

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

	September 30, 2024	December 31, 2023
Current assets		
Cash and cash equivalents	\$ 23,618	\$ 13,337
Receivables and other (Note 3)	34,442	35,050
Derivative financial instrument (Note 9)	1,408	3,010
Inventories (Note 4)	36,575	34,534
Assets held for sale (Note 8)	6,245	–
	102,288	85,931
Inventories (Note 4)	40,385	38,719
Plant and equipment (Note 6)	125,741	124,983
Mineral properties and related construction assets (Note 7)	351,477	287,245
Intangible assets (Note 8)	–	6,211
Deferred financing fees (Note 9)	–	4,122
Derivative financial instrument (Note 9)	2,953	5,097
Cost overrun account (Note 1)	43,741	18,574
Other non-current assets	4,523	4,921
<b>TOTAL ASSETS</b>	<b>\$ 671,108</b>	<b>\$ 575,803</b>
Current liabilities		
Trade payables and accrued liabilities	\$ 25,969	\$ 42,580
Deferred revenue	20,000	20,000
Credit facilities (Note 9)	25,000	35,000
Tax and royalties payable	1,626	3,444
Lease liabilities	1,117	1,472
Liabilities associated with assets held for sale (Note 8)	323	–
	74,035	102,496
Credit facilities (Note 9)	180,000	86,515
Due to related party (Note 9)	15,000	15,000
Restoration provisions	15,000	13,738
Deferred income taxes	129,806	112,763
Other non-current liabilities	3,569	3,160
<b>TOTAL LIABILITIES</b>	<b>417,410</b>	<b>333,672</b>
Equity		
Share capital, unlimited common shares, no par value (Note 10)	351,284	349,718
Contributed surplus	9,199	9,371
Deficit	(10,813)	(13,702)
Accumulated other comprehensive loss	(95,972)	(103,256)
<b>TOTAL EQUITY</b>	<b>253,698</b>	<b>242,131</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 671,108</b>	<b>\$ 575,803</b>

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

Commitments – Note 16  
Subsequent Events – Note 17

Approved on behalf of the Board of Directors:

“Ian Gibbs”  
Director

“David Dicaire”  
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,	
	2024	2023	2024	2023
<b>Revenues</b> (Note 5)	\$ 44,300	\$ 56,277	\$ 125,111	\$ 136,131
<b>Cost of goods sold</b>				
Operating expenses	23,120	20,468	55,136	51,266
Royalty expenses (Note 5)	4,805	6,341	13,846	15,603
Depletion and amortization	5,327	5,957	12,738	13,184
	33,252	32,766	81,720	80,053
<b>Income from mining operations</b>	11,048	23,511	43,391	56,078
<b>Other expenses</b>				
Administration (Note 12)	3,590	6,336	9,659	12,815
Sales and marketing	682	659	2,050	1,898
Finance expenses	589	1,051	2,051	3,194
Loss (gain) on derivative instrument (Note 9)	4,400	(1,089)	3,746	(1,591)
Foreign exchange loss (gain)	(4,382)	1,445	(3,877)	7,314
Loss on extinguishment of debt (Note 9)	–	–	10,529	–
	4,879	8,402	24,158	23,630
<b>Net income from continuing operations before tax</b>	6,169	15,109	19,233	32,448
<b>Income tax expense</b>				
Current income tax	–	681	46	691
Deferred income tax	6,014	2,750	14,077	12,156
	6,014	3,431	14,123	12,847
<b>Net income from continuing operations</b>	155	11,678	5,110	19,601
<b>Net loss from discontinued operations (Note 8)</b>	(682)	(1,134)	(2,221)	(3,107)
<b>Net income (loss) for the period</b>	\$ (527)	\$ 10,544	\$ 2,889	\$ 16,494
<b>Earnings per common share from continuing operations</b>				
Basic and diluted	\$ 0.00	\$ 0.03	\$ 0.01	\$ 0.04
<b>Loss per common share from discontinuing operations</b>				
Basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.01)
<b>Weighted average common shares outstanding (millions)</b>				
Basic	459.7	454.8	459.1	454.4
Diluted	470.6	464.9	469.5	464.8

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

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

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	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Net income (loss) for the period</b>	\$ (527)	\$ 10,554	\$ 2,889	\$ 16,494
<b>Other comprehensive (loss) income</b>				
<i>Items that will not be reclassified to net income</i>				
Change in fair value of marketable securities	(92)	16	(281)	31
<i>Items that may be subsequently reclassified to net income</i>				
Currency translation adjustment	13,218	(4,567)	7,565	(14,350)
	13,126	(4,551)	7,284	(14,319)
<b>Comprehensive income for the period</b>	\$ 12,599	\$ 5,993	\$ 10,173	\$ 2,175
<b>Total comprehensive income (loss) attributable to shareholders of the Company from:</b>				
Continuing operations	13,281	7,127	12,394	5,282
Discontinued operations	(682)	(1,134)	(2,221)	(3,107)
	\$ 12,599	\$ 5,993	\$ 10,173	\$ (2,175)

