MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2026

This management's discussion and analysis ("MD&A") of Lucara Diamond Corp. ("Lucara" or the "Company") has been prepared as of November 13, 2026, and should be read in conjunction with the condensed interim consolidated financial statements of the Company for the three and nine months ended September 30, 2026 (the "Interim Financial Statements"), which were prepared in accordance with IAS 34 Interim Financial Reporting, and the Company's audited annual consolidated financial statements (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.

The scientific and 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").

This MD&A contains forward-looking information that is subject to risk factors. See 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.

ABOUT LUCARA

Lucara is a leading independent producer of large, exceptional quality Type IIa diamonds from its 100% owned Karowe diamond mine ("Karowe") in north-central Botswana. Karowe is the only diamond mine in the world to have recovered ten diamonds in excess of 1,000 carats in weight. Karowe is transitioning from open pit to underground mining with the development of the Karowe Underground Project (the "UGP"), which is designed to access the highest value portion of the Karowe orebody.

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". The Company's $350.0 million senior secured bonds (the "Bonds"), issued by its wholly owned subsidiary Lucara Capital S.à.r.l., trade on Euronext ABM (Oslo Børs) under ISIN NO0013738237.

THIRD QUARTER 2026 HIGHLIGHTS

Sales and Financial Results:

- Revenue was $61.1 million (Q3 2025: $51.2 million) from the sale of 113,227 carats, including the sale of the 1,303 carat Type IIa diamond.
- Adjusted operating earnings[1] were $32.8 million (Q3 2025: $29.2 million). Net income was $6.6 million (Q3 2025: $7.4 million).

Revenue Guidance:

- The Company increased its 2026 revenue guidance to $140 to $160 million from the previous range of $100 to $130 million, reflecting the contribution from the sale of the Motswedi and 1,303 carat Type IIa diamonds. The recovery of these diamonds continues to underscore the outstanding quality of the Karowe orebody.

[1] Adjusted operating earnings is a non-IFRS measure. Refer to "Non-IFRS Financial Measures" of this MD&A for discussion.

Operations:

- Karowe processed 829,822 tonnes of ore in Q3 2026 at an average grade of 11.3 carats per hundred tonnes. Q3 2026 covered 97 days (June 26 to September 30) following the transition to calendar-month reporting, compared to 92 days in Q2 2026. On an average daily basis, throughput was the highest in the last five quarters.
- 94,067 carats were recovered from direct ore feed, plus a further 2,700 carats from processing of historical recovery tailings, for a total of 96,767 carats (Q3 2025: 97,651). 163 Specials[2] were recovered from direct ore feed (Q3 2025: 224), including the 1,303 carat Type IIa diamond, a 316 carat diamond and a further seven diamonds between 100 and 200 carats.
- Operating cost per tonne processed[3] guidance for the year is revised to $24.00 to $26.00 from $27.50 to $31.00. Quarterly operating costs per tonne processed decreased to $22.41 (Q3 2025: $25.65), below the revised guidance, due to higher throughput and lower in-pit mining activity, which offset increased power costs.

Karowe Underground Project:

- The UGP transitioned from shaft construction to underground lateral development during the quarter.
- The production shaft was handed over to the owner's team in August, and development waste hoisting commenced following the Botswana Department of Mines licensing of the rock winder.
- Group R Mining ("Group R") commenced underground lateral development, advancing 466 metres ("m") during the quarter.
- UGP capital expenditures were $40.7 million in Q3 2026. Remaining costs to complete, including contingency, were $245.2 million at September 30, 2026.

Liquidity:

- Cash and cash equivalents were $232.6 million at September 30, 2026, including $66.2 million held in the Debt Service Retention Account ("DSRA") and a $10.0 million customer security deposit.
- In September 2026, the Company's Bonds were admitted to trading on Euronext ABM (Oslo Børs).

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 EM/PK(S)[4]. 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). Full-scale production from the UGP is anticipated in H1 2028, with a total estimated cost at completion of $779.2 million[5] (including contingency). As at September 30, 2026, remaining costs to complete the UGP, including contingency, were $245.2 million[5]. Remaining costs to complete reflect current exchange rates and the Company's latest estimates. Committed, not yet incurred, UGP costs were $92.9 million. See "Liquidity and UGP Funding" for further information on the funding of the UGP.

Project Development

During the quarter, the Company incurred $40.7 million[6] in capital expenditures compared to $22.7 million in Q3 2025. Year-to-date capital expenditures totalled $81.8 million compared to $55.5 million in the comparable period of 2025. Expenditures were primarily directed toward shaft equipping, lateral development, including acquisition of the lateral development fleet, and surface infrastructure.

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[2] Specials are defined as stones above 10.8 carats.
[3] Operating cost per tonne processed refers to operating cost per tonne of ore processed, a non-IFRS measure. Refer to "Non-IFRS Financial Measures" of this MD&A for discussion.
[4] EM/PK(S): Eastern magmatic/pyroclastic kimberlite (south).
[5] Total estimated cost at completion and remaining costs to complete are presented on a cash basis and represent the expected cash outflows required to complete the UGP. UGP capital expenditures are presented on an accrual basis. The difference between the reduction in remaining costs to complete and UGP capital expenditures for the period reflects the timing of payments, including costs incurred but not yet paid at period end.
[6] Excludes qualifying borrowing costs capitalized.

Following completion of the production and ventilation shaft sinking in 2025, the project transitioned from shaft construction to underground development. In July 2026, the Botswana Department of Mines licensed the production shaft auxiliary winder and the man and material winder, enabling lateral development equipment to be deployed underground. In August 2026, the reconfigured production shaft rock winder was licensed, enabling development waste hoisting to begin, and the production shaft was handed over to the owner's team. The ventilation shaft was fully equipped in September 2026 and handed over to the owner's team.

Group R began underground lateral development in August 2026. During the quarter, the primary lateral development fleet, including jumbo drill rigs and load-haul-dump units, and auxiliary equipment were slung down the production shaft to support lateral development. During the quarter, 466 m of lateral development was advanced on the 285, 310 and 335 levels, bringing project-to-date lateral development to 2,121 m. Development rates were slightly lower than planned due to Group R ramp up, the availability of the primary fleet, and by two water intersections encountered during probe drilling, both of which were sealed and grouted. Raiseboring of the 2.1 m diameter muck pass between the 470 and 285 levels was substantially completed in September 2026, well ahead of schedule. Following licensing of the rock winder in August 2026, waste hoisting through the production shaft commenced. In September 2026, 1,603 skips were hoisted, representing approximately 33,663 tonnes of development waste. Installation of the main surface ventilation fans was completed during the quarter with commissioning taking place in September 2026.

The UGP has achieved 2,427 lost-time injury free days. The project-to-date Total Recordable Injury Frequency Rate ("TRIFR") was 0.60, below the project target of 0.90, with a 12-month rolling TRIFR of 0.64.

Upcoming Project Development Milestones

Key activities and milestones planned for Q4 2026 include:

- Handover of the main surface ventilation fans to the owner's team.
- Ramp-up of lateral development on the 285, 310, 335 and 470 levels.
- Completion of the 470-level to 285-level muck pass.
- Completion of auxiliary fleet slinging and continued delivery of the second phase of the lateral development fleet.
- Commencement of mass excavation of the underground crusher and conveyor chambers, and continued procurement of structural steel and conveyor components.

