

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

	September 30, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 16,841	\$ 26,418
Receivables and other (Note 3)	37,980	33,102
Derivative financial instrument (Note 8)	2,772	2,447
Inventories (Note 4)	34,890	38,372
	92,483	100,339
Investments	692	661
Inventories (Note 4)	37,591	27,867
Plant and equipment (Note 5)	118,441	88,239
Mineral properties and related construction assets (Note 6)	259,945	244,130
Intangible assets (Note 7)	17,241	18,224
Deferred financing fees (Note 8)	4,213	5,410
Derivative financial instrument (Note 8)	8,639	7,373
Other non-current assets (Note 14c)	22,407	3,596
TOTAL ASSETS	\$ 561,652	\$ 495,839
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 33,481	\$ 29,689
Deferred revenue	20,000	12,000
Credit facilities (Note 8)	35,000	15,338
Tax and royalties payable	1,222	1,719
Lease liabilities	1,433	1,111
	91,136	59,857
Credit facilities (Note 8)	86,409	62,151
Restoration provisions	13,579	13,649
Deferred income taxes	93,925	87,808
Other non-current liabilities	3,391	2,313
TOTAL LIABILITIES	288,440	225,778
EQUITY		
Share capital, unlimited common shares, no par value (Note 9)	349,567	348,083
Contributed surplus	9,621	10,129
Retained earnings	22,983	6,489
Accumulated other comprehensive loss	(108,959)	(94,640)
TOTAL EQUITY	273,212	270,061
TOTAL LIABILITIES AND EQUITY	\$ 561,652	\$ 495,839

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

Nature of operations and going concern – Note 1
Commitments – Note 16

Approved on Behalf of the Board of Directors:
“Marie Inkster”
Director

“Catherine McLeod-Seltzer”
Director

LUCARA DIAMOND CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited - in thousands of U.S. Dollars, except for share and per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Revenues	\$ 56,944	\$ 49,926	\$ 140,829	\$ 170,469
Cost of goods sold				
Operating expenses	21,322	25,841	56,264	60,783
Royalty expenses (Note 6)	6,341	5,549	15,603	19,635
Depletion and amortization	6,331	7,546	14,304	18,223
	33,994	38,936	86,171	98,641
Income from mining operations	22,950	10,990	54,658	71,828
Other expenses				
Administration (Note 11)	6,768	4,220	14,197	13,981
Sales and marketing	659	618	1,898	1,911
Finance expenses	1,221	763	3,448	2,472
Gain on derivative instrument (Note 8)	(1,089)	(3,676)	(1,591)	(10,885)
Foreign exchange loss	1,416	2,018	7,365	2,982
	8,975	3,943	25,317	10,461
Net income before tax	13,975	7,047	29,341	61,367
Income tax expense				
Current income tax	681	–	691	7
Deferred income tax	2,750	5,216	12,156	28,029
	3,431	5,216	12,847	28,036
Net income for the period	\$ 10,544	\$ 1,831	\$ 16,494	\$ 33,331
Earnings per common share				
Basic	\$ 0.02	\$ 0.00	\$ 0.04	\$ 0.07
Diluted	\$ 0.02	\$ 0.00	\$ 0.04	\$ 0.07
Weighted average common shares outstanding				
Basic	454,756,970	453,566,923	454,414,034	453,450,013
Diluted	464,910,987	462,525,510	464,826,087	461,791,006

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

LUCARA DIAMOND CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**
(Unaudited - in thousands of U.S. Dollars)

	Three months ended September 30,			Nine months ended September 30,				
	2023	2022	2023	2022	2023	2022		
Net income for the period	\$	10,544	\$	1,831	\$	16,494	\$	33,331
Other comprehensive (loss) income								
<i>Items that will not be reclassified to net income</i>								
Change in fair value of marketable securities		16		166		31		(1,083)
<i>Items that may be subsequently reclassified to net income</i>								
Currency translation adjustment		(4,567)		(18,187)		(14,350)		(29,627)
		(4,551)		(18,021)		(14,319)		(30,710)
Comprehensive income (loss) for the period	\$	5,993	\$	(16,190)	\$	2,175	\$	2,621

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

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

	Three months ended September 30, 2023		September 30, 2022	
			Nine months ended September 30, 2023	
			2022	
Cash flows from (used in):				
Operating activities				
Net income for the period	\$	10,544	\$	1,831
Items not affecting cash:				
Depletion and amortization		6,424		7,730
Unrealized foreign exchange loss		1,668		2,947
Share-based compensation		567		316
Unrealized gain on derivative instruments		(1,089)		(3,676)
Deferred income taxes		2,750		5,216
Finance costs (income)		(650)		603
		20,214		14,967
Net changes in working capital:				
Receivables and other		(7,677)		(6,136)
Inventories		(203)		2,839
Trade payables, deferred revenue, and other current liabilities		3,597		9,296
Tax and royalties payable		(17)		1,188
		15,914		22,154
				45,583
				79,226
Financing activities				
Drawdown (repayment) on working capital facilities, net		(1,573)		–
Drawdown on project finance facility, net		–		–
Share units vested		(193)		(96)
Lease payments		(381)		(556)
		(2,147)		(652)
				19,662
				25,000
				(461)
				(1,657)
				43,038
				15,199
Investing activities				
Acquisition of plant and equipment		(3,235)		(5,856)
Mineral property expenditure		(20,298)		(20,951)
Development of intangible assets		(12)		(26)
Funds allocated to cost overrun facility		–		–
		(23,545)		(26,833)
				(6,683)
				(9,126)
				(73,112)
				(36)
				(87)
				(18,000)
				–
				(85,659)
Effect of exchange rate change on cash and cash equivalents		(43)		(655)
Increase (decrease) in cash and cash equivalents		(9,821)		(5,986)
Cash and cash equivalents, beginning of the period		26,662		40,826
				26,418
				27,011
Cash and cash equivalents, end of the period ⁽¹⁾	\$	16,841	\$	34,840
				\$
				16,841
				\$
				34,840
Supplemental information – investing activities				
Interest paid		(3,963)		(1,861)
Taxes paid		(688)		(391)
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties ⁽²⁾		3,280		2,822
				(1,446)
				8,922