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,		Nine months ended September 30,	
	2024	2023	2024	2023
<b>Operating activities</b>				
Net income for the period from continuing operations	\$ 155	\$ 11,678	\$ 5,110	\$ 19,601
Items not affecting cash:				
Depletion and amortization	5,531	6,096	13,268	13,202
Unrealized foreign exchange loss (gain)	(5,513)	1,692	(5,234)	6,928
Share-based compensation	717	567	488	1,605
Loss on extinguishment of debt	–	–	9,727	–
Unrealized loss (gain) on derivative instruments	4,400	(1,089)	3,746	(1,591)
Deferred income taxes	6,014	2,750	14,077	12,156
Finance (income) costs	384	(650)	124	819
	11,688	21,044	41,306	52,720
Net changes in working capital:				
Receivables and other	(265)	(7,677)	(162)	(9,047)
Inventories	3,319	(203)	(1,975)	(9,390)
Trade payables, deferred revenue, and other current liabilities	3,008	3,597	(18,828)	13,823
Tax and royalties payable	(205)	(17)	(1,879)	(397)
Net cash provided by continuing operating activities	17,545	16,744	18,462	47,709
Net cash provided by (used in) discontinued operating	108	(806)	(1,895)	(2,126)
	17,653	15,938	16,567	45,583
<b>Financing activities</b>				
Drawdown (repayment) on working capital facilities net	–	(1,573)	10,000	19,662
Drawdown on project facility	15,000	–	70,000	25,000
Withholding tax on share units vested	–	(193)	(67)	(461)
Lease payments	(433)	(381)	(1,257)	(1,163)
Funds allocated to cost overrun account	(4,883)	–	(23,033)	(18,000)
Net cash provided by (used in) continuing financing activities	9,684	(2,147)	55,643	25,038
<b>Investing activities</b>				
Investment in plant and equipment	(1,742)	(3,235)	(6,169)	(6,683)
Mineral property expenditure	(24,087)	(20,298)	(55,894)	(73,112)
Net cash used in continuing investing activities	(25,829)	(23,533)	(62,063)	(79,795)
Net cash used in discontinued investing activities	(26)	(36)	(59)	(36)
	(25,855)	(23,569)	(62,122)	(79,831)
Effect of exchange rate change on cash and cash equivalents	140	(43)	122	(367)
Increase (decrease) in cash and cash equivalents	1,622	(9,821)	10,210	(9,577)
Cash and cash equivalents related to assets held for sale	71	–	71	–
Cash and cash equivalents, beginning of the period	21,925	26,662	13,337	26,418
<b>Cash and cash equivalents, end of the period</b> <sup>(1)</sup>	<b>\$ 23,618</b>	<b>\$ 16,841</b>	<b>\$ 23,618</b>	<b>\$ 16,841</b>
<b>Supplemental information – investing activities</b>				
Interest paid	(12)	(3,963)	(10,372)	(10,398)
Taxes paid	–	(688)	(46)	(722)
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties <sup>(2)</sup>	(1,203)	3,280	4,112	(1,446)

(1) Cash and cash equivalents are composed of 100% cash deposits.

(2) Included within trade payable and accrued liabilities at each period end are additions to plant and equipment and mineral properties and related construction assets, acquired on normal course payment terms, of \$12.6 million at September 30, 2024 (\$8.2 million at December 31, 2023).

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
<b>Balance, January 1, 2024</b>	456,177,393	\$ 349,718	\$ 9,371	\$ (13,702)	\$ (103,256)	\$ 242,131
Net income for the period	–	–	–	2,889	–	2,889
Other comprehensive income	–	–	–	–	7,284	7,284
Total comprehensive income (loss)	–	–	–	2,889	7,284	10,173
Shares issued for shareholder standby undertaking	3,475,000	969	–	–	–	969
Share-based compensation	–	–	492	–	–	492
Shares issued from share units vested	846,555	597	(597)	–	–	–
Withholding tax for share units vested	–	–	(67)	–	–	(67)
<b>Balance, September 30, 2024</b>	<b>460,498,948</b>	<b>\$ 351,284</b>	<b>\$ 9,199</b>	<b>\$ (10,813)</b>	<b>\$ (95,972)</b>	<b>\$ 253,698</b>
<b>Balance, January 1, 2023</b>	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)
<b>Balance, September 30, 2023</b>	<b>455,599,893</b>	<b>\$ 349,567</b>	<b>\$ 9,621</b>	<b>\$ 22,983</b>	<b>\$ (108,959)</b>	<b>\$ 273,212</b>

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

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 1. NATURE OF OPERATIONS AND LIQUIDITY

Lucara Diamond Corp. together with its subsidiaries (collectively referred to as the “Company” or “Lucara”) is a diamond mining company focused on the development and operation of diamond properties in Botswana. As at September 30, 2024, 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. Clara was sold on October 4, 2024 and is classified as held for sale at September 30, 2024 (Note 8).