RESULTS OF OPERATIONS – KAROWE MINE

		YTD 2026	Q3-26	Q2-26	Q1-26	Q4-25	Q3-25
Sales							
Revenues	$M	123.9	61.1	41.0	21.8	34.5	51.2
Carats sold	Carats	251,524	113,227	58,553	79,744	101,842	101,422
Production							
Tonnes mined (ore)[4]	Tonnes	789,920	391,626	392,695	5,599	312,148	517,155
Tonnes mined (waste)	Tonnes	-	-	-	-	-	5,682
Tonnes processed	Tonnes	2,310,074	829,822	761,848	718,404	705,513	744,753
Average grade processed[1]	cpht[*]	10.8	11.3	10.9	10.0	12.2	12.8
Carats recovered	Carats	249,237	94,067	83,109	72,061	86,110	95,302
Costs							
Operating cost per tonne processed[2]	$	23.55	22.41	23.76	24.74	32.88	25.65
Capital Expenditures							
Sustaining	$M	7.2	2.4	2.9	1.9	4.8	3.0
UGP[3]	$M	81.8	40.7	22.1	19.0	20.3	22.7

(*) 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 processed is a non-IFRS measure. See "Non-IFRS Financial Measures".

(3) Excludes qualifying borrowing costs capitalized.

(4) Q1 2026 tonnes mined (ore) have been revised to 5,599 tonnes (previously reported: 6,231 tonnes) to reflect an updated rock density assumption in the resource model.

THIRD QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during Q3 2026. The rolling twelve-month TRIFR for the Karowe Mine was 0.41 (Q3 2025: 0.58).

Environment: During the quarter ended September 30, 2026, there were no reportable spills or instances of noncompliance with environmental regulations.

Production: Ore processed during Q3 2026 totaled 0.8 million tonnes ("Mt"), in line with forecast, at an average grade of 11.3 cpht, yielding 94,067 carats. Ore processed consisted of 0.4 Mt from the open pit and 0.4 Mt from run-of-mine stockpiles.

Diamond Recoveries: A total of 163 Specials were recovered from direct ore feed during Q3 2026. Recovered Specials equated to 6.5% (Q3 2025: 9.1%) of the weight percentage of total recovered carats from ore processed.

All recovered stones that remained unsold at the end of the reporting period are accounted for at cost in inventory and will be recognized in revenue when monetized.

Karowe's operating cost per tonne: Karowe's operating cost per tonne processed for Q3 2026 (see "Non-IFRS Financial Measures") was $22.41 per tonne processed (Q3 2025: $25.65 per tonne processed), below the revised 2026 guidance of $24.00 to $26.00 per tonne processed, primarily reflecting the increase in tonnes processed during the quarter, which diluted the cost per tonne while total operating costs remained relatively consistent with the prior period.

DIAMOND MARKET

Global natural diamond production is forecast to drop below 100 million carats in 2026, down from over 150 million carats less than a decade ago, reflecting the depletion of legacy mines, limited new discoveries, and the suspension or closure of several mines industry-wide. Synthetic diamond wholesale and retail prices have continued to decline through 2026, consistent with continued growth in production capacity.

In the near term, the natural diamond market is showing signs of a price recovery in certain size categories. Larger, rarer and higher-value goods have shown stronger price performance, supported by constrained supply and resilient demand, while smaller commercial categories continue to face pricing pressure from macroeconomic uncertainty and lab-grown substitution. Tightening natural diamond supply and emerging price momentum in larger categories support a more positive outlook for the remainder of 2026.

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 70% to 80% 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 ("IPV") with a "top-up" paid to the Company if the actual achieved polished sales price exceeds the IPV paid, or a repayment if the actual achieved polished sales price is below the IPV paid. The timing of payments varies based on the category of stones being delivered, as determined by the diamond's estimated IPV and the time taken for the polished diamonds to be sold. The amount ultimately received by the Company is dependent on the price HB receives when it sells the polished diamonds to the end buyer. As a result, final revenue is not determined until those sales occur.

Certain stones may be designated as Legacy Stones[7] under the sales arrangement with HB. Rather than following the IPV and top-up mechanism described above, the marketing, manufacturing and payment terms applicable to each Legacy Stone may be negotiated and agreed with HB under a separate arrangement.

[7] Legacy Stones refer to rough stones that may be sold for a value greater than $10.0 million.

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 colors and qualities. The Company has given notice to terminate its agreement with Clara, effective December 22, 2026. Beginning in Q1 2027, the diamonds previously sold on Clara will be sold through the Company's regular tender process.

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.

QUARTERLY SALES BY SALES CHANNEL

	Three months ended September 30,		Nine months ended September 30,	
In millions of U.S. dollars	**2026**	**2025**	**2026**	**2025**
Sales Channel				
HB	$ 48.5	$ 38.0	$ 96.0	$ 91.3
Tender	11.2	11.2	23.9	28.3
Clara	1.4	2.0	4.1	5.6
Total Revenue[(1)]	$ 61.1	$ 51.2	$ 123.9	$ 125.2

(1) Figures may not add due to rounding.

For the three months ended September 30, 2026, revenue increased 19% to $61.1 million, compared to $51.2 million in Q3 2025, primarily driven by the sale of the 1,303 carat Type IIa diamond. Revenue from HB was $48.5 million, or 79% of total revenue (Q3 2025: $38.0 million, 74%). Carats sold increased 12% to 113,227 carats. Tender revenue was $11.2 million, in line with Q3 2025, as an 11% decrease in the average price per carat offset higher volume of carats. Clara revenue was $1.4 million (Q3 2025: $2.0 million), largely reflecting a 26% decrease in the average sales price per carat. The lower average price reflects a greater proportion of smaller and lower-quality diamonds from run-of-mine stockpile material and continued price pressure in smaller diamond categories.

HB revenue includes "top-up" and "top-down" payments, which are received by the Company or made to HB when the final polished diamond sales price differs from the agreed 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.

FINANCIAL RESULTS

	Three months ended September 30,		Nine months ended September 30,	
In millions of U.S. dollars	**2026**	**2025**	**2026**	**2025**
Revenues	**61.1**	51.2	**123.9**	125.2
Operating expenses	**(28.3)**	(22.0)	**(61.8)**	(51.3)
Adjusted operating earnings[(1)]	**32.8**	29.2	**62.1**	73.9
Royalty expenses	**(6.4)**	(5.6)	**(13.5)**	(13.7)
Administration	**(3.6)**	(2.9)	**(10.9)**	(8.7)
Sales and marketing	**(0.8)**	(0.7)	**(2.2)**	(2.4)
Depletion and amortization	**(3.9)**	(3.9)	**(10.1)**	(10.4)
Finance expenses	**(1.1)**	(0.9)	**(2.3)**	(2.2)
Foreign exchange gain (loss)	**(3.5)**	(0.8)	**(3.0)**	5.3
Loss on disposal of assets	**-**	-	**(1.5)**	-
Gain (loss) on derivative financial instrument	**-**	(0.7)	**1.5**	(4.6)
Current and deferred income tax expense	**(7.0)**	(6.3)	**(12.4)**	(17.5)
Net income for the period	**6.6**	7.4	**7.5**	19.8
Earnings per share (basic and diluted)	**0.00**	0.02	**0.01**	0.04

(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.

Quarterly Income Statement Analysis

Key Areas	Q3 2026 vs. Q3 2025
Revenue	Revenue increased by $9.9 million primarily due to the sale of the 1,303 carat Type IIa diamond. HB revenue was $48.5 million (79% of total revenue) compared to $38.0 million in Q3 2025. Carats sold increased 12%. Tender revenue remained unchanged at $11.2 million, as an 11% decrease in the average price per carat offset higher sales volumes, reflecting a greater proportion of smaller and lower-quality diamonds from run-of-mine stockpile material.
Operating expenses	Operating expenses increased primarily due to higher drawdown of ore stockpiles as open pit mining winds down. Carats sold exceeded carats recovered during the quarter, resulting in a reduction in diamond inventory. The cost of inventory sold was also higher, reflecting inflationary increases in production costs, particularly power, fuel and contractor costs, offset by lower mining activities compared to the previous period.
Royalties	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. The royalty expenses represent approximately 10%-12% of total revenues, as revenues are presented net of HB's price participation under the sales agreement.
Administrative	The increase was mainly due to higher share-based compensation from the revaluation of deferred share units, and higher donations, partly offset by lower professional fees.
Foreign Exchange	The foreign exchange loss primarily relates to the weakening of the Botswana Pula against the US dollar during the quarter, which increased the Pula value of Lucara Botswana's US dollar-denominated liabilities.
Current and deferred income tax expense	Income tax on Karowe's earnings is currently deferred due to UGP capital expenditure. Deferred tax expense increases with increases in Karowe's earnings before tax. The increase reflects higher earnings at Karowe in the quarter, driven by the sale of the 1,303 carat Type IIa diamond.