(1) Cash and cash equivalents are composed of 100% cash deposits held with accredited financial institutions.

(2) Included within accounts payable and accrued liabilities at each period end are additions to property, plant and equipment and mineral properties, acquired on normal course payment terms, of \$12.6 million at September 30, 2023 (\$11.3 million at December 31, 2022).

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
(Unaudited – in thousands of U.S. Dollars, unless otherwise indicated)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2023	453,566,923	\$ 348,083	\$ 10,129	\$ 6,489	\$ (94,640)	\$ 270,061
Net income for the period	–	–	–	16,494	–	16,494
Other comprehensive loss	–	–	–	–	(14,319)	(14,319)
Total comprehensive income (loss)	–	–	–	16,494	(14,319)	2,175
Share-based compensation	–	–	1,324	–	–	1,324
Shares issued for liquidity guarantee	450,000	113	–	–	–	113
Shares issued from share units vested	1,582,970	1,371	(1,371)	–	–	–
Withholding tax for share units vested	–	–	(461)	–	–	(461)
Balance, September 30, 2023	455,599,893	\$ 349,567	\$ 9,621	\$ 22,983	\$ (108,959)	\$ 273,212
Balance, January 1, 2022	453,034,981	\$ 347,442	\$ 9,180	\$ (33,945)	\$ (73,705)	\$ 248,972
Net income for the period	–	–	–	33,331	–	33,331
Other comprehensive loss	–	–	–	–	(30,710)	(30,710)
Total comprehensive income (loss)	–	–	–	33,331	(30,710)	2,621
Share-based compensation	–	–	1,319	–	–	1,319
Shares issued from share units vested	531,942	641	(641)	–	–	–
Withholding tax for share units vested	–	–	(144)	–	–	(144)
Balance, September 30, 2022	453,566,923	\$ 348,083	\$ 9,714	\$ (614)	\$ (104,415)	\$ 252,768

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

LUCARA DIAMOND CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the “Company” or “Lucara”) is a diamond mining company focused on the development and operation of diamond properties in Africa. The Company holds a 100% interest in the Karowe Mine located in Botswana and a 100% interest in Clara Diamond Solutions Limited Partnership (“Clara”). Clara operates a secure, digital diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies.

The Company’s common shares are listed on the TSX, NASDAQ Stockholm and Botswana Stock Exchanges. The Company was continued into the Province of British Columbia under the Business Corporations Act (British Columbia) in August 2004 and its registered office is located at Suite 3500, The Stack, 1133 Melville Street, Vancouver, British Columbia, V6E 4E5, Canada.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for a period of at least twelve months from September 30, 2023. During the nine months ended September 30, 2023, the Company earned net income of \$16.5 million and generated cash of \$45.6 million from operating activities. As at September 30, 2023, the Company had cash and cash equivalents of \$16.8 million, working capital (current assets less current liabilities) of \$1.3 million and had drawn \$35.0 million from its \$50 million working capital facility. The Company is not permitted to make further draws from the working capital facility or the project loan until various amendments to the terms of these loan agreements are negotiated with the Company’s lenders (the “Rebase Amendments”).

In July 2023, the Company provided an update to the schedule and budget for the Karowe Underground Expansion project (the “UGP”). The duration of the construction period increased, extending the anticipated commencement of production from the underground from H2 2026 to H1 2028. The revised forecast of costs at completion is \$683 million, an increase of 28% from the prior estimate in May 2022. Committed, not yet incurred, costs under the UGP are \$96.8 million at September 30, 2023 (Note 16). The Company has notified its lenders of the expected increases to both the schedule duration and the projected cost to complete the UGP and is working closely with its lenders on the Rebase Amendments. The Company’s debt package consists of two facilities (the “Facilities”), a project finance facility of \$170 million to fund the development of an underground expansion at the Karowe Mine (the “Project Loan”), of which \$90.0 million has been drawn at September 30, 2023, and a \$50 million senior secured working capital facility (the “WCF”).

As part of the ongoing Rebase Amendments, the lenders have granted certain waivers and extensions to the Company. The WCF will mature on the earlier of November 15, 2023 and the date on which the Rebase Amendments become effective (the “Longstop Date”). The Company has requested an extension to the maturity date of the WCF in accordance with the terms of the Facilities. However, there is no guarantee that this facility will be renewed on the same terms as the maturing facility. Historically, the Company has used the WCF to manage its short-term working capital requirements. If the Company is not able to extend, amend or replace that facility, it will be required to repay all amounts drawn as at the maturity date.