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 head office is located at Suite 2800, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1L2, Canada.

During the nine months ended September 30, 2024, the Company recognized a net income from continuing operations of \$5.1 million and generated cash of \$18.5 million from operating activities from continuing operations. As at September 30, 2024, the Company had cash and cash equivalents of \$23.6 million and working capital (current assets less current liabilities excluding assets and liabilities held for sale) of \$22.3 million. During the nine months ended September 30, 2024, the Company drew \$70.0 million from its project facility and \$10.0 million from its working capital facility.

The Company’s schedule and budget for the Karowe Underground Expansion Project (the “UGP”) anticipates commencement of underground production in the first half of 2028 with a completion cost forecast of \$683.0 million. Committed, not yet incurred, costs under the UGP are \$57.4 million at September 30, 2024 (Note 16).

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

Prior to June 30, 2025, the Company is required to place \$61.7 million in a cost overrun account (the “CORA”) as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was \$43.7 million as at September 30, 2024. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and cashflow from operations.

Under the terms of the Project Facility, the Company’s largest shareholder, Nemesia S.à.r.l. (“Nemesia”) provided a limited standby undertaking of up to \$63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fund the CORA to \$61.7 million by June 30, 2025 (which decreases over time as the Company contributes funds) and ii) in the event of a funding shortfall, support up to \$35.0 million occurring up to project completion.

Following the completion of the Rebase Amendments, the Company expects to be able to meet its obligations as they become due in the normal course of business for at least the next twelve months from September 30, 2024.

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 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 IFRS Accounting Standards applicable to the preparation of interim financial statements, including International Accounting Standard 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, 2023.

These financial statements were approved by the Board of Directors for issue on November 13, 2024.

(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, 2023 with the following additions.

The Company adopted the IASB published amendments to *IAS 7 and IFRS 7 - Disclosures on supplier finance arrangements* on January 1, 2024. The amendments require specific disclosures about supplier finance arrangements. The Company has considered if it has any supplier finance arrangements and has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

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

#### Amendments to IFRS 9 and IFRS 7

IASB issued amendments to IFRS 9 and IFRS 7 in May 2024, updating classification, measurement, and disclosure requirements for financial instruments. These changes include clarifications on the recognition and derecognition of financial assets and liabilities, settlement using electronic payment systems, and the assessment of cash flow characteristics for financial assets with ESG-linked features. Additional disclosure requirements apply to financial instruments with contingent features and equity instruments at fair value through other comprehensive income. The amendments take effect from January 1, 2026, with early application allowed. The Company is currently evaluating their impact on our financial statements.

#### IFRS 18

IFRS 18 is the new standard for financial statement presentation and disclosure with a focus on updates to the statement of profit or loss. IFRS 18 will replace IAS 1. The new standard is effective for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The Company is currently assessing the effect of this amendment on our financial statements.

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

### 3. RECEIVABLES AND OTHER

	September 30, 2024		December 31, 2023	
Trade receivables	\$	23,209	\$	12,981
Value-added and income taxes receivable		8,446		13,927
Prepayments		2,677		8,012
Other		110		130
	\$	<b>34,442</b>	\$	<b>35,050</b>

Trade receivables at September 30, 2024 were \$23.2 million (December 31, 2023: \$13.0 million) due from HB Antwerp ("HB").

Value-added and income taxes receivable include \$5.0 million on September 30, 2024 that relates to an income tax assessment dispute in Botswana.

### 4. INVENTORIES

	September 30, 2024		December 31, 2023	
Rough diamonds	\$	18,770	\$	19,217
Ore stockpile		3,567		2,038
Parts and supplies		14,238		13,279
<b>Total current inventories</b>	\$	<b>36,575</b>	\$	<b>34,534</b>
<b>Non-current inventories – ore stockpile</b>	\$	<b>40,385</b>	\$	<b>38,719</b>

Inventory expensed during the nine months ended September 30, 2024, totaled \$55.1 million (nine months ended September 30, 2023: \$51.3 million). There were no inventory write-downs during the nine months ended September 30, 2024, and in 2023.

