
 - (i) if made by the Bond Trustee, on www.stamdata.com or other relevant information platform;
 - (ii) if made by the Issuer, by stock exchange announcement (if the Bonds are listed) or other relevant information platform.
- (b) Any notice sent to the Bondholders via the CSD will be deemed to be given or made when sent from the CSD, unless otherwise specifically provided.
- (c) Unless otherwise specified, all notices or other communications under or in connection with these Bond Terms between the Bond Trustee and the Issuer will be given or made

in writing, by letter or e-mail. Any such notice or communication will be deemed to be given or made as follows:

- (i) if by letter, when delivered at the address of the relevant party;
 - (ii) if by e-mail, when received; and
 - (iii) if by publication on a relevant information platform, when published.
- (d) The Issuer and the Bond Trustee shall each ensure that the other party is kept informed of changes in postal address, e-mail address, telephone number and contact persons.
- (e) When determining deadlines set out in these Bond Terms, the following will apply (unless otherwise stated):
- (i) if the deadline is set out in days, the first day of the relevant period will not be included and the last day of the relevant period will be included;
 - (ii) if the deadline is set out in weeks, months or years, the deadline will end on the day in the last week or the last month which, according to its name or number, corresponds to the first day the deadline is in force. If such day is not a part of an actual month, the deadline will be the last day of such month; and
 - (iii) if a deadline ends on a day which is not a Business Day, the deadline is postponed to the next Business Day.

18.4 Defeasance

- (a) Subject to paragraph (b) below and provided that:
- (i) an amount sufficient for the payment of principal and interest on the Outstanding Bonds to the relevant Repayment Date (including, to the extent applicable, any premium payable upon exercise of a Call Option), and always subject to paragraph (c) below (the “**Defeasance Amount**”) is credited by the Issuer to an account in a financial institution acceptable to the Bond Trustee (the “**Defeasance Account**”);
 - (ii) the Defeasance Account is irrevocably pledged and blocked in favour of the Bond Trustee on such terms as the Bond Trustee shall request (the “**Defeasance Pledge**”); and
 - (iii) the Bond Trustee has received such legal opinions and statements reasonably required by it, including (but not necessarily limited to) with respect to the validity and enforceability of the Defeasance Pledge,
- then;
- (A) the Issuer will be relieved from its obligations under paragraph (a) of Clause 12.2 (*Requirements for Compliance Certificates*), Clause 12.4 (*Put Option Event*), Clause 12.6 (*Information: miscellaneous*) and Clause 13 (*General [and Financial] Undertakings*);

- (B) any Transaction Security shall be released and the Defeasance Pledge shall be considered replacement of the Transaction Security; and
 - (C) any Obligor shall be released from any Guarantee or other obligation applicable to it under any Finance Document.
- (b) The Bond Trustee shall be authorised to apply any amount credited to the Defeasance Account towards any amount payable by the Issuer under any Finance Document on the due date for the relevant payment until all obligations of the Issuer and all amounts outstanding under the Finance Documents are repaid and discharged in full.
 - (c) The Bond Trustee may, if the Defeasance Amount cannot be finally and conclusively determined, decide the amount to be deposited to the Defeasance Account in its discretion, applying such buffer amount as it deems necessary.

A defeasance established according to this Clause 18.4 may not be reversed.

19. GOVERNING LAW AND JURISDICTION

19.1 Governing law

These Bond Terms are governed by the laws of the Relevant Jurisdiction, without regard to its conflict of law provisions. The provisions of articles 470-1 to 470-21 (inclusive) of the Luxembourg law dated 10 August 1915 concerning commercial companies, as amended, shall be expressly excluded.

19.2 Main jurisdiction

The Bond Trustee and the Issuer agree for the benefit of the Bond Trustee and the Bondholders that the City Court of the capital of the Relevant Jurisdiction shall have jurisdiction with respect to any dispute arising out of or in connection with these Bond Terms. The Issuer agrees for the benefit of the Bond Trustee and the Bondholders that any legal action or proceedings arising out of or in connection with these Bond Terms against the Issuer or any of its assets may be brought in such court.

19.3 Alternative jurisdiction

Clause 19 (*Governing law and jurisdiction*) is for the exclusive benefit of the Bond Trustee and the Bondholders and the Bond Trustee have the right:

- (a) to commence proceedings against the Issuer or any other Obligor or any of their respective assets for another competent court of a contracting state to the Lugano Convention of 2007, the applicable court in the jurisdiction of the Issuer or any other Obligor or in any court in any other jurisdiction (to the extent possible under applicable law); and
- (b) to commence such proceedings, including enforcement proceedings, in any competent jurisdiction concurrently.

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These Bond Terms have been executed by way of electronic signatures.

SIGNATURES:

The Issuer: Lucara Capital S.à r.l (formerly known as Medan S.à r.l) Signed by: <i>Glenn Kondo</i> 16E0990BB46B47B..... By: Glenn Kondo Position: Authorised signatory	As Bond Trustee and Security Agent: Nordic Trustee AS Signed by: <i>Jørgen Andersen</i> 58A2C1FDB37C410..... By: Jørgen Andersen Position: Authorised signatory

**ATTACHMENT 1
COMPLIANCE CERTIFICATE**

[date]

Lucara Capital S.à r.l 12.50% senior secured USD 400,000,000 bonds 2026/2031 with ISIN NO0013738237 (the "Bond Terms")

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer. Pursuant to Clause 12.2 (*Requirements for Compliance Certificates*) of the Bond Terms, a Compliance Certificate shall be issued in connection with each delivery of Financial Reports to the Bond Trustee.

This letter constitutes the Compliance Certificate for the period [●].

Capitalised terms used herein will have the same meaning as in the Bond Terms.

With reference to Clause 12.2 (*Requirements for Compliance Certificates*), we hereby certify that all information delivered under cover of this Compliance Certificate is true and accurate. Copies of our latest consolidated [Annual Financial Statements] / [Interim Accounts] are enclosed.

[The financial covenants set out in Clause 13.28 (*Financial covenants*) are met, please see the calculations and figures in respect of the covenants attached hereto.]

We confirm that, to the best of our knowledge, no Event of Default has occurred or is likely to occur.

Yours faithfully,

[●]

Name of authorised person

Enclosure: Annual Financial Statements / Interim Accounts; [and any other written documentation]

ATTACHMENT 2
RELEASE NOTICE – ESCROW ACCOUNT

[date]

Lucara Capital S.à r.l 12.50% senior secured USD 400,000,000 bonds 2026/2031 with ISIN NO0013738237 (the "Bond Terms")

We refer to the Bond Terms for the above captioned Bonds made between Nordic Trustee AS as Bond Trustee on behalf of the Bondholders and the undersigned as Issuer.

Capitalised terms used herein will have the same meaning as in the Bond Terms.

We hereby give you notice that we on [date] wish to draw [Alt 1: the amount specified in Enclosure I (*Flow of Funds*)]/[Alt 2: all amounts] from the Escrow Account to be applied pursuant to the purpose set out in the Bond Terms, and request you to instruct the bank to release the above mentioned amount.

We hereby represent and warrant that (i) no Event of Default has occurred and is continuing or is likely to occur as a result of the release from the Escrow Account, and (ii) we confirm that the representations and warranties set out in the Bond Terms are true and accurate in all material respects at the date hereof.

Yours faithfully,

[●]

Name of authorised person

Enclosure I: Flow of Funds

ATTACHMENT 3 MINING TENEMENTS AND PROJECT DOCUMENTS

Part 1 - Mining Tenements

Licence No	2008/6L
Original date of Issue	2008
Term and renewal	Original expiry date was 2023. The Mining Licence was renewed on 26 December 2020 for a period of 25 years effective from 4 January 2021 until 3 January 2046
Holder	Lucara Botswana Proprietary Limited
Licence rights	To mine diamonds
Mining area	15.231 square km

Part 2 – Project Documents

Surface Lease Agreement	
Registration number	Tribal Grant No. 97-NO
Date of Lease	5 April 2012, renewed in March 2021 and extended until January 2046, co-terminous with the Mining Licence.
Lessor	Ngwato Land Board
Lessee	Lucara Botswana Proprietary Limited
Lease Area	Area designated AK06, Bamangwato Tribal Territory, comprising 1,523.0721 hectares.