The Company is required to place \$52.9 million in a cost overrun facility (the “COF”) as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the COF. An extension of the time required to meet the requirement has been granted by the lenders in connection with the extension of the WCF, to the Longstop Date. The COF balance was \$18.4 million as at September 30, 2023.

LUCARA DIAMOND CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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

1. NATURE OF OPERATIONS AND GOING CONCERN (continued)

Under the terms of the Project Loan, the Company's largest shareholder, Nemesia S.a.r.l. ("Nemesia") provided a limited standby undertaking to the Company of up to \$25.0 million in the event of a funding shortfall occurring up to September 2, 2024. In connection with the ongoing Rebase Amendments and with the same maturity, Nemesia has also provided a liquidity support guarantee of up to \$15.0 million in aggregate in the event the Company's cash balance decreases below \$10.0 million while discussions with the Lenders are ongoing (Note 9).

As a result of the Company's near-term commitment to place funds in the COF and the maturity date of the WCF, there is doubt regarding the Company's ability to meet its commitments and discharge its obligations in the normal course of business. While management believes the Company will be able to resolve the noted items through its ongoing engagement with its Lenders, there can be no assurance that those efforts will be successful. These factors give rise to material uncertainties that may cast significant doubt on the ability of the Company to continue to meet its obligations as they come due. These financial statements do not include adjustments or disclosures that may result should the Company not be able to continue as a going concern. If the going concern assumption were not appropriate for these financial statements, then adjustments would be required to the carrying value of assets and liabilities, the expenses, the reported comprehensive loss, and balance sheet classifications used. These adjustments could be material.

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(i) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to the preparation of interim financial statements, 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 Company's annual consolidated financial statements as at December 31, 2022.

These financial statements were approved by the Board of Directors for issue on [November 10, 2023.]

(ii) Adoption of new accounting standards and accounting developments

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2022 and with the following additions.

The Company adopted the IASB published amendments to *IAS 1 - Presentation of Financial Statements - Classification of liabilities as current or non-current and non-current liabilities with covenants* at January 1, 2023. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. A company classifies a liability as non-current if it has a right to defer settlement for at least 12-months after the reporting period. The amendments clarify how a company classifies a liability that includes a counterparty conversion option, which could be recognized as either equity or a liability separately from the liability component under IAS 32 - Financial Instruments Presentation. Further modification was issued in October 2022 amendments in *Non-current liabilities with covenants*. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as

LUCARA DIAMOND CORP.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

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

current or non-current. The Company has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

The Company adopted the IASB published amendments to IAS 12 - Income Taxes at January 1, 2023. The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments typically apply to transactions such as leases for the lessee and decommissioning and restoration obligations related to assets in operation. The Company has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

3. RECEIVABLES AND OTHER

	September 30, 2023		December 31, 2022
Trade	\$ 23,410	\$	18,769
Value-added and income taxes	10,419		5,301
Deferred financing fees (Note 8)	-		975
Prepayments	4,034		7,078
Other	117		979
	\$ 37,980	\$	33,102

Trade receivables at September 30, 2023 were \$23.4 million (December 31, 2022 – \$18.8 million) due from HB Antwerp (“HB”) under the Company’s sales agreement. Amounts overdue at September 30, 2023 of \$10.9 million were received in October. All other amounts receivable from HB are current. The amounts receivable relate to the timing difference between revenue recognized under the sales agreement and the receipt of payment.

Revenue from diamond sales during the nine months ended September 30, 2023 includes \$88.8 million (2022: \$104.7 million) sold to HB.

Value-added and income taxes receivable include \$6.8 million at September 30, 2023 which has been remitted to tax authorities, through the withholding of value-added tax refunds to dispute an income tax assessment in Botswana.

4. INVENTORIES

	September 30, 2023		December 31, 2022
Rough diamonds	\$ 19,329	\$	17,988
Ore stockpile	1,978		6,967
Parts and supplies	13,583		13,417
Total current inventories	\$ 34,890	\$	38,372
Non-current inventories – ore stockpile	\$ 37,591	\$	27,867

Inventory expensed during the nine months ended September 30, 2023 totaled \$56.3 million (2022: \$60.8 million). There were no inventory write-downs during the nine months ended September 30, 2023 and 2022.

The portion of the ore stockpile that is expected to be processed more than 12 months from the reporting date is classified as non-current inventory.