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.

### 5. REVENUE

Lucara has three sales channels: through a diamond sales agreement with HB, on the Clara platform and through quarterly tenders.

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
<i>Sales Channels</i>				
HB Arrangement	\$ 27,844	\$ 38,431	\$ 80,669	\$ 88,809
Clara	1,867	3,686	7,674	10,469
Tender	14,589	14,160	36,768	36,853
<b>Total Revenue</b>	<b>\$ 44,300</b>	<b>\$ 56,277</b>	<b>\$ 125,111</b>	<b>\$ 136,131</b>

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, 2024, the Company incurred a royalty expense of \$13.8 million (nine months ended September 30, 2023: \$15.6 million).

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

### 6. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Furniture, office equipment and community facilities	Vehicles	Right of use assets	Total
<b>Balance, January 1, 2023</b>	\$ 19,140	\$ 200,766	\$ 14,992	\$ 4,207	\$ 6,899	\$ 246,004
Additions	12,993	–	–	–	1,292	14,285
Reclassification (Note 7)	(12,073)	30,151	1,740	863	23,752	44,433
Disposals and other	(943)	(109)	(9)	(89)	(184)	(1,334)
Translation differences	(903)	(9,352)	(700)	(201)	(443)	(11,599)
<b>Balance, December 31, 2023</b>	\$ 18,214	\$ 221,456	\$ 16,023	\$ 4,780	\$ 31,316	\$ 291,789
Additions	6,226	–	250	–	740	7,216
Reclassification (Note 7)	(10,989)	3,758	8,453	–	–	1,222
Disposals and other	–	–	(21)	–	–	(21)
Translation differences	392	5,395	494	118	774	7,173
<b>Balance, September 30, 2024</b>	\$ 13,843	\$ 230,609	\$ 25,199	\$ 4,898	\$ 32,830	\$ 307,379
<b>Accumulated amortization</b>						
<b>Balance, January 1, 2023</b>	\$ –	\$ 140,097	\$ 10,573	\$ 2,692	\$ 4,403	\$ 157,765
Depletion and amortization	–	7,166	2,465	235	1,205	11,071
Reclassification (Note 7)	–	4,056	148	412	985	5,601
Disposals and other	–	(39)	(6)	(88)	(184)	(317)
Translation differences	–	(6,474)	(499)	(129)	(212)	(7,314)
<b>Balance, December 31, 2023</b>	\$ –	\$ 144,806	\$ 12,681	\$ 3,122	\$ 6,197	\$ 166,806
Depletion and amortization	–	5,038	1,382	209	993	7,622
Reclassification (Note 7)	–	1,775	56	321	922	3,074
Disposals and other	–	–	(11)	–	–	(11)
Translation differences	–	3,562	324	84	177	4,147
<b>Balance, September 30, 2024</b>	\$ –	\$ 155,181	\$ 14,432	\$ 3,736	\$ 8,289	\$ 181,638
<b>Net book value</b>						
<b>As at December 31, 2023</b>	\$ 18,214	\$ 76,650	\$ 3,342	\$ 1,658	\$ 25,119	\$ 124,983
<b>As at September 30, 2024</b>	\$ 13,843	\$ 75,428	\$ 10,767	\$ 1,162	\$ 24,541	\$ 125,741

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

### 7. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS

Cost	Production stripping asset	Karowe Mine	Karowe Underground Construction	Total
<b>Balance, January 1, 2023</b>	\$ 60,705	\$ 36,852	\$ 224,860	\$ 322,417
Additions	—	—	92,128	92,128
Borrowing cost capitalized	—	—	9,285	9,285
Adjustment to restoration asset	—	(472)	—	(472)
Reclassification (Note 6)	—	—	(38,832)	(38,832)
Translation differences	(2,847)	(1,726)	(10,864)	(15,437)
<b>Balance, December 31, 2023</b>	\$ 57,858	\$ 34,654	\$ 276,577	\$ 369,089
Additions	—	—	46,823	46,823
Borrowing cost capitalized	—	—	13,068	13,068
Reclassification (Note 6)	—	—	1,850	1,850
Translation differences	1,435	852	7,632	9,919
<b>Balance, September 30, 2024</b>	\$ 59,293	\$ 35,506	\$ 345,950	\$ 440,749
<b>Accumulated depletion</b>				
<b>Balance, January 1, 2023</b>	\$ 46,647	\$ 31,640	—	\$ 78,287
Depletion	5,851	1,415	—	7,266
Translation differences	(2,218)	(1,491)	—	(3,709)
<b>Balance, December 31, 2023</b>	\$ 50,280	\$ 31,564	—	\$ 81,844
Depletion	4,324	1,010	—	5,334
Translation differences	1,301	793	—	2,094
<b>Balance, September 30, 2024</b>	\$ 55,905	\$ 33,367	—	\$ 89,272
<b>Net book value</b>				
<b>As at December 31, 2023</b>	\$ 7,578	\$ 3,090	\$ 276,577	\$ 287,245
<b>As at September 30, 2024</b>	\$ 3,388	\$ 2,139	\$ 345,950	\$ 351,477