Mining Services Agreement	
Parties	The Mining Company and Trollope Botswana Proprietary Limited (Contractor)

Short Description	Provision of mining services for the open pit mining operations at the Karowe Mine.
Duration	Originally dated 16 October 2018, as amended on 17 September 2019 and 10 November 2021. The term of the agreement was extended from 1 January 2022 to 31 December 2025.
Governing Law	Governed by and in compliance with the laws of Botswana as per addendum two.

Lateral Development Contract	
Parties	Mining Company and Group R Mining & Exploration (Botswana) Proprietary Limited
Short Description	Underground lateral development and construction contract for the provision of mine development, ground support, infrastructure development and mine services on the Project
Duration	7 October 2025 until 10 July 2028
Governing Law	The laws of Botswana, with parties agreeing to settlement of dispute by arbitration under the latest edition of the Rules of Conduct of Arbitrations published by the Association of Arbitrators (Southern Africa) or its successor body

Electricity Supply Agreement	
Parties	Botswana Power Corporation and Lucara Botswana (Proprietary) Limited
Short Description	Electricity supply agreement for the provision of power to the Project.
Duration	Effective 31 October 2011, expiring 9 October 2023. Extendable for a term equal to any renewal of the Mining License on three (3) months' prior notice.
Governing Law	The laws of Botswana, with the parties consenting to the non-exclusive jurisdiction of the High Court of Botswana.

Contract relating to the ventilation and production shafts	
Parties	Lucara Botswana Proprietary Limited, and UMS Botswana (Pty) Ltd.
Short Description	Provision of services for the construction of the production and ventilation shaft at the Karowe Mine.
Duration	Initial Substantial Completion Date is 22 June 2025, contract amended as at 17 February 2024, 30 December 2024 and 30 October 2025. The Substantial Completion Date was extended to 15 July 2026.
Governing Law	Governed by the laws of Botswana.

ATTACHMENT 4 AGREED SECURITY PRINCIPLES

Any Transaction Security, Transaction Security Document and Guarantee shall be subject to the principles set out below. Capitalised terms used below shall, unless the context otherwise requires, have the same meaning as given to them in the Intercreditor Principles or, if not defined therein, in the Bond Terms.

Part 1 – Botswana Transaction Security

- (a) The Guarantee from the Parent will be expressed to be effective upon first release from the Escrow Account.
- (b) The Transaction Security over the shares in and the assets of the Mining Company will be held by Venspec Proprietary Limited, a private limited liability company incorporated under the laws of Botswana with company registration (or any replacement entity, as agreed by the Bond Trustee and the Issuer, in each case the "**Botswana Security SPV**"). The shares in the Botswana Security SPV will be owned by the trust established pursuant to the trustee deed (the "**Botswana Trust Deed**") originally dated 17 June 2021 between the Mining Company (in its capacity as donor) and Stephen David Pezarro and Kopanang Nyaladzo Thekiso (and any other person appointed under the Botswana Trust Deed) (or, in case of a replacement entity, any other trust deed).
- (c) The Botswana Security SPV will guarantee the Secured Obligations and will, as security for its recourse claim against the Issuer (the "**Bond Issue Recourse Claim**"), take the following security and guarantees (the "**Botswana SPV Security**") over the following assets (the "**Botswana Security Assets**"):
 - (i) the Accounts of the Mining Company in Botswana, from time to time;
 - (ii) the mining Company's claims under insurance contracts related to the Project, from time to time;
 - (iii) all shares in the Mining Company, from time to time (and where Transaction Security over these shares will in addition be created under a floating charge over all assets of shareholders incorporated in Mauritius);
 - (iv) the immovable real property (surface rights lease) of the Mining Company, from time to time, under one or more mortgage bonds;
 - (v) the movable property and Mining License of the Mining Company, from time to time, under one or more deeds of hypothecation; and
 - (vi) the contractual rights of the Mining Company (other than in connection with immovable real property and any mining licenses), from time to time, under one or more cessation agreements.

- (d) The Transaction Security listed in paragraphs (i), (ii) and (vi) are referred to as the "**Botswana Part 1 Security**", whereas the Transaction Security listed in paragraphs (iii), (iv) and (v) are referred to as the "**Botswana Part 2 Security**".
- (e) The Transaction Security Documents related to the Botswana Part 1 Security and the Botswana Part 2 Security and any other guarantees, security documents and documents entered into pursuant to the laws of Botswana to secure the Bond Issue Recourse Claims are collectively referred to as the "**Botswana Transaction Security Documents**" and the security interests created thereunder are referred to as the "**Botswana Security Interests**".
- (f) References to Transaction Security and Transaction Security Documents shall include the Botswana Transaction Security Documents and the Botswana Security Interests, and the provisions in these Agreed Security Principles and otherwise in the other Finance Documents shall apply mutatis mutandis to the Botswana Transaction Security Documents and the Botswana Security Interests, including the provisions to provide Additional Security and enter into Additional Security Documents and so that in case any new security assets is held in Botswana or and any new Additional Guarantor is incorporated in Botswana, the security and guarantee structure described above shall apply if required and advised to the Bond Trustee. The term "Security Agent" shall, where relevant, also refer to the Botswana Security SPV as the holder of the Transaction Security over the Botswana Security Assets.

Part 2 – Additional Security and Guarantees

The Issuer shall ensure that:

- (a) In addition to the Initial Security, additional Security (the "**Additional Security**" and the documents setting out the terms of the Additional Security being the "**Additional Security Documents**" and together with the Initial Security Documents, the "**Transaction Security Documents**") securing the Secured Obligations shall, always subject to these Agreed Security Principles, if not covered by the Initial Security, be granted and perfected over:
 - (i) a pledge/charge over the entire share capital of the Issuer and each Guarantor (other than the Parent), from time to time;
 - (ii) a security assignment (or a pledge, as the case may be) of each Intercompany Loan, from time to time; and
 - (iii) a security assignment (or a pledge/charge, as the case may be) of the balance of each Account, from time to time;
 - (iv) the immovable real property (surface rights lease) of the Mining Company, from time to time, under one or more mortgage bonds;
 - (v) monetary claims under insurance contracts related to the Project, from time to time;
 - (vi) the movable property and Mining License of the Mining Company, from time to time, under one or more deeds of hypothecation; and

(vii) the contractual rights of the Mining Company, from time to time, under one or more cessation agreements,

provided that the obligation to grant and perfect security in relation to (a) the assets contemplated to be subject to the Botswana Part 2 Security and (b) security over any share capital of any Guarantor holding a controlling interest in the Mining Company (being, at this time, Boteti Diamond Holdings Inc and Lucara Diamond Holdings (I) Inc) shall only be a reasonable best efforts basis to grant and perfect such security as soon as practically possible, recognizing that such Additional Security would require relevant ministerial, governmental and/or land board (as applicable) consents, and in particular shall not be a condition to any release of the Bonds.

- (b) If any person becomes a Group Company (through incorporation, acquisition or acquisition of assets) other than a Non-Material Company, such person shall become a Guarantor (an "**Additional Guarantor**") and security provider by executing a Guarantee (an "**Additional Guarantee**"), the relevant Additional Security Documents and accede to the Intercreditor Agreement, within the times set out in paragraph (d) below. Any new or replacement Botswana Security SPV shall also become an Additional Guarantor and the provisions related to the Additional Guarantor shall similarly apply.
- (c) Additional Security and Additional Guarantees shall be on terms substantially the same as the relevant Initial Security and Initial Guarantees. If no relevant Initial Security exist for any asset to be subject to Additional Security, then the Additional Security shall be made on terms acceptable to the Bond Trustee (acting reasonably).
- (d) Each Additional Guarantee shall be executed as soon as possible and no later than within 60 days after the date the relevant person became a Subsidiary and (subject to paragraph (e)) any Additional Security shall be granted and perfected as soon as possible and no later than within 60 days (unless required earlier as set out below, or as set out in the Transaction Security Documents) after (i) the new real property (or other new security asset which are not covered by the provisions of the Transaction Security Documents) came into the ownership of the relevant Group Company or security provider; or (ii) the relevant person became a Group Company. No later than the date of granting and perfection of the Additional Security or Additional Guarantee, the relevant Group Company or security provider shall deliver to the Bond Trustee such documents and evidence as the Bond Trustee shall reasonably require with respect to any Group Company or security provider and any asset over which Additional Security will be taken, including constitutional documents, corporate authorisations, governmental approvals and third-party consents. The Bond Trustee may, at the cost of the Issuer, require legal opinions to be issued.