LUCARA DIAMOND CORP.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

5. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Furniture and office equipment	Vehicles	Right of use assets	Total
Balance, January 1, 2022	\$ 13,645	\$ 208,279	\$ 14,262	\$ 4,227	\$ 4,205	\$ 244,618
Additions	18,785	—	—	—	3,145	21,930
Reclassification	(11,937)	9,692	1,955	335	—	45
Translation differences	(1,353)	(17,205)	(1,225)	(355)	(451)	(20,589)
Balance, December 31, 2022	\$ 19,140	\$ 200,766	\$ 14,992	\$ 4,207	\$ 6,899	\$ 246,004
Additions	4,918	—	—	—	1,570	6,488
Reclassification (Note 6)	(1,919)	20,204	1,058	419	23,620	43,382
Disposals and other	—	(28)	(6)	—	(184)	(218)
Translation differences	(1,328)	(13,400)	(989)	(285)	(1,176)	(17,178)
Balance, September 30, 2023	\$ 20,811	\$ 207,542	\$ 15,055	\$ 4,341	\$ 30,729	\$ 278,478
Accumulated amortization						
Balance, January 1, 2022	\$ —	\$ 144,306	\$ 8,913	\$ 2,282	\$ 1,796	\$ 157,297
Depletion and amortization	—	7,843	2,469	618	2,854	13,784
Translation differences	—	(12,052)	(809)	(208)	(247)	(13,316)
Balance, December 31, 2022	\$ —	\$ 140,097	\$ 10,573	\$ 2,692	\$ 4,403	\$ 157,765
Depletion and amortization	—	8,814	2,033	474	1,584	12,905
Disposals and other	—	(4)	(4)	—	(184)	(192)
Translation differences	—	(9,196)	(735)	(188)	(322)	(10,441)
Balance, September 30, 2023	\$ —	\$ 139,711	\$ 11,867	\$ 2,978	\$ 5,481	\$ 160,037
Net book value						
As at December 31, 2022	\$ 19,140	\$ 60,669	\$ 4,419	\$ 1,515	\$ 2,496	\$ 88,239
As at September 30, 2023	\$ 39,991	\$ 49,105	\$ 2,909	\$ 1,188	\$ 25,248	\$ 118,441

LUCARA DIAMOND CORP.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

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

6. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS

Cost	Capitalized production stripping asset	Karowe Mine	Karowe Underground Construction	Total
Balance, January 1, 2022	\$ 66,073	\$ 41,857	\$ 126,117	\$ 234,047
Additions	—	—	106,389	106,389
Borrowing cost capitalized	—	—	6,676	6,676
Adjustment to restoration asset	—	(1,669)	—	(1,669)
Reclassification	—	—	(45)	(45)
Translation differences	(5,368)	(3,336)	(14,277)	(22,981)
Balance, December 31, 2022	\$ 60,705	\$ 36,852	\$ 224,860	\$ 322,417
Additions	—	—	70,750	70,750
Borrowing cost capitalized	—	—	6,942	6,942
Reclassification (Note 5)	—	—	(43,382)	(43,382)
Depreciation capitalized	—	—	3,931	3,931
Translation differences	(3,932)	(2,387)	(15,690)	(22,009)
Balance, September 30, 2023	\$ 56,773	\$ 34,465	\$ 247,411	\$ 338,649
Accumulated depletion				
Balance, January 1, 2022	\$ 43,381	\$ 33,088	—	\$ 76,469
Depletion	7,042	1,286	—	8,328
Translation differences	(3,776)	(2,734)	—	(6,510)
Balance, December 31, 2022	\$ 46,647	\$ 31,640	—	\$ 78,287
Depletion	4,467	1,187	—	5,654
Translation differences	(3,153)	(2,084)	—	(5,237)
Balance, September 30, 2023	\$ 47,961	\$ 30,743	—	\$ 78,704
Net book value				
As at December 31, 2022	\$ 14,058	\$ 5,212	\$ 224,860	\$ 244,130
As at September 30, 2023	\$ 8,812	\$ 3,722	\$ 247,411	\$ 259,945

Karowe Mine

A royalty of 10% of the gross sales value of diamonds produced from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the nine months ended September 30, 2023, the Company incurred a royalty expense of \$15.6 million (nine months ended September 30, 2022: \$19.6 million).

The Karowe Underground Construction will not be depreciated until the asset is available for its intended use.

A 132 kV bulk power supply powerline, including the Letlhakane and Karowe substations, and an 11 kV transmission line to the Karowe Mine were completed and put into use on March 31, 2023. The assets, constructed pursuant to a self-build agreement, were handed over to Botswana Power Corporation who will own and operate the substations and lines. Consequently, \$23.3 million has been reclassified from Karowe Underground Construction to Plant and Equipment as a right of use asset.

LUCARA DIAMOND CORP.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

6. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS (continued)

Total borrowing costs of \$14.0 million (December 31, 2022 – \$7.8 million) during the period of construction relating to the Karowe Underground Construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized initial arrangement costs related to the Project Loan (Note 8).

7. INTANGIBLE ASSETS**Cost**

Balance, January 1, 2022	\$	23,916
Development expenditures		90
Translation differences		(1,495)
Balance, December 31, 2022	\$	22,511
Development expenditures		36
Translation differences		(58)
Balance, September 30, 2023	\$	22,489

Accumulated amortization

Balance, January 1, 2022	\$	3,192
Amortization		1,348
Translation differences		(253)
Balance, December 31, 2022	\$	4,287
Amortization		981
Translation differences		(20)
Balance, September 30, 2023	\$	5,248

Net book value

As at December 31, 2022	\$	18,224
As at September 30, 2023	\$	17,241

In 2018, the Company acquired the Clara platform, a secure, digital sales platform for rough diamonds. The consideration paid was allocated to intangible assets which will continue to be amortized over the remaining estimated useful economic life of approximately 13.5 years as at September 30, 2023.

As part of the purchase, contingent consideration was agreed to and will be recognized as additional purchase consideration for the intangible asset, if the obliging events occur. The contingent consideration consists of a profit-sharing allocation: cash payments based on 3.45% of the annual Earnings Before Interest, Tax, Depletion and Amortization (“EBITDA”) generated by the sales platform and a pre-existing 13.3% annual EBITDA performance based contingent payments payable to the founders of the technology, to a maximum of \$20.9 million per year for 10 years and additional Lucara share payments to a combined maximum of 13.4 million shares if certain revenue triggers are reached beginning at \$200 million of cumulative revenue to \$1.6 billion of cumulative revenue. As of September 30, 2023, no contingent consideration has been recorded as no obliging event has occurred.

