LUCARA

DIAMOND

Condensed Interim Consolidated Financial Statements

Three and Nine Months Ended September 30, 2025

(Unaudited)

LUCARA DIAMOND CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Unaudited - in thousands of U.S. Dollars)

		September 30, 2025		December 31, 2024
ASSETS				
Current assets				
Cash	$	18,022	$	22,788
Receivables and other (Note 5)		39,367		33,039
Derivative financial instrument (Note 8)		1,403		2,089
Inventories (Note 6)		37,323		31,301
		96,115		89,217
VAT receivables (Note 5)		4,288		-
Inventories (Note 6)		37,163		37,637
Mineral properties, plant and equipment (Note 7)		561,486		473,727
Derivative financial instrument (Note 8)		2,393		6,309
Cost overrun reserve account (Note 8)		33,720		49,148
Other non-current assets		5,247		4,795
TOTAL ASSETS	$	740,412	$	660,833
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	$	29,875	$	29,015
Working capital facility (Note 8)		30,000		25,000
Tax and royalties payable		2,808		7,227
Lease liabilities		1,184		831
Project facility (Note 8)		190,000		-
		253,867		62,073
Project facility (Note 8)		-		180,000
Due to related party (Note 8)		25,000		15,000
Restoration provisions		19,628		17,640
Deferred income taxes		133,287		110,513
Other non-current liabilities		3,616		3,878
TOTAL LIABILITIES		435,398		389,104
EQUITY				
Share capital, unlimited common shares, no par value (Note 9)		349,202		348,401
Contributed surplus		9,995		9,513
Retained earnings		44,881		26,202
Accumulated other comprehensive loss		(99,064)		(112,387)
TOTAL EQUITY		305,014		271,729
TOTAL LIABILITIES AND EQUITY	$	740,412	$	660,833

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

"Ian Gibbs"
Director

"Melissa Harmon"
Director

LUCARA DIAMOND CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited - in thousands of U.S. Dollars, except for share and per share amounts)

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Revenues (Note 11)	$ 51,231	$ 44,300	$ 125,209	$ 125,111
Cost of goods sold				
Operating expenses	21,984	23,120	51,341	55,136
Royalty expenses (Note 11)	5,609	4,805	13,652	13,846
Depletion and amortization	3,850	5,327	10,358	12,738
	31,443	33,252	75,351	81,720
Income from mining operations	19,788	11,048	49,858	43,391
Other expenses				
Administration (Note 12)	2,898	3,590	8,728	9,659
Sales and marketing	737	682	2,356	2,050
Finance expenses	928	589	2,225	2,051
Loss on derivative instrument (Note 8)	745	4,400	4,602	3,746
Foreign exchange loss (gain)	805	(4,382)	(5,329)	(3,877)
Loss on extinguishment of debt facilities (Note 8)	-	-	-	10,529
Loss on disposal of assets (Note 7)	-	-	1	-
	6,113	4,879	12,583	24,158
Net income from continuing operations before tax	13,675	6,169	37,275	19,233
Income tax expense				
Current income tax	235	-	248	46
Deferred income tax	6,082	6,014	17,263	14,077
	6,317	6,014	17,511	14,123
Net income from continuing operations	7,358	155	19,764	5,110
Net loss from discontinued operations	-	(682)	-	(2,221)
Net income (loss) for the period	$ 7,358	$ (527)	$ 19,764	$ 2,889
Earnings per common share from continuing operations				
Basic	$ 0.02	$ 0.00	$ 0.04	$ 0.01
Diluted	$ 0.02	$ 0.00	$ 0.04	$ 0.01
Loss per common share from discontinuing operations				
Basic and diluted	$ N/A	$ (0.00)	$ N/A	$ (0.00)
Weighted average common shares outstanding (millions)				
Basic	455.0	459.7	453.3	459.1
Diluted	471.6	470.6	469.2	469.5