Notwithstanding the foregoing, Transaction Security over new shares in an Obligor whose shares are already subject to Security shall be established and perfected within 15 Business Days after the issuance of such shares, provided that:

- (i) where possible, any increase in share capital shall occur through the increase of the par value instead of the issuance of new shares;
- (ii) where possible, any Transaction Security over new shares which can be established and perfected earlier than the abovementioned 15 Business Days, shall be established and perfected as early as possible before the 15 Business Days; and

- (iii) if an Event of Default is continuing and Transaction Security over new shares cannot be established and perfected substantially simultaneously with the issuance of the new shares, no new shares shall be issued save where the Bond Trustee has consented thereto.
- (e) The obligation to grant and perfect Additional Security in relation to assets which require statutory consent or consent by a land board in Botswana shall be only be a reasonable best efforts basis to grant and perfect such security as soon as practically possible.

Part 3 – Certain Security Principles

- (a) With respect to any Transaction Security over shares, such Transaction Security shall include arrangements for (undated) letters of resignation from each board member in jurisdiction where such arrangements are customarily included in share pledge arrangements governed by the applicable laws;
- (b) Where legally permissible, Transaction Security Documents shall automatically create Security over future assets of the same type as those already subject to Transaction Security.
- (c) Any Transaction Security and any Guarantee shall secure or guarantee (as applicable) the Secured Obligations.
- (d) No Additional Security shall be required to be taken over any asset if under the laws of the relevant jurisdiction, it is not possible (as such and generally applicable to the relevant type of asset) to take Security over the relevant asset.
- (e) Where legally permissible, any Transaction Security and any Guarantee shall be created in favour of the relevant Security Agent and not the other Secured Parties individually. Parallel debt provisions shall be used where legally necessary.
- (f) To the extent legally permissible, Transaction Security will be first ranking unless any prior ranking Security is permitted by the Finance Documents and all other relevant Debt Documents.
- (g) No contractual Security will be permitted to be granted over assets subject to Transaction Security, other than Permitted Security.
- (h) When the granting or perfection of a Transaction Security is subject to the relevant security provider's "reasonable best efforts" it shall mean that the security provider will expend such efforts that a prudent, commercially reasonable person would use in comparable circumstances to achieve the granting and perfection of the relevant Transaction Security.
- (i) General statutory limitations (including, but not limited to, such relating to financial assistance, corporate benefit, fraudulent preference, "thin capitalisation" rules, capital maintenance, retention of title claims and similar principles) may limit the ability of an Obligor or Guarantor to provide any Transaction Security, Guarantee or enter into subordination arrangements, or may require that such Security, Guarantee or subordination arrangements is limited by an amount or otherwise, and in this case (and to such extent) the relevant Obligor or Guarantor shall be relieved of any obligation to create or perfect the relevant Transaction Security.

- (j) Additional Security and the extent of its perfection and scope shall take into account the costs and expenses (including, without limitation, any stamp duty, taxes, registration fees, notarization costs and similar) of providing such Security which must be proportionate to the benefit accruing to the Secured Parties with respect to such Security. The Bond Trustee shall consult with the Issuer (for such time as the Bond Trustee deems appropriate) in determining whether the cost and effort of taking any Additional Security is proportionate to the benefit.
- (k) No Obligor will be required to provide Additional Security if it would not be within its legal capacity or conflict with the fiduciary duties of their directors or officers, contravene any legal prohibition or result in a material risk of personal, civil or criminal liability on the part of any director or officer or trigger any change of control issues or require consent from any third party (other than a Group Company) which cannot be obtained using reasonable best efforts, provided that the relevant Obligor, or the holding company of the relevant person shall use reasonable endeavours to make amendments to its constitutional documents and/or pass relevant resolutions of its relevant bodies (including the board of directors) or its shareholders in order to ensure it has the required capacity, and shall use reasonable endeavours to overcome any other obstacle, in each case to the extent such efforts would not result in material disruption to the business of the Group (other than through the operation of the terms of the Transaction Security Documents).
- (l) Any asset subject to pre-existing third party (other than with a Group Company, the Parent or an Affiliate of the Parent) arrangements which are permitted by the relevant Debt Documents or any other public or third-party (other than with a Group Company, the Parent or an Affiliate of the Parent) contractual restrictions on assignments and which prevent that asset from becoming subject to Transaction Security, will be excluded from any relevant Transaction Security Document.
- (m) Any asset financed by Permitted Financial Indebtedness under paragraph (g) (*finance lease*) of such definition shall be excluded from all Transaction Security.
- (n) Transaction Security Documents shall operate to create Security rather than to impose any new commercial obligations and shall, accordingly, not contain additional or duplicate representations or undertakings to those contained in the relevant Debt Documents unless required for the creation, perfection, preservation or enforcement of the Transaction Security. Representations in the Transaction Security Documents shall be given only on the date on which such Transaction Security Documents are executed and shall not otherwise repeat. There shall not be any repetition or extension of the scope of clauses set out in the other Debt Documents (including, but not limited to, those relating to notices, cost and expenses, indemnities, tax gross up, distribution of proceeds, preservation of rights, further assurances and release of Transaction Security) unless required to be effective in respect of each relevant party to the relevant document and customary in security documents in that jurisdiction.
- (o) Until the occurrence of an Event of Default which is continuing, the Transaction Security Documents shall not restrict operational flexibility with respect to any charged asset and shall allow the relevant security provider to exploit, dispose of, alter or otherwise deal with that asset or to vary or terminate any contract, except where such action is expressly restricted by the Bond Terms.

- (p) Perfection of Additional Security will not be required if it would (i) materially adversely affect the ability of the relevant Group Company or security provider (as applicable) to conduct its operations or business in the ordinary course or (ii) trigger any change of control issue or similar that is otherwise not possible to waive by using a reasonable effort.
- (q) Transaction Security will not be enforceable until an Event of Default has occurred and is continuing and where the Bond Trustee has notified the Issuer in writing thereof (a "**Notice of Event of Default Event**").
- (r) If any Transaction Security may be enforced in various manners under the laws by which such Transaction Security is governed, then the Transaction Security Document in question shall, to the extent legally permissible, include and permit the various manners of such enforcement, including the manner which may reasonably be considered to be the most efficient in terms of time, costs and method from the perspective of the Secured Parties, and (subject to the terms of the Intercreditor Agreement) leave it to the relevant Security Agent to decide the manner of enforcement at any given time.
- (s) Transaction Security over Intra-Group Liabilities shall permit conversion to equity and shall permit the relevant debtor to make any repayment or prepayment of the principal amount of such receivables and any payment of interest accrued on such receivables to the relevant creditor/assignor unless a Notice of Event of Default Event has occurred and is continuing. For the avoidance of doubt, any loans arising under any cash pooling permitted by the Debt Documents shall not be subject to Transaction Security.
- (t) If required, notification of pledge/charge over any bank account which is the subject of Transaction Security will only be given (subject to local law advice) to the bank with whom the account is maintained if such notice/perfection does not prevent or restrict, other than as a result of an Event of Default which is continuing, the account holder from accessing or operating the account or from accessing or making use of monies standing to the credit of the account, unless the intention is for the relevant bank account to be blocked or used as the Escrow Account.
- (u) The acknowledgement of a notice an assignment to any third party will be in a form approved by the relevant third party and the relevant Obligor shall (i) in the case that such third party is not affiliated with the Group, use reasonable efforts to achieve and (ii) in the case that such third party is affiliated to the Group, procure, an acknowledgement to any such notification if it is customary to issue such acknowledgement in the relevant market. Failure to obtain such acknowledgement as set out in (i) shall not constitute a breach of the Finance Documents if the Obligor has used its reasonable efforts.
- (v) Each Security Agent shall only be able to exercise any powers of attorney (including, but not limited to, in respect of voting rights appertaining to any shares and elect to replace board members) granted under any Transaction Security Document or have the right to receive any dividends or other sums payable in respect of any shares if an Event of Default has occurred and is continuing.
- (w) Unless the restriction is required by law, the constitutional documents of the company whose shares have been charged/pledged will be amended to remove any restriction on the transfer or the registration of the transfer of the shares on enforcement of the security granted over them except to the extent that the consent of any person (not being a member of the Group) is required

for that purpose, but cannot be obtained and the relevant guarantor has used reasonable endeavours to obtain that consent.