Year-to-Date Income Statement Analysis

Key Areas	YTD 2026 vs. YTD 2025
Revenue	HB revenue increased to $96.0 million (77% of total revenue) from $91.3 million (73%), primarily due to the sales of the 1,303 carat Type IIa diamond in Q3 2026 and the Motswedi in Q2 2026. Lower tender and Clara revenue more than offset this increase. Tender revenue was $23.9 million (2025: $28.3 million) and Clara revenue was $4.1 million (2025: $5.6 million), reflecting a greater proportion of smaller and lower-quality diamonds from run-of-mine stockpile material and continued price pressure in smaller categories.
Operating expenses	The increase mainly reflects higher ore stockpile drawdowns as open pit mining winds down. Operating costs for ore processed increased 4% to $54.4 million on 11% higher throughput, resulting in lower operating cost per tonne processed of $23.55 (2025: $25.21).
Administrative	The increase was mainly due to higher professional fees for the administration of Lucara Capital S.à.r.l., the Bond issuer, as well as higher share-based compensation and travel related to the Bond financing.
Foreign Exchange	The foreign exchange loss reflects the realized loss on repayment of the Facilities in Q1 2026 and the weakening of the Pula against the US dollar in Q3 2026, partly offset by a gain on the Company's US dollar-denominated balances as the US dollar strengthened against the Canadian dollar.
Current and deferred income tax expense	The decrease reflects lower earnings before tax at Karowe, mainly due to higher operating expenses and foreign exchange losses.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

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

Three months ended *In thousands of U.S. dollars*	**Sep-26**	**Jun-26**	**Mar-26**	**Dec-25**	**Sep-25**	**Jun-25**	**Mar-25**	**Dec-24**
Revenues	61,114	41,027	21,784	34,454	51,231	43,666	30,312	78,765
Income (loss) from mining operations	22,520	21,329	(5,459)	1,241	19,788	20,886	9,184	41,060
Net income (loss) for the period	6,560	15,559	(14,573)	6,351	7,358	12,545	(139)	38,502
Earnings (loss) per share, basic and diluted	0.00	0.01	(0.01)	0.01	0.02	0.03	(0.00)	0.09

Quarterly results vary primarily with the number and value of Specials sold, particularly Legacy Stones. The timing of monetizing Legacy Stones introduces further volatility into quarterly results including impacting income (loss) from mining operations. While the expected number of Specials can be estimated from the resource model, their quality can vary significantly. Results in recent quarters were affected by the sale of the 1,303 carat Type IIa diamond in Q3 2026, the Motswedi in Q2 2026, the Seriti in Q2 2025, with related top-ups in Q4 2025, and the Sethunya and Eva Star in Q4 2024, and by the foreign exchange loss on repayment of the Facilities in Q1 2026. Operating expenses, depletion and amortization, inventory movements, foreign exchange, derivative gains and losses, and income taxes also introduce volatility to net income.

FINANCING

Bonds

On March 27, 2026, Lucara Capital S.à.r.l., with the Company as guarantor, issued $350.0 million of senior secured bonds. The Bonds carry a fixed coupon of 12.50%, payable quarterly. Quarterly principal repayments of $25.0 million begin in March 2029, and the remaining balance is due at maturity on March 27, 2031. The Bond terms also provide for a further $50.0 million tap issue and a super senior revolving credit facility (the “RCF”) of up to $50.0 million. Neither had been used as at September 30, 2026. The Bond proceeds were used in part to fully repay the Company’s $220.0 million project facility and working capital facility (the “Facilities”), and the related cost overrun reserve account (the “CORA”) was released.

The Bond terms require the Company to:

- Maintain minimum liquidity of $25.0 million until December 31, 2028, increasing to $45.0 million thereafter; and
- Hold at least $21.9 million in the DSRA until January 1, 2029.

The Company was in compliance with all covenants as at September 30, 2026. See Note 10 of the Interim Financial Statements.

Nemesia Debentures

The Company has $43.0 million of unsecured debentures outstanding to Nemesia S.à.r.l. ("Nemesia"), its largest shareholder, maturing in 2029 ($15.0 million) and 2031 ($28.0 million) (the “Debentures”). Interest is settled quarterly in common shares. The Debentures are subordinated to the Bonds and cannot be repaid in cash until the Bonds are repaid in full. See “Related Party Transactions”.

Equipment Facility

The Company has a term loan facility of up to $15.0 million with Sandvik Financial Services AB (publ) (the “Equipment Facility”) to finance mining equipment for the UGP. The Equipment Facility bears interest at a fixed rate of 7.75% per annum and is secured by the financed equipment. Drawdowns are paid directly to the supplier as each unit is delivered, and each drawdown is repayable in 16 equal quarterly instalments on fixed quarterly repayment dates. As at September 30, 2026, $4.4 million had been drawn. See Note 9 of the Interim Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

Consolidated Cash Flow Analysis

	Three months ended September 30,		Nine months ended September 30,	
In millions of U.S. dollars	**2026**	**2025**	**2026**	**2025**
Cash provided by operating activities	**35.3**	15.1	**32.2**	28.3
Cash provided by (used in) financing activities	**(0.2)**	9.4	**278.5**	39.0
Cash used in investing activities	**(45.9)**	(29.1)	**(109.5)**	(72.3)
Effect of exchange rate change on cash and cash equivalents	**(0.1)**	-	**(0.5)**	0.3
Increase (decrease) in cash and cash equivalents	**(10.9)**	(4.7)	**200.7**	(4.8)
Opening cash and cash equivalents	**243.6**	22.7	**31.9**	22.8
Closing cash and cash equivalents	**232.6**	18.0	**232.6**	18.0

(1) Figures may not add due to rounding.

Cash Provided by Operating Activities

Cash provided by operating activities increased in both the quarter and year-to-date periods, driven by working capital inflows from the receipt of a customer security deposit, a drawdown of diamond inventory and higher trade payables. These were partially offset by higher receivables from HB, reflecting the timing of collections on diamond sales, including the sale of the 1,303 carat Type IIa diamond. On a year-to-date basis, lower net income also partially offset the increase.

Cash (Used in) Provided by Financing Activities

Cash provided by financing activities in the year-to-date period was primarily driven by net proceeds from the Bonds and the January 2026 equity financing, and the release of the CORA. These were partially offset by repayment of the Facilities. Financing activities in Q3 2026 consisted of lease payments. Cash provided by financing activities in the prior year comparable periods was primarily driven by drawdowns on the Facilities and the limited standby undertaking, and withdrawals from the CORA.

Cash Used in Investing Activities

Cash used in investing activities increased in both the quarter and year-to-date periods, driven by higher UGP capital expenditures as the project progressed through shaft equipping and into underground lateral development.

The Company ended Q3 2026 with cash and cash equivalents of $232.6 million, of which $76.2 million is restricted, compared to $31.9 million at December 31, 2025. The significant increase in cash and cash equivalents 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 Facilities, and the release of the CORA in connection with the repayment of the Facilities.