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)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited - in thousands of U.S. Dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2025	**2024**	**2025**	**2024**
Net income (loss) for the period	$ 7,358	$ (527)	$ 19,764	$ 2,889
Other comprehensive (loss) income				
Items that will not be reclassified to net income				
Change in fair value of marketable securities	(23)	(92)	(156)	(281)
Other comprehensive loss reclassified on disposal of marketable securities	1,085	-	1,085	-
Items that may be subsequently reclassified to net income				
Currency translation adjustment	(21)	13,218	12,394	7,565
	1,041	13,126	13,323	7,284
Comprehensive income for the period	$ 8,399	$ 12,599	$ 33,087	$ 10,173
Total comprehensive income (loss) attributable to shareholders of the Company from:				
Continuing operations	8,399	13,281	33,087	12,394
Discontinued operations	-	(682)	-	(2,221)
	$ 8,399	$ 12,599	$ 33,087	$ 10,173

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

LUCARA DIAMOND CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(Unaudited - in thousands of U.S. Dollars)

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Operating activities				
Net income for the period from continuing operations	$ 7,358	$ 155	$ 19,764	$ 5,110
Items not affecting cash:				
Depletion and amortization	4,640	5,531	10,891	13,268
Unrealized foreign exchange gain	(57)	(5,513)	(9,553)	(5,234)
Share-based compensation	339	717	496	488
Loss on extinguishment of debt facilities	-	-	-	9,727
Unrealized loss on derivative instrument	745	4,400	4,602	3,746
Deferred income tax expense	6,082	6,014	17,263	14,077
Finance expenses	607	384	1,707	124
Loss on disposal of assets	-	-	1	-
Inventory write-down	472	-	472	-
	20,186	11,688	45,643	41,306
Net changes in working capital:				
Receivables and other	(10,774)	(265)	(8,981)	(162)
Inventories	1,802	3,319	(2,351)	(1,975)
Trade payables and accrued liabilities	2,207	3,008	(1,395)	(18,828)
Tax and royalties payable	1,652	(205)	(4,666)	(1,879)
Net cash provided by continuing operating activities	15,073	17,545	28,250	18,462
Net cash provided by (used in) discontinued operating activities	-	108	-	(1,895)
Financing activities				
Drawdown on working capital facility	-	-	5,000	10,000
Drawdown on project facility	-	15,000	10,000	70,000
Drawdown on limited standby undertaking	10,000	-	10,000	-
Withholding tax on share units vested	-	-	-	(67)
Lease payments	(634)	(433)	(1,417)	(1,257)
Funding of cost overrun reserve account	-	(4,883)	(12,572)	(23,033)
Withdrawal from cost overrun reserve account	-	-	28,000	-
Net cash provided by continuing financing activities	9,366	9,684	39,011	55,643
Investing activities				
Investment in mineral properties, plant and equipment	(29,431)	(25,829)	(72,697)	(62,063)
Disposal of marketable securities	320	-	388	-
Net cash used in continuing investing activities	(29,111)	(25,829)	(72,309)	(62,063)
Net cash used in discontinued investing activities	-	(26)	-	(59)
Effect of exchange rate change on cash	(40)	140	282	122
Increase (decrease) in cash	(4,712)	1,622	(4,766)	10,210
Cash, beginning of the period	22,734	21,996	22,788	13,408
Cash, end of the period	**$ 18,022**	**$ 23,618**	**$ 18,022**	**$ 23,618**
Supplemental information				
Interest paid	$ (6,251)	$ (5,263)	$ (18,718)	$ (15,260)
Taxes paid	(235)	-	(248)	(46)
Changes in trade payables and accrued liabilities related to mineral properties, plant and equipment[(1)]	124	(1,203)	711	4,112
Changes in other non-current liabilities related to mineral properties, plant and equipment[(2)]	-	-	(649)	-

(1) Included within accounts payable and accrued liabilities at each period end are additions to plant and equipment and mineral properties, acquired on normal course payment terms, of $7.9 million at September 30, 2025 (December 31, 2024: $7.2 million).

(2) Lease liabilities include $0.7 million (December 31, 2024: $nil) in additions to plant and equipment and mineral properties.