- (x) No Account subject to Transaction Security shall be blocked (other than the Escrow Account), and the Accounts shall be operated by the relevant Group Company, unless an Event of Default has occurred and is continuing under the Finance Documents (and only while an Event of Default has occurred and is continuing).
- (y) The Bond Trustee shall have the right (acting in its sole discretion) to instruct the release (and effect the same) of the Escrow Account Pledge after all funds on the Escrow Account have been fully and irrevocably released to the Issuer.
- (z) The Bond Trustee is irrevocably authorised to instruct the release any Guarantees and Transaction Security over assets which are sold or otherwise disposed of (directly or indirectly) (A) in any merger, de-merger or disposal permitted in compliance with the Bond Terms and (B) following an enforcement of such Transaction Security, and to effect the same.

ATTACHMENT 5 INTERCREDITOR PRINCIPLES

Capitalised terms below shall have the same meaning as ascribed to them in the Bond Terms, unless otherwise defined below. The main principles on which the intercreditor agreement (the "**Intercreditor Agreement**") will be based are as follows:

Parties: To establish the relative rights of the creditors under various financing arrangements, the Intercreditor Agreement will be entered into (or acceded to where relevant) between, among others:

- (i) the Issuer as company;
- (ii) each other Guarantor and each other entity providing Transaction Security under any Debt Document (together with the Issuer, collectively, the "**Debtors**");
- (iii) any Group Company that is a lender under any Intercompany Loan (the "**Intra-Group Lenders**");
- (iv) any subordinated creditor in respect of any Subordinated Loan (the "**Subordinated Creditors**");
- (v) the agent (the "**Credit Facility Agent**") and/or the lenders under any Credit Facility (noting where any Credit Facility is provided on a bilateral basis, any reference to the Credit Facility Agent will be to the relevant lender of that Credit Facility);
- (vi) the Bond Trustee (on behalf of the *Pari Passu* Creditors); and
- (vii) the Bond Trustee as Security Trustee (including any additional or supplemental security agent determined by the Bond Trustee)
- (viii) the Botswana Security SPV as security holder in respect of the onshore security documents for the Secured Parties, and the Intercreditor Agreement will contain provisions for the joint appointment of the Botswana Security SPV in that respect.

Ranking and priority: The Senior Liabilities owed by the Debtors to the Primary Creditors shall rank in right and priority of payment (subject to the super senior ranking of the Credit Facility Liabilities with respect to the application of proceeds set out below) *pari passu* and without any preference between them.

Any Guarantee and the Transaction Security shall rank and secure the Senior Liabilities (subject to the super senior ranking of the Credit Facility Liabilities with respect to the application of proceeds set out in section "*Application of proceeds*" below) *pari passu* and without any

preference between them (but only to the extent that such Guarantee or Transaction Security is expressed to secure those liabilities).

The Subordinated Liabilities and the Intra-Group Liabilities are postponed and subordinated to the Liabilities owed by the Debtors to the Primary Creditors under the Debt Documents.

Option to purchase:

The Bond Trustee may after a Distress Event and subject to certain customary conditions being fulfilled, by giving not less than 10 Business Days' notice to the Security Trustee, require the transfer to it of all, but not part, of the rights, benefits and obligations in respect of the Credit Facility Liabilities (a "**Credit Facility Liabilities Transfer**") (provided that the Credit Facility Creditors, or, if any, the Credit Facility Agent on behalf of the Credit Facility Creditors is paid an amount equal to all amounts that would have been payable under the Debt Documents for the Credit Facility if the Credit Facility Liabilities were being prepaid by the relevant Debtors on the date of that payment).

Permitted payments in respect of Intra-Group Liabilities and Subordinated Liabilities:

The Debtors may make payments in respect of Intra-Group Liabilities from time to time when due until an event of default has occurred and is continuing or would result from such payment under any of the relevant Debt Documents, subject to customary exceptions.

Prior to the final discharge date of the Senior Liabilities, neither the Issuer nor any other Debtor shall, and the Issuer shall procure that no other Group Company will, make any payment of the Subordinated Liabilities at any time, with exceptions for, (i) payments prior to the occurrence of an event of default which is continuing under the relevant Debt Documents, to the extent not prohibited by the Bond Terms and the Super Senior Finance Documents; or (ii) payments following the occurrence of an event of default, with the consent of the Instructing Group. The Debt Documents shall not prohibit or restrict any roll-up or capitalisation of interest, fees or any other amount payable in respect of any Intra-Group Liabilities or Subordinated Liabilities, or conversion of Intra-Group Liabilities or Subordinated Liabilities to equity.

Effect of insolvency event:

After the occurrence of an Insolvency Event in relation to any Group Company, any party entitled to receive a distribution out of the assets of that Group Company (in the case of a Primary Creditor, only to the extent that such amount constitutes Enforcement Proceeds) in respect of liabilities owed to that party shall, to the extent it is able to do so, direct the person responsible for the distribution of the assets of that Group Company to make that distribution to the Security Agent (or to such other person as the Security Agent shall direct) until the liabilities owing to the Secured Parties have been paid in full.

The Security Agent shall apply such distributions made to it in accordance with section "Application of proceeds" below.

Turnover of receipts: If at any time prior to the final discharge date of all the Primary Creditors, any Creditor receives or recovers any payment on account or in respect of any Liabilities other than as permitted by the Intercreditor Agreement, that Creditor will promptly pay or distribute an amount equal to that receipt or recovery to the Security Agent for application in accordance with section "Application of proceeds" below.

Bond protection: **Trustee** Customary Bond Trustee protection provisions will be included in the Intercreditor Agreement, including that, the Bond Trustee shall not be liable for any failure by any Bondholder to comply with any obligation such Bondholder may have under the Intercreditor Agreement, including to make any payment or repayment, or any distribution or redistribution (including, without limitation, under section "Turnover of receipts" above), to the Security Agent (or any other Creditor or person) of any amount received or recovered by that Bondholder under or in respect of any Debt Document.

Furthermore, the Bond Trustee shall have no obligation to pay, repay, distribute or redistribute, or ensure the payment, repayment, distribution or redistribution of, any amount received or recovered by any Bondholder under or in respect of any Debt Document which should have been paid, repaid, distributed or redistributed by such Bondholder to the Security Agent (or any other Creditor or person) pursuant to the terms of the Intercreditor Agreement, and shall not be liable for any damages, costs or losses incurred by any Creditor or any other person as result of any such failure by any Bondholder referred to above.

Enforcement of Transaction Security and Guarantees: If either the Majority Super Senior Creditors or the Majority Pari Passu Creditors (the "**Instructing Primary Creditors**") wish to issue Enforcement Instructions, the creditor representatives (representing the Instructing Primary Creditors shall deliver a copy of those proposed Enforcement Instructions (an "**Initial Enforcement Notice**") to the Security Agent and the Security Agent shall promptly forward such Initial Enforcement Notice to each creditor representative which did not deliver such Initial Enforcement Notice.

Subject to the exceptions set out below, the Security Agent or will act in accordance with Enforcement Instructions received from the Majority Pari Passu Creditors.

If (a) the Majority Pari Passu Creditors have not either (i) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing) or (ii) appointed a financial adviser to assist them in making such a determination, within 3 months of the date of the Initial Enforcement Notice or (b) the discharge date of the Super Senior Creditors has not occurred within 6 months of the date of the Initial Enforcement Notice, then the Security Agent will act in accordance with

Enforcement Instructions received from the Majority Super Senior Creditors until that discharge date has occurred.