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

Total cumulative borrowing costs of \$30.3 million (December 31, 2023: \$16.7 million) relating to the Karowe underground construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized initial arrangement costs related to the facilities prior to the Rebase Amendments.

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 8. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

On October 4, 2024, the Company sold its interest in Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as “Clara”) and, as a result, has classified the group as held for sale as at September 30, 2024. Total consideration for the sale comprises approximately \$3.0 million cash, the return of 10,000,000 Lucara common shares (Note 17) initially issued as partial consideration when Lucara originally acquired the Clara platform in 2018, and the transfer of liabilities tied to sales performance metrics or a change of control, amounting to a share issuance obligation of 13,400,000 Lucara common shares relating to EBITDA performance targets outlined below. As the consideration to be received is greater than the net book value of Clara no impairment has been recorded in connection with the reclassification.

i. Assets and liabilities of Clara disposal group as at September 30, 2024.

	<b>Total</b>
Cash and cash equivalents	\$ 71
Inventories	64
Prepays	75
Plant and equipment	118
Intangible assets (Patents & Intellectual properties)	5,917
<b>Total assets held for sale</b>	<b>\$ 6,245</b>
Trade payables and accrued liabilities	\$ 191
Lease liabilities	132
<b>Total liabilities associated with assets held for sale</b>	<b>\$ 323</b>

ii. Results of discontinued operations from the Clara disposal group for the three and nine months ended September 30, 2024.

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Revenue <sup>(1)</sup>	\$ 45	\$ 667	\$ 1,689	\$ 4,698
Cost of sales <sup>(1)</sup>	312	1,229	2,645	6,118
<b>Gross margin</b>	<b>(267)</b>	<b>(562)</b>	<b>(956)</b>	<b>(1,420)</b>
Other Expenses	(415)	(572)	(1,265)	(1,687)
<b>Net loss from discontinued operations</b>	<b>\$ (682)</b>	<b>\$ (1,134)</b>	<b>\$ (2,221)</b>	<b>\$ (3,107)</b>

<sup>(1)</sup>Lucara will continue to use Clara’s platform to sell its Clara qualifying Lucara stones after the disposition of Clara, thus the revenue and cost of sales related to Lucara’s diamonds has been included as part of continuing operations (See Note 5).

In relation to the acquisition of Clara in February 2018, certain related parties were to receive additional shares of Lucara if Clara achieved certain levels of revenue generated by sales on the platform (the “Performance Milestones”). As of September 30, 2024, none of the Performance Milestones had been achieved. These obligations were extinguished with the sale of Clara.

Further, there was a profit-sharing mechanism related to Clara, whereby a total of 3.45% of the EBITDA generated by the Clara platform was assigned to two former directors of Lucara, both founders of Clara. A further 3.22% of Clara’s EBITDA generated by the platform was to be distributed to former members of management, at the discretion of Lucara’s Compensation Committee, based on the achievement of key performance targets. As at September 30, 2024, no amounts were paid under this profit-sharing mechanism as there had not been any EBITDA generated by the platform.

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

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**9. CREDIT FACILITIES**

	September 30, 2024	December 31, 2023
<i>Current</i>		
Working capital facility	\$ 25,000	\$ 35,000
Revolving credit facility	-	-
Deferred financing fees	\$ -	\$ -
<i>Non-current</i>		
Project facility, net of fees	\$ 180,000	\$ 86,515
Due to related party	15,000	15,000
Deferred financing fees	\$ -	\$ 4,122

*Senior secured project facility (Project Facility)*

On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, amended its senior secured project financing debt package of \$220 million that was originally entered into in 2021 (the "Facilities"). The Facilities consist of the Project Facility of \$190 million (\$170 million prior to amendment) to fund the development of an underground expansion at the Karowe Mine and a \$30 million (\$50 million prior to amendment) senior secured WCF. The debt package is 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 amendments modified the repayment schedule, extended the maturity date of the WCF to June 30, 2031, and amended certain other terms (the "Rebase Amendments"). At the financial close of the Rebase Amendments, \$20.0 million that was outstanding on the WCF was transferred to the Project Facility.