LUCARA DIAMOND CORP.**NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated.)**

8. CREDIT FACILITIES

	September 30, 2023	December 31, 2022
<i>Current</i>		
Working capital facility	\$ 35,000	\$ 15,000
Revolving credit facility	–	338
Deferred financing fees	\$ –	\$ (975)
<i>Non-current</i>		
Project Loan, net of fees	\$ 86,409	\$ 62,151
Deferred financing fees	\$ (4,213)	\$ (5,410)

Senior secured project facility

On July 12, 2021, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, entered into a senior secured project financing debt package of \$220 million with a syndicate of five mandated lead arrangers (the "Lenders"): African Export-Import Bank (Afreximbank), Africa Finance Corp., ING, Natixis, and Société Générale, London Branch.

The Facilities are made up of the Project Loan of \$170 million to fund the development of an underground expansion at the Karowe Mine, and a \$50 million senior secured WCF. Effective June 30, 2023, the Facilities were amended to replace LIBOR with Term Secured Overnight Financing Rate ("SOFR") plus a credit adjustment spread. There were no changes to the margins as outlined below.

The Project Loan may be used to fund the development, construction costs and construction phase operating costs of the underground expansion project as well as financing costs on the Facilities. The Project Loan matures on September 2, 2029, with quarterly repayments commencing on June 30, 2026. As at September 30, 2023, \$90.0 million of the \$170.0 million facility was drawn. The Project Loan has a margin of 5.5% annually until the project completion date, and 5.0% annually thereafter. Commitment fees for the undrawn portion of the Project Loan are 2.0%.

The Company was required to place \$52.9 million in the COF as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the COF. An extension of the time required to meet the requirement has been granted by the lenders in connection with the extension of the WCF, to the Longstop Date. The COF balance was \$18.4 million as at September 30, 2023.

The WCF may be used for working capital and other corporate purposes. As at September 30, 2023, \$35.0 million of the \$50.0 million facility was drawn. This facility has a margin of 3.5% annually with commitment fees for the undrawn portion of 1.6%. The facility matures at the Longstop Date, November 15, 2023 (Note 1). The Company has requested an extension to the maturity date of this facility in accordance with the terms of the Facilities. However, there is no guarantee that this facility will be renewed on the same terms as the maturing facility.

The Company incurred \$11.3 million of debt advisory, legal and due diligence fees in conjunction with arranging the Facilities. Costs of \$8.7 million were allocated to the Project Loan and initially recorded as deferred financing fees that are subsequently transferred as transaction costs proportional to the amount drawn under the Project Loan. Costs of \$2.6 million were allocated to the WCF as deferred financing fees, fully amortized. Transaction costs under the Project Loan are amortized over the remaining facility terms.

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8. CREDIT FACILITIES (continued)

As at September 30, 2023, the Company was in compliance with all covenants under the Facilities but until the Rebase Amendments are effective, the Company is not permitted further draws from the Facilities. The Company has several commitments in the near term under the Facilities that are outlined in Note 1.

Interest rate swap agreements

On December 14, 2021, under the terms of the Project Loan, the Company became party to a series of interest rate swap agreements on 75% of the principal amount available, up to \$127.5 million. Structured around the expected Project Loan drawdown schedule, the Company receives interest at the rate equivalent to the three-month USD LIBOR and pays interest at a fixed rate of 1.682% on a quarterly basis. Effective June 30, 2023, the interest rate swaps were amended to replace LIBOR with Term SOFR plus a credit adjustment spread. The final interest rate swap matures on March 31, 2028.

As at September 30, 2023, the interest rate swaps had a total unrealized fair value of \$11.4 million (December 31, 2022: \$9.8 million), of which \$2.8 million has been classified as a current asset. The fair value of the interest rate swap is based on the difference between the three-month USD Term SOFR forward curve and the fixed rate of 1.682%, with the net interest due in the next twelve months classified as current.

Clara revolving credit facility

On September 28, 2022, the Company's wholly-owned subsidiary, Clara, with Lucara Diamond Corp. as guarantor, entered into a revolving credit facility agreement of \$4.0 million with FirstRand Bank Limited, acting through its Rand Merchant Bank Division (the "Clara Facility"). The Clara Facility is used for inventory and working capital purposes. During the quarter ended September 30, 2023, the facility was extended for a further year, until September 28, 2024. As at September 30, 2023, \$nil (December 31, 2022: \$0.3 million) of the facility was drawn. The facility bears interest at SOFR plus a margin of 6.0%.

9. SHARE CAPITAL

Under the Project Loan (Note 8), the Company's largest shareholder, Nemesia provided a limited standby undertaking to the Company of up to \$25.0 million in the event of a funding shortfall occurring up to September 2, 2024. As consideration pursuant to the undertaking provided, the Company issued 600,000 common shares to Nemesia on July 15, 2021. A further 600,000 common shares will be issuable should the undertaking be called upon. For each \$500,000 drawn down under the standby undertaking, the Company will be required to issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid.