If an Insolvency Event is continuing with respect to a Debtor, then the Security Agent will, to the extent the Majority Super Senior Creditors elect to provide such Enforcement Instructions, act in accordance with Enforcement Instructions received from the Majority Super Senior Creditors until the discharge date of the liabilities owing to the Super Senior Creditors has occurred.

If the Majority Pari Passu Creditors have not either (a) made a determination as to the method of enforcement they wish to instruct the Security Agent to pursue (and notified the Security Agent of that determination in writing) or (b) appointed a financial adviser to assist them in making such a determination, and the Majority Super Senior Creditors (i) determine in good faith (and notify the other creditor representatives and the Security Agent) that a delay in issuing Enforcement Instructions could reasonably be expected to have a material adverse effect on the ability to effect a distressed disposal or on the expected realisation proceeds of any enforcement and (ii) deliver Enforcement Instructions which they reasonably believe to be consistent with section "Enforcement principles" below before the Security Agent has received any Enforcement Instructions from the Majority Pari Passu Creditors, then the Security Agent will act in accordance with the Enforcement Instructions received from the Majority Super Senior Creditors until the discharge date of the liabilities owing to the Super Senior Creditors has occurred.

The Majority Super Senior Creditors shall be entitled to issue Enforcement Instructions with the prior written consent of each of (a) the Bond Trustee (on behalf of the Bondholders) and (b) the Majority Pari Passu Creditors.

Manner of enforcement: If the Transaction Security is being enforced, the Security Agent shall enforce the Transaction Security in such manner as the Instructing Group shall instruct (provided that such instructions are consistent with section "Enforcement principles" below) or, in the absence of any such instructions, as the Security Agent considers in its discretion to be appropriate and consistent with those principles.

The other Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Transaction Security or to exercise any right, power, authority or discretion arising under the documents evidencing the terms of the Transaction Security except through the Security Agent.

Non-distressed disposals: If a disposal of an asset is a non-distressed disposal, the Security Agent shall be irrevocably authorised (without any consent or authority of any Creditor) to, among others things, release the Transaction Security or any

claim over the relevant asset or the relevant Group Company's other property, provided that such disposal is permitted under the relevant Debt Documents.

If any disposal proceeds are required to be applied in mandatory prepayment of the Credit Facility Liabilities or the Pari Passu Debt Liabilities, then those disposal proceeds shall be applied in accordance with the relevant Debt Documents, and the consent of any other party shall not be required for that application.

Distressed disposals:

If a disposal of an asset is a distressed disposal, the Security Agent shall be irrevocably authorised:

- (a) to release the Transaction Security and any other claim over the relevant asset; and
- (b) if the relevant asset consists of shares or ownership interests in a Debtor or a holding company of a Debtor (each, a "**Disposed Entity**"):
 - (i) to release any Transaction Security granted by the Disposed Entity or over the shares thereof, or any subsidiary of the Disposed Entity, over any of its assets;
 - (ii) to release the Disposed Entity, or any subsidiary of the Disposed Entity, from all or any part of its liabilities under the Debt Documents;
 - (iii) to release any other claim of any Creditor or another Debtor over that Disposed Entity's assets or over the assets of any subsidiary of that Disposed Entity;
 - (iv) to release the Disposed Entity and any other Group Company from all or any part of its liabilities arising out of or in connection with that distressed disposal, or dispose of (including by way of appropriation) all or any part of those liabilities;
 - (v) to dispose of (including by way of appropriation) all or any part of the liabilities owing by the Disposed Entity, or any subsidiary of the Disposed Entity; and/or
 - (vi) to dispose of (including by way of appropriation) all or any part of the liabilities owing to the Disposed Entity, or any subsidiary of the Disposed Entity,

in each case, (A) that may, in the discretion of the Security Agent, be considered necessary or desirable and (B) on behalf of the relevant Creditors, Secured Parties and Debtors.

The net proceeds of each distressed disposal (and each debt disposal) shall be paid, or distributed, to the Security Agent for application in accordance with section "Application of proceeds" below.

For the purposes of distressed disposals, the Security Agent (a) shall act on the instructions of the Instructing Group, or in the absence of any such instructions, as the Security Agent sees fit and (b) may engage, or approve the engagement of, pay for and rely on the services of a financial adviser in accordance with section "Enforcement principles" below.

Application of proceeds: All amounts from time to time received or recovered by the Security Agent (a) pursuant to the terms of any Debt Document, (b) in connection with the realisation or enforcement of all or any part of the Transaction Security or (c) in connection with the making of any demand under any Guarantee shall be applied by the Security Agent in the following order of priority:

- (a) in discharging any sums owing to the Security Agent any receiver or any delegate;
- (b) in discharging all costs and expenses incurred by any Primary Creditor or creditor representative (for its own account) in connection with any realisation or enforcement of the Transaction Security taken in accordance with the Intercreditor Agreement;
- (c) in payment or distribution to:
 - (i) the Credit Facility Agent on its own behalf and on behalf of the Credit Facility Creditors for application towards the discharge of the Credit Facility Liabilities on a pro rata basis (or such other order as agreed between them), up to an aggregate maximum amount equal to the Credit Facilities Liabilities Maximum Amount on a pro rata basis;
- (d) in payment or distribution to the Bond Trustee in respect of any Pari Passu Debt Liabilities on its own behalf and on behalf of the Pari Passu Creditors for which it is the creditor representative for application towards the Pari Passu Debt Liabilities;
- (e) if none of the Debtors is under any further actual or contingent liability under any document evidencing the terms of any Senior Liabilities, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and
- (f) the balance, if any, in payment or distribution to the relevant Debtor,

subject to certain customary exceptions in respect of prospective liabilities and treatment of cash cover in respect of any Credit Facility.

Enforcement principles: The main enforcement principles are as follows:

- (a) it shall be the primary and over-riding aim of any enforcement of any Transaction Security to maximise, to the extent consistent with a prompt and expeditious realisation of value, the value realised from any such enforcement;
- (b) the Security Agent shall be under no obligation to appoint a financial adviser or to seek the advice of a financial adviser unless expressly required to do so by the Intercreditor Agreement; and
- (c) any fairness opinion from a financial adviser will be conclusive evidence that the enforcement objective set out above has been met.

**Amendment
waivers:**

and

- (a) The Intercreditor Agreement may be amended or waived only with the consent of any creditor representative appointed in respect of any class of Primary Creditor (in its capacity as such), the Majority Super Senior Creditors, the Majority Pari Passu Creditors and a Security Agent.
- (b) Unless the provisions of any Debt Document expressly provide otherwise, a Security Agent may, if authorised by the Majority Super Senior Creditors and the Majority Pari Passu Creditors, and if the Issuer consents, amend the terms of, waive any of the requirements of or grant consents under, any Guarantee and the Transaction Security which shall be binding on each party.
- (c) Any amendment or waiver of, or consent under, any Guarantee or Transaction Security which has the effect of adversely changing or which otherwise relates to:
 - (i) the nature or scope of the Guarantee or the pledged/charged/assigned property;
 - (ii) the manner in which the proceeds of enforcement of the Guarantee or the Transaction Security are distributed; or
 - (iii) the release of any Guarantee or Transaction Security,
 shall not be made without the prior consent of the Credit Facility Creditors and the Bond Trustee on behalf of the Bondholders.

**Governing law and
jurisdiction:**

The Intercreditor Agreement shall be governed by Norwegian law and be subject to the jurisdiction of the Oslo District Court (*Oslo tingrett*).

Definitions:

"Creditors" means the Primary Creditors, the Intra-Group Lenders and the Subordinated Creditors.

"Credit Facility" means any credit facility made available to the Issuer or a Group Company in accordance with the Credit Facility Finance Documents.

"Credit Facility Creditors" means the Credit Facility Agent, any arranger and each lender under any Credit Facility.

"Credit Facility Liabilities" means the liabilities owed by any Debtor to any Credit Facility Creditors under or in connection with the relevant Debt Documents.

"Credit Facilities Liabilities Maximum Amount" means the aggregate principal amount of USD 50,000,000 (or its equivalent in any other currency) in aggregate for the Group, calculated at the time the relevant amount was originally committed, plus (without duplication) any accrued but unpaid interest, fees, costs and expenses under the Debt Documents evidencing the terms of the Credit Facility Liabilities, provided that any amounts in respect of costs and expenses incurred in connection with enforcement actions shall not be subject to this cap.

