



MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2025

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

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

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein and, in the Company's, Annual Information Form ("AIF"). The AIF along with additional information about the Company and its business activities are available on SEDAR+ at www.sedarplus.ca.

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

ABOUT LUCARA

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

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

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

HIGHLIGHTS – FISCAL 2025

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

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

¹ Specials are defined as stones above 10.8 carats.

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

HIGHLIGHTS – SUBSEQUENT TO FISCAL 2025

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

GOING CONCERN

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

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

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

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

KAROWE UNDERGROUND PROJECT UPDATE

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

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

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

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

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

Ventilation shaft Q4 2025 developments:

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

Production shaft Q4 2025 developments:

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

Related infrastructure Q4 2025 developments:

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

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

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

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

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

⁵ Excludes qualifying borrowing cost capitalized.

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

DIAMOND MARKET

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

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

DIAMOND SALES

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

HB

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

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

Quarterly Tenders

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

Clara

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

FINANCING

Project Facility and Working Capital Facility

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

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

Interest rates

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

Cost Overrun Reserve Account

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

Nemesia

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

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

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

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

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

INTEREST RATE SWAP

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

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

TABLE 1: FINANCIAL HIGHLIGHTS

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

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

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

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

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

TABLE 2: QUARTERLY SALES RESULTS

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

Diamond Sales

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

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

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

TABLE 3: RESULTS OF OPERATIONS – KAROWE MINE

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

(*) Carats per hundred tonnes

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

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

(3) Excludes qualifying borrowing cost capitalized.

FOURTH QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

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

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

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

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

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

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

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

TABLE 4: SELECT FINANCIAL INFORMATION

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

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

Revenues and royalties

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

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

Adjusted operating earnings

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

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

Foreign Exchange

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

Derivative financial instrument

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

Loss on extinguishment of debt

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

Net income from continuing operations

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

Net loss from discontinued operations

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

TABLE 5: SELECT QUARTERLY FINANCIAL INFORMATION

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

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

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

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

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

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

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted operating earnings, and operating cost per tonne of ore processed, which are not measures recognized under IFRS Accounting Statements and do not have a standardized meaning prescribed by these standards. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position.

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

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

TABLE 6: OPERATING COST PER TONNE OF ORE PROCESSED RECONCILIATION

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

RELATED PARTY TRANSACTIONS

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

Key management compensation

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. Key management personnel include the Company's named executive officers and members of its Board of Directors. The remuneration of key management personnel was as follows:

TABLE 7: RELATED PARTY TRANSACTIONS

In thousands of U.S. dollars

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

Other related party transactions

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

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

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

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

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

TABLE 8: CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

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

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

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

2026 OUTLOOK

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

Karowe Mine, Botswana

TABLE 9: 2026 DIAMOND SALES, PRODUCTION AND OUTLOOK

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

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

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

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

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

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

Currency risk

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

Liquidity risk

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

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

Credit risk

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

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

Interest rate risk

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

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

Price risk

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

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

OUTSTANDING SHARE DATA

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

RISKS AND UNCERTAINTIES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

CHANGES IN ACCOUNTING POLICIES

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

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

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

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure Controls and Procedures

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

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

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

Internal Controls over Financial Reporting

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

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

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

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

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

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

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

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

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