In connection with the ongoing Rebase Amendments (Note 1), in August 2023 Nemesia provided a liquidity support guarantee of up to \$15.0 million in aggregate (the "Liquidity Guarantee") to the Longstop Date. The Company has agreed to issue a debenture (the "Debenture") to Nemesia to be drawn down if Nemesia is required to make a payment under the Liquidity Guarantee. As consideration for providing the Liquidity Guarantee, Lucara issued 450,000 common shares to Nemesia. A further 450,000 common shares will be issuable should the Liquidity Guarantee be called upon in the event the Company's cash balance decreases below \$10.0 million. For each \$500,000 drawn down under the Liquidity Guarantee, the Company will be required to issue 7,500 common shares per month to Nemesia until the amounts borrowed are repaid.

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10. SHARE BASED COMPENSATION

a. Stock options

The Company's stock option plan (the 'Option Plan') was approved by the Company's Shareholders initially on May 13, 2015 and has since been amended, with Shareholder approval, several times. Amendments to the Option Plan were most recently approved by Shareholders on May 12, 2023. Under the terms of the amended Option Plan, a maximum of 10,000,000 shares are reserved for issuance upon the exercise of stock options. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted in 2023 cliff vest following a three-year period and expire five years from the date of grant.

Movements in the number of stock options outstanding and their related weighted average exercise prices are as follows:

	Number of shares issuable pursuant to stock options	Weighted average exercise price per share (CA\$)
Balance at January 1, 2022	6,249,000	\$ 1.26
Granted	2,332,000	0.66
Expired	(1,065,000)	2.35
Forfeited	(1,102,000)	1.06
Balance at December 31, 2022	6,414,000	\$ 0.89
Granted	2,412,000	0.57
Expired	(1,134,000)	1.64
Forfeited	(694,334)	0.66
Balance at September 30, 2023	6,997,666	\$ 0.68

Options granted to acquire common shares outstanding at September 30, 2023 are as follows:

Range of exercise prices CA\$	Outstanding Options		Exercisable Options			
	Number of options outstanding	Weighted average contractual life (years)	Weighted average exercise price (CA\$)	Number of options exercisable	Weighted average contractual life (years)	Weighted average exercise price (CA\$)
\$0.50 - \$0.74	4,150,666	3.46	0.61	1,358,665	2.99	0.63
\$0.75 - \$0.79	2,847,000	1.00	0.78	2,404,000	0.92	0.78
	6,997,666	2.45	\$ 0.68	3,762,665	1.67	\$ 0.73

During the nine months ended September 30, 2023, an amount of \$0.3 million (2022 – \$0.3 million) was charged to operations in recognition of share-based compensation expense, based on the vesting schedule for the options granted.

The fair value of each option granted is estimated on the date of grant using the Black-Scholes option pricing model with weighted average assumptions and resulting values for grants as follows:

	2023	2022
Assumptions:		
Risk-free interest rate (%)	2.99	1.59
Expected life (years)	4.54	3.63
Expected volatility (%)	49.81	51.56
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	CA\$0.25	CA\$0.25

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10. SHARE BASED COMPENSATION (continued)

b. Restricted and performance share units

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

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

For the nine months ended September 30, 2023, the Company recognized a share-based payment charge of \$1.0 million (2022 – \$1.0 million) for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA\$)
Balance at January 1, 2022	5,234,848	\$ 0.83
Granted	2,860,000	0.64
Redeemed	(1,038,848)	1.14
Balance at December 31, 2022	7,056,000	\$ 0.71
Granted	3,337,000	0.57
Redeemed	(2,876,001)	0.74
Cancelled	(2,439,999)	0.60
Balance at September 30, 2023	5,077,000	\$ 0.65

c. Deferred share units ("DSUs")

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

For the nine months ended September 30, 2023, the Company recognized a share-based payment charge of \$0.3 million (2022 – \$0.3 million) related to the DSUs granted.

	Number of DSUs	Estimated fair value (CA\$)
Balance at January 1, 2022	1,234,510	\$ 0.59
Granted	881,593	\$ 0.58
Balance at December 31, 2022	2,116,103	\$ 0.50
Granted	854,491	\$ 0.49
Balance at September 30, 2023	2,970,594	\$ 0.50

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11. ADMINISTRATION

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Salaries and benefits	\$ 3,060	\$ 1,795	\$ 5,182	\$ 5,521
Professional fees	955	874	2,581	2,067
Insurance, office, exploration and general	1,589	368	2,378	1,579
Promotion	195	365	833	1,413
Stock exchange, transfer agent, shareholder communication	51	65	273	282
Travel	173	228	537	640
Share-based compensation (Note 10)	567	316	1,605	1,516
Depreciation	64	209	138	656
Sustainability and donations	114	-	670	307
	\$ 6,768	\$ 4,220	\$ 14,197	\$ 13,981

12. RELATED PARTY TRANSACTIONS*a) Key management compensation*

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

	Nine months ended September 30,	
	2023	2022
Salaries and wages	\$ 2,565	\$ 1,432
Short term benefits	27	26
Share based compensation	1,212	929
	\$ 3,804	\$ 2,387

b) Clara acquisition

At the time of Lucara's acquisition of Clara, a current officer of the Company was also a shareholder of Clara. If all the Clara performance milestones are reached, this individual will receive an additional 74,999 common shares of Lucara. Following the acquisition of Clara, Lucara appointed a new director and a new officer, each of whom had been a shareholder of Clara at the time of its acquisition by the Company. If all the Clara performance milestones are reached, these individuals will be entitled to receive an additional 600,000 common shares and 74,999 common shares of Lucara.