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

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

Upon the Rebase Amendments, the remaining balance of deferred financing costs and unamortized initial arrangement costs in conjunction with arranging the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment of the Facilities of \$10.5 million. As at September 30, 2024, the Company was in compliance with all covenants under the Facilities.

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 9. CREDIT FACILITIES (continued)

#### *Interest rate swap agreements*

On December 14, 2021, under the terms of the Project Facility, the Company became party to a series of interest rate swap agreements on 75% of the principal amount available, up to \$127.5 million. As part of the Rebase Amendments signed on January 9, 2024, a new interest rate swap agreement was signed on February 15, 2024, which covers the principal amount available up to \$142.5 million. The Company receives interest at the rate equivalent to the three-month USD Term SOFR and pays interest at a fixed rate ranging from 2.421% to 2.447% on a quarterly basis. The final interest rate swap matures on June 30, 2031.

As at September 30, 2024, the interest rate swaps had a total unrealized fair value of \$4.4 million (December 31, 2023: \$8.1 million), of which \$1.4 million has been classified as a current asset. The fair value of the interest rate swap is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

#### *Due to related party – debenture*

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

#### *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") which matured on September 28, 2024. The Clara Facility was used for inventory and working capital purposes. The facility bore interest at SOFR plus a margin of 6.0%. Effective July 2024, the Clara revolving credit facility was fully released and cancelled.

### 10. SHARE CAPITAL

On January 9, 2024, under the Rebase Amendments (Note 9), Nemesia provided a limited standby undertaking of up to \$63.0 million. The standby undertaking consists of two components:

- i) An undertaking to support the requirement to fill the CORA to \$61.7 million by June 30, 2025 and;
- ii) In the event of a funding shortfall, support up to \$35.0 million occurring prior to project completion.

An amount of 1,900,000 common shares (\$0.6 million) was paid as consideration in January 2024. A further 600,000 common shares will be issued if the undertaking is activated. For each \$500,000 drawn down under the standby undertaking, the Company will issue 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. During the nine months ended September 30, 2024, the Company issued 1,575,000 common shares (\$0.4 million) as compensation for the standby undertaking. As at September 30, 2024, the Company has accrued \$0.2 million of financing fee related to the standby undertaking.

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**11. SHARE BASED COMPENSATION**

## a. Stock options

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

	<b>Number of shares issuable pursuant to stock options</b>	<b>Weighted average exercise price per share (CA\$)</b>
Balance at January 1, 2023	6,414,000	\$ 0.89
Granted	2,412,000	0.57
Expired	(1,134,000)	1.64
Forfeited	(1,148,000)	0.65
<b>Balance at December 31, 2023</b>	<b>6,544,000</b>	<b>\$ 0.68</b>
Granted	2,730,000	0.36
Expired	(1,173,000)	0.77
Forfeited	(1,265,000)	0.63
<b>Balance at September 30, 2024</b>	<b>6,836,000</b>	<b>\$ 0.55</b>

Options granted to acquire common shares outstanding at September 30, 2024 are as follows:

Range of exercise prices CA\$	<b>Outstanding Options</b>			<b>Exercisable Options</b>		
	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (CA\$)
\$0.32 - \$0.60	4,199,000	4.02	0.44	396,000	3.41	0.57
\$0.61 - \$0.79	2,637,000	0.96	0.72	2,278,999	0.89	0.73
	<b>6,836,000</b>	<b>2.84</b>	<b>\$ 0.55</b>	<b>2,674,999</b>	<b>1.26</b>	<b>\$ 0.70</b>

During the nine months ended September 30, 2024, an amount of \$0.2 million (nine months ended September 30, 2023: \$0.3 million) was charged to operations in recognition of share-based compensation expense, based on the vesting schedule for the options granted.

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

### 11. SHARE BASED COMPENSATION (continued)

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:

	2024	2023
Assumptions:		
Risk-free interest rate (%)	3.81	2.99
Expected life (years)	3.41	4.54
Expected volatility (%)	45.42	49.81
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	CA\$0.13	CA\$0.25

#### b. Restricted and performance share units

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for certain members of the management team. SUs typically vest between three and five 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 earned over the vesting period.

For the nine months ended September 30, 2024, the Company recognized a share-based payment charge of \$0.3 million (nine months ended September 30, 2023: \$1.0 million) for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA\$)
Balance at January 1, 2023	7,056,000	\$ 0.71
Granted	3,337,000	0.57
Redeemed	(2,876,001)	0.74
Cancelled	(3,902,999)	0.62
<b>Balance at December 31, 2023</b>	<b>3,614,000</b>	<b>\$ 0.65</b>
Granted	6,693,000	0.36
Redeemed <sup>(1)</sup>	(1,075,000)	0.75
Cancelled	(1,323,332)	0.59
<b>Balance at September 30, 2024</b>	<b>7,908,668</b>	<b>\$ 0.40</b>

<sup>(1)</sup> 846,555 shares were issued on redemption with 228,445 shares withheld for withholding tax.