"Debt Document" means the Intercreditor Agreement, any documents evidencing the terms of any Credit Facility Liabilities, any Pari Passu Debt Liabilities, any Intra-Group Liabilities, any Subordinated Liabilities, any Guarantee or any Transaction Security and any other document designated as such by the Bond Trustee and the Issuer.

"Distress Event" means (a) any exercise of any rights under any acceleration provisions, or any acceleration provisions being automatically invoked, in each case under any Debt Document evidencing the terms of any Super Senior Liabilities or any Pari Passu Debt Liabilities, (b) the enforcement of any Transaction Security or (c) (unless the context otherwise requires) the making of any demand under any Guarantee.

"Enforcement Instructions" means instructions as to enforcement of the Transaction Security and/or Guarantees (including the manner and timing of enforcement) given by the Majority Super Senior Creditors or the Majority Pari Passu Creditors to the relevant Security Agent, provided that instructions not to undertake enforcement or an absence of instructions as to enforcement shall not constitute "Enforcement Instructions".

"Guarantee" means any guarantee, indemnity or other assurance against loss granted by any Debtor in respect of the obligations of any of the Debtors under any of the Debt Documents.

"Insolvency Event" means, in relation to any member of the Group:

- (a) any resolution is passed or order made for the winding up, dissolution, administration or reorganisation of that member of the Group, a moratorium is declared in relation to any indebtedness of that member of the Group or an administrator is appointed to that member of the Group;
- (b) any composition, compromise, assignment or arrangement is made with any of its creditors;
- (c) the appointment of any liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that member of the Group or any of its assets; or

any analogous procedure or step is taken in any jurisdiction.

"Instructing Group" means:

- (a) subject to paragraph (b) below, the Majority Super Senior Creditors and the Majority Pari Passu Creditors; and
- (a) in relation to instructions as to the enforcement of any Transaction Security, the group of Primary Creditors entitled to give instructions as to such enforcement under section "Enforcement of Transaction Security and Guarantees" above.

"Intra-Group Liabilities" means the liabilities owed by any Group Company to any of the Intra-Group Lenders.

"Liabilities" means all present and future liabilities and obligations at any time of any member of the Group to any Creditor under the Debt Documents, both actual and contingent and whether incurred solely or jointly or as principal or surety or in any other capacity.

"Majority Pari Passu Creditors" means, at any time, those Pari Passu Creditors whose pari passu credit participations at that time aggregate more than 50.00 per cent. of the total pari passu credit participations at that time (and where the Bond Trustee shall act (and be considered to act) on behalf of all the Bondholders represented by it regardless of whether all or only the required majority of those Bondholders voted in favour or against the decision to be made by the Majority Pari Passu Creditors under the Intercreditor Agreement at any relevant preceding meeting(s) of those Bondholders).

"Majority Super Senior Creditors" means, at any time, the Super Senior Creditors whose super senior credit participations at that time

aggregate more than 50.00 per cent. of the total aggregate amount of the super senior credit participations at that time.

"Pari Passu Creditors" means the Bondholders, the Bond Trustee and each other creditor which pursuant to the section "Ranking and priority" above shall rank (a) in right and priority of payment and (b) in respect of any Guarantee and Transaction Security *pari passu* with the Bondholders and the Bond Trustee and without any preference between them.

"Pari Passu Debt Liabilities" means the liabilities owed by the Debtors to the Pari Passu Creditors under or in connection with the relevant Debt Documents.

"Pari Passu Liabilities" means or the Pari Passu Debt Liabilities.

"Primary Creditors" means the Super Senior Creditors and the Pari Passu Creditors.

"Relevant Liabilities" means:

- (a) in the case of a Creditor:
 - (i) the Liabilities owed to Creditors ranking (in accordance with the terms of the Intercreditor Agreement) *pari passu* with or in priority to that Creditor (as the case may be); and
 - (ii) all present and future liabilities and obligations, actual and contingent, of the Debtors to either Security Agent; and
- (b) in the case of a Debtor, the Liabilities owed to the Creditors together with all present and future liabilities and obligations, actual and contingent, of the Debtors to either Security Agent.

"Secured Obligations" means the obligations and liabilities of any Obligor to any Secured Party under the Debt Documents.

"Secured Parties" means the Security Agent, any receiver or delegate and each of the Primary Creditors from time to time but, in the case of each Primary Creditor, only if it (or, in the case of the Bondholders, the Bond Trustee) is a party or has acceded to the Intercreditor Agreement in the proper capacity pursuant to the terms thereof.

"Senior Liabilities" means the Credit Facility Liabilities and the Pari Passu Debt Liabilities.

"Subordinated Liabilities" means the liabilities owed to the Subordinated Creditors by any Group Company.

"Super Senior Creditors" means the Credit Facility Creditors.

"Super Senior Finance Documents" means the Credit Facility Finance Documents.

"Super Senior Liabilities" means the Credit Facility Liabilities.

"Transaction Security" means any Security, guarantee or indemnity granted in respect of and securing the Secured Obligations.

ATTACHMENT 6
FORM OF COST-TO-COMPLETE-CERTIFICATE

Cost-to-Complete Certificate

To: Nordic Trustee AS, as Bond Trustee

From: Lucara Capital S.à r.l ("**Issuer**") and Lucara Diamond Corp., ("**Parent**")

Dated: [**]

Lucara Capital S.à r.l 12.50% senior secured USD 400,000,000 bonds 2026/2031 with ISIN NO0013738237 (the "Bond Terms")

Terms defined in the Bond Terms have the same meaning when used in this Cost-to-Complete Certificate (the "**Certificate**") unless given a different meaning in this Certificate.

The Issuer hereby certifies that the aggregate amount in (A) below is [greater/less] than the aggregate amount in (B) below and, therefore the Cost-to-Complete Test is [satisfied/not satisfied].

(A)	Available Funding, being comprised of:	USD [<i>insert amount</i>]
1	the balance standing to the credit of: • the Project Account(s) - [<i>insert amount</i>] • the Debt Service Retention Account -- [<i>insert amount</i>] • the Escrow Account - [<i>insert amount</i>]; • any interest forecast to be earned on those accounts in the period up to the Project Completion - [<i>insert amount</i>]; and	USD [<i>insert amount</i>]
2	the amount of any unconditional and immediately available loan facility from a Lundin Family Company;	USD [<i>insert amount</i>]
3	any interest income, tax credits, insurance proceeds, compensation amounts, and other amounts reasonably forecasted by the Master Control Budget to be received, by the Group prior to Project Completion which will be available to meet Project Costs; and	USD [<i>insert amount</i>]
4	any revenue from the sale of diamonds produced from the Project prior to the earlier of (i) Project	USD [<i>insert amount</i>]

Completion and (ii) the First Call Date, which will be available to meet Project Costs.	
[exceeds]/[does not exceed] the aggregate of:	
(B) the amount of Project Costs not yet paid, being comprised of:	USD [insert amount]
1 construction costs;	USD [insert amount]
2 operating costs prior to Project Completion;	USD [insert amount]
3 debt service payments falling due prior to Project Completion;	USD [insert amount]
4 costs, fees and expenses of the Group's engineering, environmental, social, governmental, insurance and legal consultants under or in relation to the negotiation, preparation, execution and completion of the Finance Documents and Project Documents or otherwise in connection with the Project;	USD [insert amount]
5 costs, fees and expenses of start-up, testing and commissioning of the Project, including costs, fees and expenses of the Independent Engineer incurred in attending any test or reviewing any test results;	USD [insert amount]
6 insurance premiums payable prior to Project Completion;	USD [insert amount]
7 taxes payable prior to Project Completion;	USD [insert amount]
8 any other costs and expenses which are payable by the Group before Project Completion whether or not reflected in the Master Control Budget.	USD [insert amount]
(A) - (B)	USD [insert amount]

This Certificate is governed by Norwegian law.

PARENT CONFIRMATION

By my signature below and for and on behalf of the Parent, I hereby certify the validity and completeness of the information stated in this Certificate.