Liquidity and UGP Funding

The following table summarizes the Company's liquidity position:

In millions of U.S. dollars	September 30, 2026	December 31, 2025
Cash and cash equivalents[1]	$ 232.6	$ 31.9
Less DSRA	66.2	-
Less customer security deposit	10.0	-
Unrestricted cash	156.4	31.9
CORA	-	33.7
Working capital[2]	279.4	33.6
Bonds payable	343.1	-
Project Facility and Working Capital Facility	-	220.0
Due to related party (Debentures)	43.0	43.0
Equipment financing facility	$ 4.4	$ -

(1) Cash and cash equivalents include $66.2 million held in the DSRA, which is restricted to the payment of interest on the Bonds, and a $10.0 million customer security deposit.
(2) Working capital is calculated as current assets less current liabilities.

As at September 30, 2026, remaining costs to complete the UGP, including contingency, were estimated at $245.2 million. The Company expects to fund the remaining costs to complete the UGP and its working capital requirements from cash and cash equivalents, operating cash flow, including the monetization of Legacy Stones, and available capital resources. Additional liquidity options include a $50.0 million tap option, which allows for the issuance of additional Bonds on the same terms as the initial issuance, and the option to establish the RCF of up to $50.0 million. Neither option had been exercised or established as at September 30, 2026. The Company expects these funding sources to be sufficient to fund the remaining costs to complete the UGP.

Working capital increased from December 31, 2025, primarily due to the Bond and equity financings completed in Q1 2026. Receivables increased, reflecting amounts due from HB on diamond sales in Q2 and Q3 2026. All amounts receivable from HB are current and expected to be received within twelve months.

Current liabilities decreased from December 31, 2025, due to the repayment of the working capital facility, partially offset by the customer security deposit and higher trade payables. Long-term liabilities consist of the Bonds, deferred income taxes, the Debentures, restoration provisions and other non-current liabilities.

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 September 30, 2026:

CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

	Payments due by period[1]			
In millions of U.S. dollars	**< 1 year**	**1 – 5 years**	**Thereafter**	**Total**
Bonds payable[2]	-	350.0	-	350.0
Equipment financing facility	1.0	3.4	-	4.4
Due to related party	-	43.0	-	43.0
Restoration provisions	-	-	40.8	40.8
Lease liabilities	0.9	0.7	-	1.6
Capital commitments	35.1	57.8	-	92.9
	$ 37.0	**$ 454.9**	**$ 40.8**	**$ 532.7**

(1) Reported on an undiscounted basis, before inflation.
(2) Excludes future interest payments, including undiscounted interest on the Bonds of $168.8 million (refer to Note 10 of the Interim Financial Statements).

2026 OUTLOOK

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

Karowe Diamond Mine *In millions of U.S. dollars unless otherwise noted*	**2026** Original Guidance	**2026** Revised Guidance
Diamond revenue (millions)	$100 to $130	**$140 to $160**
Diamond sales (thousands of carats)	340 to 360	340 to 360
Diamonds recovered (thousands of carats)	340 to 360	340 to 360
Ore tonnes mined (millions)	Up to 0.6	**Up to 0.9**
Waste tonnes mined (millions)	Up to 0.2	Up to 0.2
Ore tonnes processed (millions)	2.6 to 2.9	**2.8 to 3.0**
Operating cost per tonne processed[(1)]	$27.50 to $31.00	**$24.00 to $26.00**
UGP capital expenditure	Up to $110 million	Up to $110 million
Sustaining capital expenditure	Up to $11.5 million	Up to $11.5 million
Average exchange rate – Botswana Pula per United States Dollar	14.0	14.0

(1) Operating costs per tonne of ore processed is a non-IFRS measure. See "*Non-IFRS Financial Measures*".

Revenue guidance for 2026 has been increased to $140 to $160 million from the original guidance of $100 to $130 million, reflecting Legacy Stones sales including the Motswedi and 1,303 carat Type IIa diamond. Ore tonnes mined guidance has also been increased, reflecting higher ore tonnes mined from the open pit ahead of the conclusion of open pit mining in Q4 2026. Ore tonnes processed guidance has been increased to 2.8 to 3.0 million tonnes, reflecting higher than planned plant throughput, supported by the processing of weathered stockpile material. Operating cost per tonne processed guidance has been reduced to $24.00 to $26.00, reflecting higher throughput. All other guidance remains unchanged.

The 2026 outlook reflects the natural variability in the resource, including variations in recovered grade and diamond quality, which may influence revenue. 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 are expected to provide mill feed through 2027 when UGP development ore is scheduled to supplement stockpile feed with high-grade EM/PK(S). Full scale underground production is planned for H1 2028.

UGP capital expenditures are expected to be up to $110.0 million in 2026 with remaining expenditures focused on lateral development and the materials handling system. Sustaining capital expenditure is expected to be up to $11.5 million primarily directed to the replacement and refurbishment of key asset components and tailings storage facility advancement.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted operating earnings, and operating cost per tonne 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, and may not be comparable to, similar measures reported by other issuers. 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 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 ("operating cost per tonne processed") is the term the Company uses to describe operating expenses per tonne of ore 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 mobilization and demobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS Accounting Standards is operating expenses.

OPERATING COST PER TONNE PROCESSED RECONCILIATION

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

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Operating expenses	$ 28.3	$ 22.0	$ 61.8	$ 51.3
Net change in rough diamond inventory, excluding depletion and amortization	(6.8)	(1.4)	1.8	3.8
Net change in ore stockpile inventory, excluding depletion and amortization	(2.9)	(1.5)	(9.2)	(2.6)
Total operating costs for ore processed	$ 18.6	$ 19.1	$ 54.4	$ 52.5
Tonnes processed	829,822	744,753	2,310,074	2,082,731
Operating cost per tonne processed	**$ 22.41**	**$ 25.65**	**$ 23.55**	**$ 25.21**

RELATED PARTY TRANSACTIONS

The Company enters into related party transactions in the normal course of business on an arm's length basis. Nemesia is a related party of the Company by virtue of its shareholding exceeding 20%. During 2026, Nemesia participated in the January 2026 equity financing and the Bond issuance, which were completed to fund the UGP and repay the Facilities. Nemesia also holds the Debentures, on which interest is settled in common shares. The Company also incurs office rental and related service costs from companies associated with its significant shareholder and a director. See Note 16 of the Interim Financial Statements.

FINANCIAL INSTRUMENTS

The Company's financial instruments are exposed to currency, liquidity, credit, interest rate and price risks. In March 2026, the Company repaid the Facilities, settled its derivative financial instrument and issued the Bonds, which carry a fixed coupon. As a result, the Company is no longer exposed to interest rate risk on its borrowings. The Company did not enter into any new derivative contracts during the quarter.

For further detail, refer to Note 18 of the Interim Financial Statements. For further information on the Company's management of financial risks, refer to Note 18 of the Company's Annual Financial Statements for the year ended December 31, 2025.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 1,494,887,183 common shares outstanding, 19,437,986 share units, 7,927,397 deferred share units, and 21,241,546 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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The adoption of certain accounting policies requires the Company to make estimates that affect both the amount and timing of the recording of assets, liabilities, revenues and expenses. Some of these estimates require judgments about matters that are inherently uncertain.

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, relating to the deductibility of certain service fees and the application of withholding taxes, along with a related penalty. On April 22, 2026, the Company filed an appeal on the remaining matters. In September 2026, the appeal hearing was postponed pending the reconstitution of the Board of Adjudicators. The Company 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.

For a complete discussion of accounting estimates and judgements, refer to Note 3 of the Company's 2025 Annual Financial Statements.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the Interim Financial Statements are the same as those applied in the Company's Annual Financial Statements, other than as disclosed in Note 4 of the Interim Financial Statements. For further information on the Company's accounting policies refer to Note 4 of each of the Annual Financial Statements and the Interim Financial Statements.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures have been 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 has evaluated the effectiveness of the Company's disclosure controls and procedures and has concluded they were effective as at December 31, 2025.

There have been no changes in the Company's disclosure controls and procedures during the three months ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management is also responsible for the design of the Company's internal control over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS Accounting Standards.