#### 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 approved on May 12, 2023. Directors can elect to receive up to 100% of their quarterly fees earned in DSUs. 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 DSUs are cash-settled share-based compensation and are recorded as a liability. Upon payout, the director can elect to receive the value in cash or common shares of the Company.

# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

### 11. SHARE BASED COMPENSATION (continued)

For the nine months ended September 30, 2024, the Company recognized a share-based payment expense of \$nil for marking to market of the DSUs outstanding (nine months ended September 30, 2023: \$0.3 million).

	Number of DSUs	Estimated fair value (CA\$)
Balance at January 1, 2023	2,116,103	\$ 0.50
Granted	1,056,053	\$ 0.47
<b>Balance at December 31, 2023</b>	<b>3,172,156</b>	<b>\$ 0.49</b>
Granted	1,377,888	\$ 0.46
Redeemed	(1,113,852)	\$ 0.46
<b>Balance at September 30, 2024</b>	<b>3,436,192</b>	<b>\$ 0.46</b>

### 12. ADMINISTRATION

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2024	2023	2024	2023
Salaries and benefits	\$ 1,175	\$ 2,713	\$ 3,575	\$ 4,040
Professional fees	722	926	2,462	2,501
Insurance, office, and general	459	1,559	1,114	2,307
Promotion	16	195	145	832
Stock exchange, transfer agent, and shareholder communication	48	51	277	273
Travel	96	147	358	449
Share-based compensation (Note 11)	717	567	488	1,605
Depreciation	204	64	530	138
Sustainability and donations	153	114	710	670
	\$ 3,590	\$ 6,336	\$ 9,659	\$ 12,815

### 13. RELATED PARTY TRANSACTIONS

#### Key management compensation

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

	2024	2023
Salaries and wages	\$ 1,433	\$ 2,565
Short term benefits	30	27
Share based compensation	440	1,212
	\$ 1,903	\$ 3,804

#### Other related party transactions

During the nine months ended September 30, 2024, the Company incurred \$0.1 million (nine months ended September 30, 2023: \$nil), primarily relating to office rental and related services provided by Namdo Management Services Ltd. ("Namdo"), a company associated with a director of the Company.

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**14. 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. Clara was previously accounted for in the Corporate and other operating segment which has been included under discontinued operations.

<b>Three months ended September 30, 2024</b>			
	<b>Karowe Mine</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 44,300	\$ –	\$ 44,300
Income from operations	11,048	–	11,048
Finance expenses	(381)	(208)	(589)
Loss on derivative financial instrument	(4,400)	–	(4,400)
Foreign exchange gain (loss)	4,644	(262)	4,382
Administrative and other	(2,244)	(2,028)	(4,272)
Taxes	(6,014)	–	(6,014)
<b>Net income (loss) from continuing operations</b>	<b>\$ 2,653</b>	<b>\$ (2,498)</b>	<b>\$ 155</b>
<b>Capital expenditures</b>	<b>\$ 25,829</b>	<b>\$ –</b>	<b>\$ 25,829</b>

<b>Three months ended September 30, 2023</b>			
	<b>Karowe Mine</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 56,277	\$ –	\$ 56,277
Income (loss) from operations	23,614	(103)	23,511
Finance expenses	(980)	(71)	(1,051)
Gain on derivative financial instrument	1,089	–	1,089
Foreign exchange gain (loss)	(1,708)	263	(1,445)
Administrative and other	(3,304)	(3,691)	(6,995)
Taxes	(3,431)	–	(3,431)
<b>Net income (loss) from continuing operations</b>	<b>\$ 15,280</b>	<b>\$ (3,602)</b>	<b>\$ 11,678</b>
<b>Capital expenditures</b>	<b>\$ 23,533</b>	<b>\$ –</b>	<b>\$ 23,533</b>

Depletion and amortization expense for Karowe Mine and Corporate during the three months ended September 30, 2024 totaled \$5.4 million and \$0.1 million, respectively (three months ended September 30, 2023: \$5.9 million and \$0.1 million).