Sign.:_____

Name:

Date:

Sign.:_____

Name:

Date:

INDEPENDENT ENGINEER CONFIRMATION

By my signature below and for and on behalf of the Independent Engineer, I hereby certify that I have made due enquiries to substantiate the validity and completeness of the information stated in this Certificate, as they pertain to the Project Costs.

Sign.:_____

Name:

Date:

APPENDIX 5

[LOAN DESCRIPTION]



Lucara Capital S.à r.l 12.50 % Senior Secured USD 400,000,000 bonds 2026/2031

Terms:

Documentation:

The Loan Agreement ¹⁾ is described more closely in Standard Terms

Before investing in the bond, the investor is encouraged to become familiar with relevant documents such as this term sheet, the Loan Agreement and the Issuer's financial accounts and articles of association and if relevant, admission document, cf. ABM-rules section 2.7.2.3. The documents are available from the Issuer and in Relevant Places. In the case of any discrepancies between the Loan Agreement and this term sheet, the Loan Agreement will apply.

Relevant Places:

<https://lucaradiamond.com/> and <https://stamdata.com/issues/NO0013738237#top>

Issuer/Borrower:

Lucara Capital S.à r.l (formerly known as Medan S.à r.l.), a private limited liability company (société à responsabilité limitée) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 9, Rue de Bitbourg, L-1273 Luxembourg, Grand Duchy of Luxembourg, registered with the Luxembourg Register of Commerce and Companies under number B301628.

Borrowing Limit – Tap Issue:

USD 400,000,000

First Tranche / Loan Amount: ²⁾

USD 350,000,000

Disbursement Date: ³⁾

27 March 2026

Maturity Date: ⁴⁾

27 March 2031, adjusted according to the Business Day Convention.

NIBOR: ⁵⁾

N/A

Margin:

N/A

Interest Rate: ⁶⁾

12.50 percentage points per annum

Day Count Fraction– Interest Rate:

30/360

Interest Payment Date: ^{7) 9)}

27 March, 27 June, 27 September and 27 December each year. First Interest Payment Date: 27 June 2026.

Business Day Convention: ⁸⁾

If the last day of an Interest Period originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.

Interest accrual date (from and including):

27 March 2026

Final interest payment date (to):

27 March 2031

days first term:

92 days (27 March to 27 June 2026)

Status of the Loan ¹⁰⁾

Senior Secured

Issue Price: ¹¹⁾

100%

Denomination:

USD 1

Call: ¹²⁾

Redemption Date(s):	From 27 March 2026, but not including, to the First Call Date (27 March 2029)	Price: Make Whole Amount
	First Call Date (27 March 2029), but not including, to Interest Payment Date in March 2030	105.00%
	Interest Payment Date in March 2030 to, but not including, Interest Payment Date in September 2030	102.50%
	Interest Payment Date in September 2030 to, but not including, 27 March 2031	100.00%

Issuer's org. number/LEI-code:	B301628/213800CTFVQ8OT23LL92				
Number / Codes:	Sector Code:	2100	Geographic code:	9129 Luxembourg	Industry (trade) Code: 07290
Usage of funds:	Refinancing of existing debt facilities, funding of a debt service reserve account and project costs related to the Karowe Diamond Mine in Botswana and after project completion general corporate purposes of the Issuer.				
Approvals / Permissions:	The issuance has been approved by the board of directors on 25 March 2026.				
	The admission document has been inspected by Oslo Børs, cf. ABM-rules sec 2.7.				
Trustee / Bondholders' Representative:	Nordic Trustee AS, registration number 963 342 624 / LEI: 549300XAKTM2BMKIPT85				
Arranger(s):	Clarksons Securities AS og Pareto Securities AS				
Paying Agent:	Pareto Securities AS				
Securities Depository:	Euronext Securities Oslo (Verdipapirsentralen ASA – VPS)				
FISN- and CFI-code	FISN code: LUCARA/12.5 BD 20310327 CFI code: DBFGBR				
Market making:	No market maker agreement has been entered into for the loan.				
MiFiD II target market of end clients:	Professional Clients/Retail Clients/Eligible counterparty Non PRIIPS, No KID				
Withholding tax: ¹³⁾	Gross up.				
Special (distinct) conditions:	Below is a non-exhaustive list of selected provisions in the bond terms dated 25 March 2026:				

Tap Issue

The Issuer may issue Additional Bonds (Tap Issue) provided that:

- (i) the Bond Trustee has received the required documents in satisfactory form and substance;
- (ii) no Event of Default is continuing; and
- (iii) the representations and warranties in Clause 7 of the Bond Terms are true and correct in all material respects and are repeated by the Issuer on the date of issuance of the Additional Bonds.

Interest Period

Interest Payment Dates are quarterly on 27 March, 27 June, 27 September and 27 December each year. The first Interest Payment Date is 27 June 2026 and the last Interest Payment Date is the Maturity Date, 27 March 2031.

Call Option

The Issuer may redeem all or some of the Outstanding Bonds at the following prices:

- (i) from 27 March 2026 to, but not including, the First Call Date (27 March 2029): Make Whole Amount;
- (ii) from the First Call Date to (27 March 2029), but not including, the Interest Payment Date in March 2030: 105.00% of the Nominal Amount;
- (iii) from the Interest Payment Date in March 2030 to, but not including, the Interest Payment Date in September 2030: 102.50% of the Nominal Amount; and
- (iv) from the Interest Payment Date in September 2030 to, but not including, the Maturity Date (27 March 2031): 100.00% of the Nominal Amount.

Mandatory repurchase due to a Put Option Event

Upon the occurrence of a Change of Control Event or a De-listing Event, each Bondholder has the right to require the Issuer to purchase all or some of the Bonds held by that Bondholder at a price equal to 101% of the Nominal Amount, cf. Clause 10.3 of the Bond Terms.

Corporate status

The Issuer is Lucara Capital S.à r.l., a private limited liability company incorporated under the laws of the Grand Duchy of Luxembourg. The Issuer shall not change its current jurisdiction of incorporation or entity form.

Financial covenants

The Issuer is subject to the following financial covenants:

Minimum Liquidity:

The Group shall at all times maintain freely available cash on its Accounts in an aggregate amount of not less than (i) USD 25,000,000 for the period up to and including 31 December 2028, and (ii) USD 45,000,000 from and including 1 January 2029.

Cost-to-Complete Test:

**Supplementary
information about the
status of the loan and
collateral:¹⁰⁾**

For the period up to Project Completion, the Issuer shall satisfy the Cost-to-Complete Test on each 31 December and 30 June each year (first time 31 December 2026) and upon any Material Update.

See further description in Clause 13.28 of the Bond Terms.

Accounting standard

The Accounting Standard under the Bond Terms is GAAP (with IFRS applied where applicable).

Undertakings

For information undertakings, see Clause 12 of the Bond Terms. For general and financial undertakings, see Clause 13 of the Bond Terms. Events of Default and acceleration of the Bonds are set out in Clause 14 of the Bond Terms.

For the avoidance of doubt, in the event of any conflict between this loan description and the bond terms dated 25 March 2026, the bond terms shall prevail.

Clause 2.5 (*Transaction Security*) of the Bond Terms:

(a) The Transaction Security and the Transaction Security Documents will be subject to the Agreed Security Principles.

(b) Subject to the exceptions expressly set out herein and/or otherwise agreed, as Security for the due and punctual fulfilment of the Secured Obligations, the Issuer shall procure that the following Transaction Security is granted in favour of the Security Agent on behalf of the Secured Parties with first priority within the times agreed in Clause 6 (*Conditions for Disbursement*):

Pre-Settlement Security

(i) The Escrow Account Pledge;

Pre-First Release Security

- (ii) a Guarantee from the Parent;
- (iii) a security assignment (or a pledge, as the case may be) over the Debt Service Retention Account;

Pre-Second Release Security

- (iv) a Guarantee from each Guarantor (other than the Parent) from time to time;
- (v) a pledge/charge over the entire share capital of the Issuer and each Guarantor (other than the Parent, the Mining Company and any other Guarantor holding a controlling interest in the Mining Company (being, at this time, Boteti Diamond Holdings Inc and Lucara Diamond Holdings (I) Inc)), from time to time;
- (vi) a security assignment (or pledge, as the case may be) of each Intercompany Loan from time to time;
- (vii) a security assignment (or pledge/charge, as the case may be) of the balance of each Account (other than any Account of the Mining Company in Botswana) from time to time; and
- (viii) the Botswana Part 1 Security.