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

As required under National Instrument 52-109, management advises that there have been no changes in the Company's internal control over financial reporting that occurred during the most recent interim period, beginning

July 1, 2026 and ending September 30, 2026, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain 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 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 and Nine Months Ended September 30, 2026

(Unaudited)

LUCARA DIAMOND CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited - in thousands of U.S. Dollars)

		September 30, 2026		December 31, 2025
ASSETS				
Current assets				
Cash and cash equivalents (Note 5)	$	232,615	$	31,920
Receivables and other (Note 6)		51,312		22,009
Derivative financial instrument (Note 9)		-		1,142
Inventories (Note 7)		51,020		49,510
		334,947		104,581
Inventories (Note 7)		9,962		22,368
Mineral properties, plant and equipment (Note 8)		665,354		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)		15,847		12,310
TOTAL ASSETS	$	1,026,110	$	772,710
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	$	39,605	$	38,158
Security deposit (Note 5)		10,000		-
Working capital facility (Note 9)		-		30,000
Tax and royalties payable		4,232		1,888
Equipment financing facility (Note 9)		980		-
Lease liabilities		691		970
		55,508		71,016
Bonds payable (Note 10)		343,094		-
Project facility (Note 9)		-		190,000
Due to related party (Note 9)		43,000		43,000
Restoration provisions (Note 11)		22,030		21,622
Deferred income taxes		132,798		127,753
Equipment financing facility (Note 9)		3,450		-
Other non-current liabilities		3,176		2,894
TOTAL LIABILITIES		603,056		456,285
EQUITY				
Share capital, unlimited common shares, no par value (Note 12)		468,631		349,410
Contributed surplus		11,124		10,330
Retained earnings		58,778		51,232
Accumulated other comprehensive loss		(115,479)		(94,547)
TOTAL EQUITY		423,054		316,425
TOTAL LIABILITIES AND EQUITY	$	1,026,110	$	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 AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025
(Unaudited - in thousands of U.S. Dollars, except for share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Revenues (Note 14)	$ 61,114	$ 51,231	$ 123,925	$ 125,209
Cost of goods sold				
Operating expenses	28,292	21,984	61,838	51,341
Royalty expenses (Note 14)	6,447	5,609	13,548	13,652
Depletion and amortization	3,855	3,850	10,149	10,358
	38,594	31,443	85,535	75,351
Income from mining operations	22,520	19,788	38,390	49,858
Other expenses				
Administration (Note 15)	3,558	2,898	10,916	8,728
Sales and marketing	758	737	2,237	2,356
Finance expenses, net	1,074	928	2,331	2,225
Loss (gain) on derivative instrument (Note 9)	-	745	(1,471)	4,602
Foreign exchange loss (gain)	3,542	805	2,950	(5,329)
Loss on disposal of assets (Note 8)	3	-	1,487	1
	8,935	6,113	18,450	12,583
Net income before tax	13,585	13,675	19,940	37,275
Income tax expense				
Current income tax (recovery)	(502)	235	162	248
Deferred income tax	7,527	6,082	12,232	17,263
	7,025	6,317	12,394	17,511
Net income for the period	$ 6,560	$ 7,358	$ 7,546	$ 19,764
Earnings per common share				
Basic	$ 0.00	$ 0.02	$ 0.01	$ 0.04
Diluted	$ 0.00	$ 0.02	$ 0.01	$ 0.04
Weighted average common shares outstanding (millions)				
Basic	1,493.0	455.0	1,381.3	453.3
Diluted	1,519.4	471.6	1,401.9	469.2

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

	Three months ended September 30,		Nine months ended September 30,	
	2026	**2025**	**2026**	**2025**
Net income for the period	$ 6,560	$ 7,358	$ 7,546	$ 19,764
Other comprehensive income (loss)				
Items that will not be reclassified to net income				
Change in fair value of marketable securities	-	(23)	-	(156)
Other comprehensive loss reclassified on disposal of marketable securities	-	1,085	-	1,085
Items that may be subsequently reclassified to net income				
Currency translation adjustment	(7,103)	(21)	(20,932)	12,394
	(7,103)	1,041	(20,932)	13,323
Comprehensive income (loss) for the period	$ (543)	$ 8,399	$ (13,386)	$ 33,087

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 AND NINE MONTHS ENDED SEPTEMBER 30, 2026 AND 2025
(Unaudited - in thousands of U.S. Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Operating activities				
Net income for the period	$ 6,560	$ 7,358	$ 7,546	$ 19,764
Items not affecting cash:				
Depletion and amortization	4,654	4,640	10,295	10,891
Unrealized foreign exchange loss (gain)	3,086	(57)	6,488	(9,553)
Share-based compensation	714	339	1,205	496
Unrealized loss (gain) on derivative instrument	-	745	(1,471)	4,602
Deferred income tax expense	7,527	6,082	12,232	17,263
Finance expenses	2,393	607	4,447	1,707
Loss on disposal of assets	3	-	1,487	1
Inventory write-down	-	472	-	472
	24,937	20,186	42,229	45,643
Net changes in working capital:				
Receivables and other	(19,680)	(10,774)	(34,978)	(8,981)
Inventories	8,545	1,802	8,362	(2,351)
Trade payables and accrued liabilities	9,934	2,207	5,324	(1,395)
Security deposit	10,000	-	10,000	-
Tax and royalties payable	1,577	1,652	1,215	(4,666)
Net cash provided by operating activities	35,313	15,073	32,152	28,250
Financing activities				
Proceeds from bond financing, net	-	-	342,390	-
(Repayment) drawdown of project facility	-	-	(190,000)	10,000
(Repayment) drawdown of working capital facility	-	-	(30,000)	5,000
Drawdown on limited standby undertaking	-	10,000	-	10,000
Proceeds from equity financing, net	-	-	118,241	-
Withdrawal from cost overrun reserve account	-	-	33,720	15,428
Derivative settlement	-	-	5,178	-
Lease payments	(245)	(634)	(1,050)	(1,417)
Net cash provided by (used in) financing activities	(245)	9,366	278,479	39,011
Investing activities				
Investment in mineral properties, plant and equipment	(45,886)	(29,431)	(109,475)	(72,697)
Disposal of marketable securities	-	320	-	388
Net cash used in investing activities	(45,886)	(29,111)	(109,475)	(72,309)
Effect of exchange rate change on cash and cash equivalents	(123)	(40)	(461)	282
Increase (decrease) in cash and cash equivalents	(10,941)	(4,712)	200,695	(4,766)
Cash and cash equivalents, beginning of the period	243,556	22,734	31,920	22,788
Cash and cash equivalents, end of the period	$ 232,615	$ 18,022	$ 232,615	$ 18,022
Supplemental information				
Interest paid	$ (10,938)	$ (6,251)	$ (27,863)	$ (18,718)
Taxes paid	-	(235)	(665)	(248)
Changes in trade payables and accrued liabilities and equipment financing facility related to mineral properties, plant and equipment[(1)]	3,243	124	844	711
Changes in other non-current liabilities and equipment financing facility related to mineral properties, plant and equipment	4,423	-	4,423	(649)
Changes in depletion and amortization included in inventories	(789)	-	540	-