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**LUCARA DIAMOND CORP.****NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
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**14. SEGMENT INFORMATION (continued)**

	<b>Nine months ended September 30, 2024</b>		
	<b>Karowe</b>		
	<b>Mine</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 125,111	\$ –	\$ 125,111
Income from operations	43,391	–	43,391
Finance expenses	(1,361)	(690)	(2,051)
Loss on derivative financial instrument	(3,746)	–	(3,746)
Foreign exchange gain (loss)	3,843	34	3,877
Loss on extinguishment	(10,529)	–	(10,529)
Administrative and other	(6,547)	(5,162)	(11,709)
Taxes	(14,086)	(37)	(14,123)
<b>Net income (loss) from continuing operations</b>	<b>\$ 10,965</b>	<b>\$ (5,855)</b>	<b>\$ 5,110</b>
<b>Capital expenditures</b>	<b>\$ 62,063</b>	<b>\$ –</b>	<b>\$ 62,063</b>
<b>Total assets</b>	<b>\$ 661,630</b>	<b>\$ 9,478</b>	<b>\$ 671,108</b>
	<b>Nine months ended September 30, 2023</b>		
	<b>Karowe</b>		
	<b>Mine</b>	<b>Corporate</b>	<b>Total</b>
Revenues	\$ 136,131	\$ –	\$ 136,131
Income (loss) from operations	56,228	(150)	56,078
Finance expenses	(3,336)	142	(3,194)
Gain on derivative financial instrument	1,591	–	1,591
Foreign exchange gain (loss)	(7,306)	(8)	(7,314)
Administrative and other	(7,086)	(7,627)	(14,713)
Taxes	(12,847)	–	(12,847)
<b>Net income (loss) from continuing operations</b>	<b>\$ 27,244</b>	<b>\$ (7,643)</b>	<b>\$ 19,601</b>
<b>Capital expenditures</b>	<b>\$ 79,795</b>	<b>\$ –</b>	<b>\$ 79,795</b>
<b>Total assets</b>	<b>\$ 566,382</b>	<b>\$ 9,421</b>	<b>\$ 575,803</b>

Depletion and amortization expense for Karowe Mine and Corporate and other during the nine months ended September 30, 2024 totaled \$13.0 million and \$0.2 million, respectively (nine months ended September 30, 2023: \$13.0 million and \$0.2 million).

The Company attributes revenue from external customers based on the location where the sales originated. During the nine months ended September 30, 2024 and 2023, the Company generated 100% of revenue from continuing operations from sales originating in Botswana.

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

#### a) *Measurement categories and fair values*

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

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

#### b) *Fair value hierarchy*

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

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

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

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

	September 30, 2024	December 31, 2023
Level 1: Fair value through other comprehensive income		
– Investments in marketable securities	\$ 530	\$ 811
Level 2: Derivative financial instruments	\$ 4,361	\$ 8,107
Level 3: N/A		

#### c) *Financial risk management*

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

##### *Currency risk*

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At September 30, 2024, 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 \$6.6 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 long-term operational needs. Such forecasting takes into consideration the Company's ability to generate cash from the sale of diamonds and additional liquidity which can be accessed through the WCF and Project Facility.

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

As a condition of the Facilities Agreement, the Company is required to place \$61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at September 30, 2024, the CORA balance was \$43.7 million.

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

#### *Credit risk*

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

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

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

#### *Interest rate risk*

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

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

In February 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 2.421% to 2.447% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate increases through 25% of its expected borrowings from the Project Facility, and amounts drawn from its WCF which remain subject to market interest rates (Term SOFR or a replacement benchmark).

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# LUCARA DIAMOND CORP.

## NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024

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

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### 15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

#### *Price risk*

The Company derives its income from the sale of rough diamonds mined in Botswana. The price and marketability of these diamonds can be significantly impacted by international economic trends, global or regional consumption, demand and supply patterns and the availability of capital for diamond manufacturers, all factors that are not within the Company's control. Under the agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds stabilized in the first half of 2024 but have continued to see small reduction in the price of rough diamond, depending on the size.

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.

### 16. COMMITMENTS

As at September 30, 2024, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the UGP amounted to \$57.4 million (December 31, 2023: \$77.2 million). The following table summarizes the approximate timing of the commitments (undiscounted) at September 30, 2024:

<i>In millions of dollars</i>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027 &amp; 2028</b>	<b>Total</b>
Underground expansion project	\$ 11.5	38.5	6.1	1.3	\$ 57.4

### 17. SUBSEQUENT EVENTS

On October 4, 2024, the Company sold its interest in Clara for consideration of approximately \$3.0 million and the return of 10,000,000 common shares to treasury (Note 8) which were subsequently cancelled on October 7, 2024.

On October 4, 2024, the Company issued 675,000 common shares to Nemesia as compensation for the standby undertaking (Note 9).

On October 7, 2024, the Company issued 105,000 stock options and 126,000 share units to a senior officer.