(c) The Guarantees and Transaction Security shall be granted as follows:

- (i) The Pre-Settlement Security shall be granted and perfected in favour of the Security Agent (on behalf of the Secured Parties) and shall be established in due time (as determined by the Bond Trustee) prior to the Initial Issue Date. The Security Agent shall have the right (acting in its sole discretion) to release the PreSettlement Security in connection with the release of funds from the Escrow Account.
- (ii) The Pre-First Release Security shall be granted and perfected in favour of the Security Agent (on behalf of the Secured Parties) in respect of the Secured Obligations in due time (as determined by the Bond Trustee) prior to the first release from the Escrow Account.
- (iii) The Pre-Second Release Security shall be granted and perfected in favour of the Security Agent (on behalf of the Secured Parties) or the Botswana Security SPV (in the case of the Botswana Part 1 Security) and the other relevant persons (as relevant) in respect of the Secured Obligations and the other relevant obligations (as relevant) and no later than:

A) in respect of the Transaction Security described in Clause 2.5 (b) paragraphs (iv) - (vii) above, 45 days after the date of the first release from the Escrow Account; and

(B) in respect of the Botswana Part 1 Security, 60 days after the date of the first release from the Escrow Account.

(d) The Security listed in Clause 2.5 (b) above will be referred to herein as the "Initial Security" and the agreements, documents and instruments documenting the granting, terms and perfection thereof will be referred to as the "Initial Security Documents".

(e) In addition to the Initial Security the Group shall use reasonable best efforts to obtain, as soon as practically possible, any consents in respect of, and subsequently enter into documentation to create and conclude any required perfection steps, the Botswana Part 2 Security and security over the entire share capital of any Guarantor holding a controlling interest in the Mining Company (being, at this time, Boteti Diamond Holdings Inc and Lucara Diamond Holdings (I) Inc) (the "Post-Disbursement Best Effort Security").

(f) The Bond Issue and the Credit Facility will share and have the same Transaction Security, provided that only the Bond Issue will have Transaction Security over the Escrow Account and the Debt Service Retention Account.

(g) Reference is particularly made to the Agreed Security Principles for a detailed description of the structure for the Transaction Security over the shares in and assets of the Mining Company.

(h) The Transaction Security and the Intercreditor Agreement shall be entered into on such terms and conditions as the Security Agent and the Bond Trustee in their discretion deem appropriate in order to create the intended benefit for the Secured Parties under the relevant document.

(i) The Security Agent shall have the right (acting in its sole discretion) to release the Escrow Account Pledge after all funds on the Escrow Account have been fully and irrevocably released to the Issuer.

(j) The Security Agent is irrevocably authorised to (i) release any Guarantees and Transaction Security over assets which are sold or otherwise disposed of (directly or indirectly) (A) in any merger, de-merger or disposal permitted in compliance with Clauses 13.5 (*Mergers and de-mergers*) or 13.17 (*Investments in and ownership of mining assets*) and (B) following an enforcement.

Standard Terms:

If any discrepancy should occur between this Loan Description and the Loan Agreement, then the Loan Agreement will apply.

Loan Agreement: ¹⁾	The Loan Agreement will be entered into between the Issuer and the Trustee prior to Disbursement Date. The Loan Agreement regulates the Bondholder's rights and obligations in relations with the Issue. The Trustee enters into this agreement on behalf of the Bondholders and is granted authority to act on behalf of the Bondholders to the extent provided for in the Loan Agreement. When bonds are subscribed/purchased, the Bondholder has accepted the Loan Agreement and is bound by the terms of the Loan Agreement. If subscription is made prior to finalisation of the Loan Agreement, the subscriber is deemed to have granted authority to the Trustee to finalise the Loan Agreement. For tap issues, the Loan Agreement will apply for later issues made within the Borrowing Limit. The parties' rights and obligations are also valid for subsequent issued bonds within the Borrowing Limit.
Open / Close: ³⁾⁴⁾	Tap Issues will be opened on Disbursement Date and closed no later than five banking days before Maturity Date.
Disbursement Date: ³⁾	Payment of the First Tranche / Loan Amount takes place on the banking date ahead of the Disbursement Date as agreed with the Manager(s). In case of late payment, the applicable default interest rate according to "lov 17. desember 1976 nr 100 om renter ved forsinket betaling m.m." will accrue.
Expansions – Tap Issues: ²⁾	For Tap Issues the Issuer can increase the loan above the First Tranche/Loan Amount. For taps not falling on Interest Payment Dates, Accrued Interest will be calculated using standard market practice in the secondary bond market. The Issuer may apply for an increase of the Borrowing Limit.
Issue price – Tap Issues: ¹¹⁾	Any taps under the Tap Issue will be made at market prices.
Interest Determination Date: ⁷⁾	N/A
Interest Determination: ⁶⁾⁷⁾	The Interest Rate is fixed at 12.50 percentage points per annum.
NIBOR – definition: ⁵⁾	N/A
Interest Period: ⁹⁾⁷⁾	The interest is due in arrears on the Interest Payment Date. The first interest period matures on the first Interest Payment Date after the Disbursement Date. The next period runs from this date until the next Interest Payment Date. The last period of interest ends on Maturity Date.

Accrued interest:	Accrued Interest for trades in the secondary bond market are calculated on the basis of current recommendations of Norsk Finansanalytikerforening (The Norwegian Society of Financial Analysts).
Standard Business Day Convention: ⁸⁾	If the last day of an Interest Period originally falls on a day that is not a Business Day, no adjustment will be made to the Interest Period.
Condition – Issuer's call option: ¹³⁾	Exercise of Call shall be notified by the Issuer to the Bondholders and the Bond Trustee at least ten Business Days prior to the relevant Call Date. Partial exercise of Call shall be carried out pro rata between the Bonds (according to the procedures in the Securities Register).
Registration:	The loan must prior to disbursement be registered in the Securities Depository. The bonds are being registered on each Bondholders account or nominee account in the Securities Depository.
Issuer's acquisition of bonds:	The Issuer has the right to acquire Bonds and to retain, sell or discharge such Bonds in the Securities Depository. Subordinated bonds may not be purchased, sold or discharged by the Issuer without the consent of Finanstilsynet, provided that such consent is required.
Amortisation: ⁴⁾	The bonds will be repaid by the Issuer in instalments of a Nominal Amount of USD 25,000,000 on each Interest Payment Date. The amortisation will be increased on a pro rata basis following a Tap Issue, and instalment payments will be made pro rata in accordance with the applicable regulations of the CSD. Any remaining Outstanding Bonds will be redeemed in full on Maturity Date at a price equal to 100 per cent. of the Nominal Amount, provided the Issuer has not called the bonds.
Redemption:	Matured interest and matured principal will be credited each Bondholder directly from the Securities Registry. Claims for interest and principal shall be limited in time pursuant the Norwegian Act relating to the Limitation Period Claims of May 18 1979 no 18, p.t. 3 years for interest rates and 10 years for principal.
Sale:	Tranche 1/ Loan Amount has been sold by the Arranger(s). Later taps can also be made by other authorized investment firms.
Legislation:	Disputes arising from or in connection with the Loan Agreement, which are not resolved amicably, shall be resolved in accordance with Norwegian law and the Norwegian courts. Legal suits shall be served at the Trustee's competent legal venue.
Fees and expenses:	Any public fees payable in connection with the Bond Agreement and fulfilling of the obligations pursuant to the Bond Agreement shall be covered by the Issuer. The Issuer is not responsible for reimbursing any public fees levied on the trading of Bonds.
Withholding tax: ¹³⁾	The issuer is responsible for withholding any withholding tax imposed by applicable law on any payments to be made by it in relation to the bonds. The issuer shall be liable to gross up any payments in relation to the bonds by virtue of withholding tax, public levy or similar taxes.



28 August 2026