(1) Included within trade payables and accrued liabilities at each period end are additions to plant and equipment and mineral properties, acquired on normal course payment terms, of $9.4 million at September 30, 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 NINE MONTHS ENDED SEPTEMBER 30, 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	Accumulated other comprehensive loss	Total
Balance, January 1, 2025	**451,848,948**	**$ 348,401**	**$ 9,513**	**$ 26,202**	**$ (112,387)**	**$ 271,729**
Net income for the period	-	-	-	19,764	-	19,764
Other comprehensive income	-	-	-	-	13,323	13,323
Total comprehensive income	-	-	-	19,764	13,323	33,087
Shares issued for debenture	2,189,516	393	-	-	-	393
Shares issued for share units vested	411,332	177	(177)	-	-	-
Shares issued for deferred share units	1,378,517	231	-	-	-	231
Disposal of marketable securities	-	-	-	(1,085)	-	(1,085)
Share-based compensation	-	-	659	-	-	659
Balance, September 30, 2025	**455,828,313**	**$ 349,202**	**$ 9,995**	**$ 44,881**	**$ (99,064)**	**$ 305,014**
Balance, January 1, 2026	**457,299,184**	**$ 349,410**	**$ 10,330**	**$ 51,232**	**$ (94,547)**	**$ 316,425**
Net income for the period	-	-	-	7,546	-	7,546
Other comprehensive loss	-	-	-	-	(20,932)	(20,932)
Total comprehensive loss	-	-	-	7,546	(20,932)	(13,386)
Shares issued for equity financing, net	1,031,250,000	118,241	-	-	-	118,241
Shares issued for debentures	5,805,000	774	-	-	-	774
Shares issued for share units vested	532,999	206	(206)	-	-	-
Share-based compensation	-	-	1,000	-	-	1,000
Balance, September 30, 2026	**1,494,887,183**	**$ 468,631**	**$ 11,124**	**$ 58,778**	**$ (115,479)**	**$ 423,054**

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

1. NATURE OF OPERATIONS

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the "Company" 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 Exchange under the symbol "LUC". The Company's $350.0 million senior secured bonds (the "Bonds"), issued by its wholly owned subsidiary Lucara Capital S.à.r.l., trade on Euronext ABM (Oslo Børs) under ISIN NO0013738237. 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 November 13, 2026.

The following entities are included in these condensed interim consolidated financial statements:

		Ordinary shares held	
	Country of incorporation	**September 30, 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 Bonds (Note 10). The Company is not allowed to pledge the shares held as security for other borrowings.

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 the Company's 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 in the statement of cash flows.

The Company is continuing to assess the effect of this standard on its financial statements. The standard will 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. The new operating profit subtotal will be the starting point for the consolidated statement of cash flows. IFRS 18 will not impact the recognition and measurement of items in the financial statements. Upon adoption, the Company will retrospectively apply the new presentation and disclosure requirements and provide a reconciliation between the previous and new consolidated statement of operations. 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 nine months ended September 30, 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 nine months ended September 30, 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.

5. CASH AND CASH EQUIVALENTS

		September 30, 2026		December 31, 2025
Cash	$	156,454	$	31,920
Restricted cash - DSRA		66,161		-
Restricted cash - Security deposit		10,000		-
Total cash and cash equivalents	**$**	**232,615**	**$**	**31,920**

Restricted cash consists of (i) the Debt Service Retention Account (the "DSRA"), the balance of which is contractually restricted for the payment of Bond interest (Note 10), and (ii) a $10.0 million security deposit held under the New Diamond Sales Agreement (the "NDSA") with HB Trading BV ("HB"). The deposit is contractually restricted to cover HB payment defaults. A corresponding security deposit liability of $10.0 million is recognized, reflecting the Company's obligation to return the deposit to HB on termination of the NDSA.

6. RECEIVABLES AND OTHER

		September 30, 2026		December 31, 2025
Current receivables and other				
Trade receivables	$	42,816	$	9,478
Value-added taxes ("VAT")		4,554		4,604
Prepayments and deposits		3,729		7,462
Other		213		465
Total current receivables and other	**$**	**51,312**	**$**	**22,009**
Other non-current assets				
VAT		6,614		6,988
Prepayments and deposits		3,476		-
Rehabilitation guarantee		5,757		5,322
Total other non-current assets	**$**	**15,847**	**$**	**12,310**

Trade receivables at September 30, 2026 were $42.8 million (December 31, 2025: $9.5 million) due from HB.

VAT receivables include $6.6 million at September 30, 2026 (December 31, 2025: $7.0 million) relating to an income tax dispute in Botswana. The VAT receivables under dispute are classified as non-current and are included in other non-current assets on the condensed interim consolidated statements of financial position.

7. INVENTORIES

		September 30, 2026		December 31, 2025
Rough diamonds	$	19,923	$	18,584
Ore stockpiles		18,087		16,655
Parts and supplies		13,010		14,271
Total current inventories	**$**	**51,020**	**$**	**49,510**
Non-current inventories – ore stockpiles	**$**	**9,962**	**$**	**22,368**

Inventory expensed during the three and nine months ended September 30, 2026 totaled $28.3 million and $61.8 million (2025: $22.0 million and $51.3 million). There were no inventory write-downs during the three or nine months ended September 30, 2026 (2025: $0.5 million and $0.5 million).

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	-	(2,201)	(6,846)	9,047	-
Depreciation capitalized	-	4,314	-	-	4,314
Translation differences	5,690	24,556	301	18,088	48,635
Balance, December 31, 2025	**$ 98,170**	**$ 469,382**	**$ 6,196**	**$ 307,472**	**$ 881,220**
Additions	-	81,779	6,877	303	88,959
Borrowing cost capitalized	-	26,358	-	-	26,358
Disposals	-	-	-	(2,347)	(2,347)
Reclassifications	-	(12,325)	(4,118)	16,443	-
Depreciation capitalized	-	3,186	-	-	3,186
Translation differences	(5,248)	(27,870)	(412)	(17,066)	(50,596)
Balance, September 30, 2026	**$ 92,922**	**$ 540,510**	**$ 8,543**	**$ 304,805**	**$ 946,780**

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
Depreciation capitalized	-	-	-	4,314	4,314
Disposals	-	-	-	(264)	(264)
Translation differences	5,415	-	-	11,127	16,542
Balance, December 31, 2025	**$ 95,104**	**$ -**	**$ -**	**$ 188,950**	**$ 284,054**
Depletion and amortization	2,186	-	-	8,650	10,836
Depreciation capitalized	-	-	-	3,186	3,186
Disposals	-	-	-	(860)	(860)
Translation differences	(5,148)	-	-	(10,642)	(15,790)
Balance, September 30, 2026	**$ 92,142**	**$ -**	**$ -**	**$ 189,284**	**$ 281,426**
Net book value					
As at December 31, 2025	**$ 3,066**	**$ 469,382**	**$ 6,196**	**$ 118,522**	**$ 597,166**
As at September 30, 2026	**$ 780**	**$ 540,510**	**$ 8,543**	**$ 115,521**	**$ 665,354**

Reclassifications relate to construction in progress and assets acquired for the Karowe underground construction that were put into use during the periods, and were therefore reclassified to the respective asset category. Depreciation capitalized relates to depreciation on plant and equipment used in the Karowe underground construction, which has been capitalized to that asset.

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

Net borrowing costs of $79.5 million (December 31, 2025: $53.1 million) relating to the Karowe underground construction asset have been capitalized since commencement of the UGP in 2021. Net capitalized borrowing costs include interest incurred, withholding taxes and amortized transaction costs on the Company's senior secured project financing facilities, which were repaid in March 2026 (Note 9), and the outstanding Bonds (Note 10), less interest income earned on the temporary investment of those borrowings.

The Company has an ongoing impairment indicator for its mineral properties and plant and equipment, as the Company's market capitalization at September 30, 2026 was lower than the carrying amount of its net assets. An impairment assessment was conducted and no impairment was recorded, as the fair value less cost of disposal (FVLCD) of the Karowe CGU exceeded its carrying amount. Determining the FVLCD involves Level 2 and Level 3 inputs, with key assumptions including production volumes, mining and processing recoveries, operating and capital costs, estimated long-term diamond prices (which incorporate the expected prices and recovery rates of exceptional stones), and a real discount rate of 7.0%.