Pursuant to the profit sharing described in Note 7, a total of 3.45% of the EBITDA generated by the platform has been assigned to a former director and officer of Lucara and a director of Lucara, both founders of Clara. A further 3.22% of the EBITDA generated by the platform may be distributed to members of management, at the discretion of Lucara's Compensation Committee, based on the achievement of key performance targets. As at September 30, 2023, no amounts have been paid under this profit sharing mechanism to date.

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13. SEGMENT INFORMATION

The Company's primary business activity is the operation of an open-pit diamond mine in Botswana. The Company has two operating segments: Karowe Mine and Corporate and other.

Three months ended September 30, 2023

	Karowe Mine	Corporate and other	Total
Revenues	\$ 56,277	\$ 667	\$ 56,944
Income (loss) from operations	23,614	(664)	22,950
Finance expenses	(980)	(241)	(1,221)
Gain on derivative financial instrument	1,089	–	1,089
Foreign exchange loss	(1,708)	292	(1,416)
Administrative and other	(3,304)	(4,123)	(7,427)
Taxes	(3,431)	–	(3,431)
Net income (loss) for the period	\$ 15,280	\$ (4,736)	\$ 10,544
Capital expenditures	\$ 23,533	\$ 12	\$ 23,545

Three months ended September 30, 2022

	Karowe Mine	Corporate and other	Total
Revenues	\$ 46,489	\$ 3,437	\$ 49,926
Income (loss) from operations	11,329	(339)	10,990
Finance expenses	(712)	(51)	(763)
Gain on derivative financial instrument	3,676	–	3,676
Foreign exchange loss	(2,127)	109	(2,018)
Administrative and other	(2,216)	(2,622)	(4,838)
Taxes	(5,216)	–	(5,216)
Net income (loss) for the period	\$ 4,734	\$ (2,903)	\$ 1,831
Capital expenditures	\$ 29,079	\$ 26	\$ 29,105

Depletion and amortization expense for Karowe Mine and Corporate and other during the three months ended September 30, 2023 totaled \$5.9 million and \$0.5 million, respectively (2022 – \$7.1 million and \$0.4 million).

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13. SEGMENT INFORMATION (continued)

	Nine months ended September 30, 2023		
	Karowe Mine	Corporate and other	Total
Revenues	\$ 136,131	\$ 4,698	\$ 140,829
Income (loss) from operations	56,228	(1,570)	54,658
Finance expenses	(3,336)	(112)	(3,448)
Gain on derivative financial instrument	1,591	–	1,591
Foreign exchange loss	(7,306)	(59)	(7,365)
Administrative and other	(7,086)	(9,009)	(16,095)
Taxes	(12,847)	–	(12,847)
Net income (loss) for the period	\$ 27,244	\$ (10,750)	\$ 16,494
Capital expenditures	\$ 79,795	\$ 36	\$ 79,831
Total assets	\$ 539,288	\$ 22,364	\$ 561,652
	Nine months ended September 30, 2022		
	Karowe Mine	Corporate and other	Total
Revenues	\$ 163,679	\$ 6,790	\$ 170,469
Income (loss) from operations	73,060	(1,232)	71,828
Finance expenses	(2,279)	(193)	(2,472)
Gain on derivative financial instrument	10,885	–	10,885
Foreign exchange loss	(3,047)	65	(2,982)
Administrative and other	(7,023)	(8,869)	(15,892)
Taxes	(28,029)	(7)	(28,036)
Net income (loss) for the period	\$ 43,567	\$ (10,236)	\$ 33,331
Capital expenditures	\$ 87,844	\$ 87	\$ 87,931
Total assets	\$ 434,319	\$ 26,227	\$ 460,546

Depletion and amortization expense for Karowe Mine and Corporate and other during the nine months ended September 30, 2023 totaled \$13.0 million and \$1.3 million, respectively (2022 – \$16.9 million and \$1.3 million).

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14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) *Measurement categories and fair values*

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

The value of the Company's financial instruments at fair value through other comprehensive income is derived from quoted prices in active markets for identical assets. The fair value of all other financial instruments of the Company approximates their carrying values because of the demand nature or short-term maturity of these instruments.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	September 30, 2023	December 31, 2022
Level 1: Fair value through other comprehensive income		
– Investments	\$ 692	\$ 661
Level 2: Derivative financial instruments	\$ 11,411	9,820
Level 3: N/A		

b) *Financial risk management*

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

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At September 30, 2023, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$3.5 million in net income for the period.

Liquidity risk

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

The contractual maturities of long-term debt, and interest rate swaps are disclosed in Note 8.

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14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

The WCF matures on the Longstop Date. The Company has requested an extension to the maturity date of this facility in accordance with the terms of the Facilities. However, there is no guarantee that this facility will be renewed on the same terms as the maturing facility. Historically, the Company has used the WCF to manage its short-term working capital requirements. The Company is not permitted further draws from the WCF while the Rebase Amendments are ongoing.

As a condition of the Facilities Agreement, the Company was required to place \$52.9 million in the COF by September 2, 2023. The Facilities Agreement includes specific provisions for how and when these funds may be released. An extension of the time required to meet the requirement has been granted by the lenders as part of the ongoing Rebase Amendments. As at September 30, 2023, the COF balance was \$18.4 million. This amount is classified within other non-current assets.