9. CREDIT FACILITIES

The movement in credit facilities, debentures and equipment financing are comprised of the following:

	Project Facility	Working Capital Facility	Due to related party - Debentures	Equipment financing facility	Total
Balance, December 31, 2024	**$ 180,000**	**$ 25,000**	**$ 15,000**	**$ -**	**$ 220,000**
Drawdown	10,000	5,000	28,000	-	43,000
Balance, December 31, 2025	**$ 190,000**	**$ 30,000**	**$ 43,000**	**$ -**	**$ 263,000**
Drawdown	-	-	-	4,430	4,430
Repayment	(190,000)	(30,000)	-	-	(220,000)
Balance, September 30, 2026	**$ -**	**$ -**	**$ 43,000**	**$ 4,430**	**$ 47,430**

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.

9. CREDIT FACILITIES (CONTINUED)

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.

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 prior to the termination of the swap agreements.

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 September 30, 2031. Under the terms of the Debentures, the Company is required to issue 7,500 common shares per month per $500,000 outstanding, settled quarterly, to Nemesia until the amounts are repaid (Note 12). In connection with the issuance of the senior secured Bonds (Note 10), the Company and Nemesia entered into a subordination agreement, under which the Debentures are subordinated in right of payment to the Bonds and the Company is restricted from repaying the Debentures until the Bonds have been repaid in full.

Equipment financing facility
On June 5, 2026, the Company entered into a term loan facility of up to $15.0 million with Sandvik Financial Services AB (publ) (the "Equipment Facility") to finance mining equipment. The Equipment Facility bears interest at a fixed rate of 7.75% per annum and is secured by the financed equipment. Drawdowns are paid directly to the equipment supplier as each unit is delivered and invoiced, and each drawdown is repayable in 16 equal quarterly instalments on fixed quarterly repayment dates. The financed equipment is included in mineral properties, plant and equipment (Note 8).

As at September 30, 2026, $4.4 million had been drawn (December 31, 2025: $nil), of which $1.0 million is classified as a current liability and $3.4 million as a non-current liability.

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 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 September 30, 2026.

10. BONDS PAYABLE (CONTINUED)

As part of the Bond issuance, Nemesia was allocated $30.0 million under the same terms described above. By virtue of its shareholding in the Company exceeding 20%, Nemesia is considered a related party.

The Bonds are classified as a financial liability at amortized cost. Transaction costs of $7.6 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 nine months ended September 30, 2026, borrowing costs of $20.7 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 13.17% 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 September 30, 2026, the fair value of the prepayment and redemption options were nil. The Bond proceeds were used to repay the Facilities and fund the DSRA with $87.5 million, representing 24 months of Bond interest, with the remaining balance available to fund the UGP.

The Bond terms include two key financial covenants:

i. a minimum liquidity requirement whereby the Company must maintain aggregate cash across the 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 September 30, 2026, the Company was in compliance with all covenants under the Bond terms.

The movement in bonds payable is comprised of the following:

Balance, December 31, 2024 and 2025	**$**	**-**
Proceeds from the issuance of bonds		350,000
Transaction costs		(7,610)
Net proceeds	**$**	**342,390**
Accretion		704
Balance, September 30, 2026	**$**	**343,094**

The schedule of undiscounted bond obligations is as follows:

Period subsequent to Bond issuance date	**1 year**	**2 years**	**3 years**	**4 years**	**5 years**	**Total**
Interest payments	$ 21,875	$ 43,750	$ 43,750	$ 35,938	$ 23,438	$ 168,751
Principal repayments	-	-	25,000	100,000	225,000	350,000
Total	**$ 21,875**	**$ 43,750**	**$ 68,750**	**$ 135,938**	**$ 248,438**	**$ 518,751**

11. RESTORATION PROVISIONS

The Company's restoration provisions relate to the rehabilitation of the Karowe Mine. The provisions have been calculated based on total estimated rehabilitation costs and discounted 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 risk free pre-tax discount rate of 10.2% at September 30, 2026 (December 31, 2025: 10.2%) and an annual inflation rate of 4.5% at September 30, 2026 (December 31, 2025: 4.5%). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately $40.8 million (December 31, 2025: $43.1 million). The Company expects these liabilities to be settled between 2026 and 2038.

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		1,612
Translation differences		(1,204)
Balance, September 30, 2026	**$**	**22,030**

The Company has deposited $5.8 million (December 31, 2025: $5.3 million) as security for a mine rehabilitation guarantee provided to the Botswana Department of Mines. The restricted deposit will mature on August 31, 2028 and is included in other non-current assets (Note 6) on the condensed interim consolidated statements of financial position.

12. SHARE CAPITAL

During the nine months ended September 30, 2026, 5,805,000 common shares ($0.8 million) (2025: 2,189,516 common shares ($0.4 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 expired 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.

13. SHARE BASED COMPENSATION

On June 18, 2026, shareholders approved an omnibus long-term incentive plan (the "Omnibus Plan"), effective July 1, 2026, which replaces the Company's stock option, share unit and deferred share unit plans. Awards outstanding under the predecessor plans continue to be governed by their original terms. The Omnibus Plan provides for the grant of stock options, share units ("SUs", comprising restricted share units and performance share units) and deferred share units ("DSUs"). Shares issuable under the Omnibus Plan may not exceed 10% of the Company's issued and outstanding shares. Vesting terms are set by the Board at the date of grant. Options have an exercise price not less than the market value of the shares at grant and a term of up to 10 years. Options granted since 2024 under both the predecessor plan and the Omnibus Plan typically vest in thirds over three years and expire five years from the date of grant. SUs generally vest within three years based on continued service or achievement of performance criteria set by the Board. DSUs are granted to non-employee directors and are settled after they leave the Board. SUs and DSUs may be settled in shares, cash or a combination, as determined by the Board.

a. Stock options

	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**
Granted	13,914,000	0.17
Expired	(999,000)	0.66
Forfeited	(78,000)	0.57
Balance at September 30, 2026	**21,381,547**	**$ 0.26**

As of September 30, 2026, the following stock options remain outstanding:

	Outstanding Options			Exercisable Options		
Range of exercise prices (C$)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (C$)
$0.16 - $0.22	13,914,000	4.45	0.17	-	-	-
$0.23 - $0.43	6,140,547	3.09	0.39	2,723,507	2.93	0.38
$0.44 - $0.57	1,327,000	1.71	0.56	1,170,333	1.52	0.57
	21,381,547	**3.89**	**$ 0.26**	**3,893,840**	**2.51**	**$ 0.44**

During the nine months ended September 30, 2026, the Company recognized $0.3 million (2025: $0.2 million) in share-based compensation based on the vesting of options.

13. SHARE BASED COMPENSATION (CONTINUED)

a. Stock options (continued)

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:		
Grant and market price	C$0.17	C$0.40
Risk-free interest rate (%)	2.93	2.54
Expected life (years)	3.44	3.35
Expected volatility (%)	49.52	47.52
Expected dividend ($)	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	C$0.07	C$0.14

b. Restricted and performance share units

During the nine months ended September 30, 2026, the Company recognized an expense of $0.7 million (2025: $0.5 million) in share-based compensation for the SUs granted.

	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**
Granted	7,541,000	0.16
Redeemed	(532,999)	0.53
Forfeited	(273,332)	0.57
Balance at September 30, 2026	**19,437,986**	**$ 0.29**

13. SHARE BASED COMPENSATION (CONTINUED)

c. Deferred share units ("DSUs")

During the nine months ended September 30, 2026, the Company recognized a share-based compensation expense of $0.2 million (2025: recovery of $0.2 million), reflecting DSUs granted and the revaluation of outstanding 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	2,822,565	0.17
Balance at September 30, 2026	**7,927,397**	**$ 0.17**

14. REVENUES

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

	Three months ended September 30,		Nine months ended September 30,	
Sales Channel	**2026**	**2025**	**2026**	**2025**
HB	$ 48,500	$ 38,026	$ 95,982	$ 91,264
Clara	1,396	1,957	4,067	5,606
Tender	11,218	11,248	23,876	28,339
	$ 61,114	**$ 51,231**	**$ 123,925**	**$ 125,209**

A royalty of 10% of the gross sales value of diamonds sold is payable to the government of Botswana. Revenue from sales to HB is recognized net of fees. During the three and nine months ended September 30, 2026, the Company incurred a royalty expense of $6.4 million and $13.5 million (2025: $5.6 million and $13.7 million).