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

Credit risk

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

On September 28, 2023, the Company terminated the sales agreement with HB. The termination increased the credit risk on amounts due from HB. Under the terms of this sales agreement, a larger proportion of the Company's goods, by value, were sold through HB to buyers of polished diamonds. The credit risk associated with these sales was concentrated with HB, a single customer, and payment terms were longer (60 to 120 days) than the Company's traditional tender sales and sales held through Clara (5 days). The Company maintained legal title over goods sold to HB until the initial determined estimated polished price was paid and monitored outstanding amounts for collectability. Amounts which were overdue at September 30, 2023 were settled in October. The remaining amount at risk of the balance due from HB at September 30, 2023 is \$6.8 million. As goods continue through the manufacturing process, further amounts receivable from HB may result.

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

Interest rate risk

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

The Company mitigates interest rate risk on its Project Loan through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 8). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding credit or charge to profit.

In December 2021, the Company entered into contracts to exchange the variable interest rate (three-month USD LIBOR; amended to Term SOFR) for a fixed interest rate of 1.682% on 75% of its expected borrowings from the Project Loan (approximately \$127.5 million). Interest rates increased rapidly through 2022. The Company is exposed to these interest rate increases through 25% of its expected borrowings from the Project Loan, amounts drawn from its \$50 million WCF and from its \$4 million

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14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Clara Facility, each of which remain subject to market interest rates (LIBOR and Term SOFR). Higher interest rates decrease the amount of cash flow available for other uses.

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana, margin earned on the sale of rough diamonds sold through Clara and polished diamond sales through HB. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the now terminated supply agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size was based on a polished diamond pricing mechanism. This pricing mechanism resulted in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds softened in the first half of 2023 following significant price improvements between late 2021 and mid-2022.

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

15. IMPAIRMENT TEST – KAROWE MINE

The Company completed an assessment of impairment indicators for the Karowe Cash Generating Unit ("CGU"). On July 16, 2023, the Company announced an update to the UGP schedule that extended the anticipated duration of construction and increased the estimated capital cost. This update was considered to be an indicator of impairment at June 30, 2023. No further indicators of impairment have been noted since June 30, 2023.

As a result of an impairment indicator being identified, the recoverable amount of the Karowe CGU was estimated and compared against its carrying value. No impairment was identified.

The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected to be derived from the mining properties and represents the CGU's fair value less cost of disposal ("FVLCD"). The determination of FVLCD requires use of Level 2 and Level 3 valuation inputs. The key assumptions that impact the discounted projected cash flows used in determining the FVLCD are set out below.

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15. IMPAIRMENT TEST – KAROWE MINE (continued)*Key assumptions as at June 30, 2023*

Discount rate	A discount rate of 11.0%, calculated based on a real weighted cost of capital including the effect of factors such as market, project, and country risk.
Economically recoverable reserves and resources, including production timing and volume	<p>The current Karowe mine plan anticipates planned commencement of production from the underground by mid-2028.</p> <p>Production volumes and life of mine plans include economically recoverable reserves from the most recent reserve and resource estimate based on technical studies undertaken in-house and by third party specialists that consider internal management forecasts and long-term development plans and expectations for the Karowe mine.</p> <p>The current mine plan does not assume the conversion of additional resources which are not currently categorized as reserves.</p>
Diamond prices	<p>The diamond price range is between \$392 and \$828 per carat, depending on the source of the ore, and these prices have been set with reference to recently achieved pricing and market trends, supported by industry views of long-term diamond market fundamentals.</p> <p>Diamond prices are not escalated and remain unchanged over the life of mine. The estimated contribution of exceptional diamonds, defined as an individual diamond sold for more than \$10.0 million, is determined with reference to historical trends and management's expectations based on the source of future production.</p>
Capital expenditure to complete development of the UGP, production costs and future sustaining capital expenditures	Capital to complete development of the UGP is based on the revised project schedule and an estimated cost to complete of \$419 million at June 30, 2023.
Exchange rates	Exchange rates are estimated based on an assessment of current market fundamentals and long-term expectations. With operations in Botswana, a large proportion of operating costs and sustaining capital expenditure is denominated in Botswana pula. The exchange rate range used for the Karowe CGU is between 12.50 and 13.00 Botswana pula to the U.S. dollar.

Sensitivity analysis Q2 2023

The Company analyzed the sensitivity of the impairment test to reasonably possible changes in the key assumptions used to determine the recoverable amount for the Karowe CGU. At June 30, 2023, no changes to any of the key assumptions would, individually, result in an impairment of the CGU:

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15. IMPAIRMENT TEST – KAROWE MINE (continued)

- Increase in discount rate by 3%;
- Reducing diamond pricing by 15% over the life of mine;
- Reducing production over the life of mine by 10%, through lower grades, recovery rates or a combination of these and other factors;
- Increasing underground project capex, operating cost and sustaining capital by 20%, whether through escalation of costs, the impact of changes in foreign exchange rate or other factors.

16. COMMITMENTS

As at September 30, 2023, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the underground expansion project amounted to \$96.8 million (December 31, 2022 - \$111.5 million). The following table summarizes the approximate timing of the commitments (undiscounted) at September 30, 2023:

		2023	2024	2025	2026 and 2027	Total
Underground expansion project	\$ million	30.2	33.2	24.0	9.4	96.8