15. ADMINISTRATION

	Three months ended September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Salaries and benefits	$ 1,252	$ 1,142	$ 3,988	$ 3,676
Professional fees	582	813	2,601	1,941
Insurance, office, promotion and general	396	250	859	1,125
Stock exchange, transfer agent and shareholder communication	89	27	223	244
Travel	134	73	764	208
Share-based compensation (Note 13)	714	339	1,205	496
Depreciation	163	177	494	533
Sustainability and donations	228	77	782	505
	$ 3,558	**$ 2,898**	**$ 10,916**	**$ 8,728**

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 September 30,		Nine months ended September 30,	
	2026	2025	2026	2025
Salaries and wages	$ 342	$ 454	$ 1,519	$ 1,618
Short term benefits	2	1	24	14
Share-based compensation	401	301	1,132	415
	$ 745	**$ 756**	**$ 2,675**	**$ 2,047**

Other related party transactions

During the three and nine months ended September 30, 2026, the Company incurred $0.6 million and $0.7 million (2025: $0.1 million and $0.3 million), primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At September 30, 2026, included in trade payables and accrued liabilities is $0.4 million (December 31, 2025: $0.5 million) for related services.

During the nine months ended September 30, 2026, the Company had related party transactions with Nemesia in connection with the Bonds, 2026 Equity Financing and Debentures, as described in 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, income from mining operations, net income (loss) for the period, capital expenditures and total assets by segment:

Three months ended September 30, 2026

	Karowe Mine	Corporate	Total
Revenues	$ 61,114	$ -	$ 61,114
Operating expenses	(28,292)	-	(28,292)
Royalty expenses	(6,447)	-	(6,447)
Depletion and amortization	(3,855)	-	(3,855)
Income from mining operations	22,520	-	22,520
Finance expenses	(744)	(330)	(1,074)
Loss on disposal of assets	(3)	-	(3)
Foreign exchange gain (loss)	(3,322)	(220)	(3,542)
Administrative and other	(2,253)	(2,063)	(4,316)
Income tax	(7,025)	-	(7,025)
Net income (loss) for the period	**$ 9,173**	**$ (2,613)**	**$ 6,560**
Capital expenditures	**$ 45,886**	**$ -**	**$ 45,886**

Three months ended September 30, 2025

	Karowe Mine	Corporate	Total
Revenues	$ 51,231	$ -	$ 51,231
Operating expenses	(21,984)	-	(21,984)
Royalty expenses	(5,609)	-	(5,609)
Depletion and amortization	(3,850)	-	(3,850)
Income from mining operations	19,788	-	19,788
Finance expenses	(798)	(130)	(928)
Loss on derivative financial instrument	(745)	-	(745)
Foreign exchange gain (loss)	(799)	(6)	(805)
Administrative and other	(2,345)	(1,290)	(3,635)
Income tax	(6,317)	-	(6,317)
Net income (loss) for the period	**$ 8,784**	**$ (1,426)**	**$ 7,358**
Capital expenditures	**$ 29,431**	**$ -**	**$ 29,431**

17. SEGMENT INFORMATION (CONTINUED)

Nine months ended September 30, 2026

	Karowe Mine	Corporate	Total
Revenues	$ 123,925	$ -	$ 123,925
Operating expenses	(61,838)	-	(61,838)
Royalty expenses	(13,548)	-	(13,548)
Depletion and amortization	(10,149)	-	(10,149)
Income from mining operations	38,390	-	38,390
Finance expenses	(2,326)	(5)	(2,331)
Gain on derivative financial instrument	1,471	-	1,471
Foreign exchange gain (loss)	(6,370)	3,420	(2,950)
Loss on disposal of assets	(1,487)	-	(1,487)
Administrative and other	(6,619)	(6,534)	(13,153)
Income tax	(12,394)	-	(12,394)
Net income (loss) for the period	**$ 10,665**	**$ (3,119)**	**$ 7,546**
Capital expenditures	**$ 109,475**	**$ -**	**$ 109,475**
Total assets	**$ 916,988**	**$ 109,122**	**$ 1,026,110**

Nine months ended September 30, 2025

	Karowe Mine	Corporate	Total
Revenues	$ 125,209	$ -	$ 125,209
Operating expenses	(51,341)	-	(51,341)
Royalty expenses	(13,652)	-	(13,652)
Depletion and amortization	(10,358)	-	(10,358)
Income from mining operations	49,858	-	49,858
Finance expenses	(1,792)	(433)	(2,225)
Loss on derivative financial instrument	(4,602)	-	(4,602)
Foreign exchange gain (loss)	5,415	(86)	5,329
Loss on disposal of assets	(1)	-	(1)
Administrative and other	(6,906)	(4,178)	(11,084)
Income tax	(17,511)	-	(17,511)
Net income (loss) for the period	**$ 24,461**	**$ (4,697)**	**$ 19,764**
Capital expenditures	**$ 72,697**	**$ -**	**$ 72,697**
Total assets	**$ 738,092**	**$ 2,320**	**$ 740,412**

During the nine months ended September 30, 2026, diamonds sold to HB generated 77% (2025: 73%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated. During the nine months ended September 30, 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 cash equivalents 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, due to related parties and the equipment financing facility are interest-bearing and are recorded at fair value upon inception, and are subsequently measured at amortized cost. As at September 30, 2026, the fair value of the Bonds was $320.3 million (carrying amount: $343.1 million), based on indicative market prices for the Bonds, a Level 2 input in the fair value hierarchy.

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.

	September 30, 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.

At September 30, 2026, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula monetary assets and liabilities, including cash, held within its subsidiaries with Canadian or Botswana Pula functional currency. The Company does not enter into derivative financial instruments to manage this exposure and instead manages 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 $8.0 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 accessing the tap option and the option to issue the super senior revolving credit facility under the Bond terms.

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

c) Financial risk management (continued)

Trade payables and accrued liabilities are predominantly due within 30 to 60 days. Tax and royalties payable are predominantly due within 15 days. As at September 30, 2026, $1.7 million of the Company's contractual maturities related to lease liabilities and the Equipment Facility are due within twelve months, and $49.6 million related to amounts due to related party, the Equipment Facility, lease liabilities and retentions are due beyond twelve months. Contractual maturities of the Bonds, including scheduled principal and interest payments, are outlined in Note 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. 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). Credit risk associated with legacy stones may be subject to separately negotiated payment terms, which may differ from the standard payment terms. 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 cash equivalent 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.

19. COMMITMENTS

As at September 30, 2026, purchase orders and contracts resulting in commitments for future minimum payments for goods and services related to the UGP amounted to $92.9 million (December 31, 2025: $82.3 million). UGP commitments include mining equipment not yet delivered to be financed under the Equipment Facility (Note 9). The following table summarizes the approximate timing of the commitments (undiscounted) at September 30, 2026:

In millions of U.S. dollars		2026	2027	2028	2029	2030		**Total**
UGP commitments	$	35.1	51.7	6.1	-	-	**$**	**92.9**

As at September 30, 2026, minimum payments in relation to lease commitments amount to $1.6 million (December 31, 2025: $2.6 million). The following table summarizes the approximate timing of the undiscounted minimum lease payments at September 30, 2026:

In millions of U.S. dollars		2026	2027	2028	2029	2030		**Total**
Minimum lease payments	$	0.2	0.9	0.4	0.1	-	**$**	**1.6**