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

LUCARA DIAMOND CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2025 AND 2024
(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, 2024	**456,177,393**	**$**	**349,718**	**$**	**9,371**	**$**	**(13,702)**	**$**	**(103,256)**	**$**	**242,131**
Net income for the period	-		-		-		2,889		-		2,889
Other comprehensive income	-		-		-		-		7,284		7,284
Total comprehensive income	-		-		-		2,889		7,284		10,173
Shares issued for limited standby undertaking	3,475,000		969		-		-		-		969
Shares issued for share units vested	846,555		597		(597)		-		-		-
Withholding tax for share units vested	-		-		(67)		-		-		(67)
Share-based compensation	-		-		492		-		-		492
Balance, September 30, 2024	**460,498,948**	**$**	**351,284**	**$**	**9,199**	**$**	**(10,813)**	**$**	**(95,972)**	**$**	**253,698**
Balance, January 1, 2025	**451,848,948**	**$**	**348,401**	**$**	**9,513**	**$**	**26,202**	**$**	**(112,387)**	**$**	**271,729**
Net income for the period	-		-		-		19,764		-		19,764
Other comprehensive income	-		-		-		-		13,323		13,323
Total comprehensive income	-		-		-		19,764		13,323		33,087
Shares issued for debentures	2,189,516		393		-		-		-		393
Shares issued for share units vested	411,332		177		(177)		-		-		-
Shares issued for deferred share units	1,378,517		231		-		-		-		231
Other comprehensive loss reclassified on disposal of marketable securities	-		-		-		(1,085)		-		(1,085)
Share-based compensation	-		-		659		-		-		659
Balance, September 30, 2025	**455,828,313**	**$**	**349,202**	**$**	**9,995**	**$**	**44,881**	**$**	**(99,064)**	**$**	**305,014**

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

The Company's common shares are listed on the Toronto Stock Exchange, NASDAQ First North Growth Market and Botswana Stock Exchanges under the symbol "LUC". The Company was continued into the Province of British Columbia under the Business Corporations Act (British Columbia) in August 2004 and its registered office is located at Suite 2800, 1055 Dunsmuir Street, Vancouver, British Columbia.

Going Concern

During the nine months ended September 30, 2025, the Company recognized a net income from continuing operations of $19.8 million and generated cash of $28.3 million from continuing operating activities. As at September 30, 2025, the Company had cash of $18.0 million and working capital deficit (current assets less current liabilities) of $157.8 million (December 31, 2024: $27.1 million). The working capital deficit is due to the classification of the $190.0 million project finance facility (the "Project Facility") as a current liability as a result of covenant non-compliance.

The Company's debt package (the "Facilities") which is composed of the Project Facility of $190.0 million and senior secured working capital facility (the "WCF") of $30.0 million are fully drawn. The Karowe Underground Project (the "UGP") is currently being supported by continued operating cash flows from mining operations, access to the cost overrun reserve account (the "CORA"), and undertakings and guarantees from its largest shareholder, Nemesia S.à.r.l. ("Nemesia"). The Company continues to develop plans to raise the additional financing required for UGP completion. While the Company has previously been successful in raising financing, future fundraising efforts may not succeed or may fall short of the required amounts.

The Company did not comply with the covenants under the Facilities requiring a technically signed off financial model by June 30, 2025 ("Financial Model Covenant"), the execution of a lateral development contract by July 31, 2025 ("Lateral Development Contract Covenant") and the requirement to provide a cost to complete certificate by August 31, 2025 ("Cost to Complete Covenant" and collectively, the "Covenants"). As a result of the Covenant breaches, the Project Facility is classified as a current liability. The lenders, a syndicate of six mandated lead arrangers (the "Lenders"), have not demanded early repayment of the Facilities. Management is actively working with the Lenders to remedy these breaches. If the Company obtains a waiver for the covenant breaches from the Lenders, the Project Facility would be classified as a non-current liability in future periods.

Management has assessed the Company's ability to continue as a going concern for at least twelve months from September 30, 2025. Based on this assessment, including the Covenant breaches and impact of revisions to revenue guidance for 2025 during Q1 2025, the Company estimates that its working capital as at September 30, 2025, cash flow from operations, and other committed sources of liquidity will not be sufficient to meet its obligations, commitments, and planned expenditures. These conditions cast significant doubt on the Company's ability to continue as a going concern.

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

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(i) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting, including IAS 34 *Interim Financial Reporting*. The condensed interim consolidated financial statements do not contain all of the information required for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on November 13, 2025.

(ii) Adoption of new accounting standards and accounting developments

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

IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows. IFRS 18 will not impact the recognition and measurement of items in the financial statements, nor will it impact which items are classified in other comprehensive income and how these items are classified. The standard is effective for annual periods beginning on or after January 1, 2027. The Company is currently assessing the effect of this new standard on its financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Areas of judgement and estimates that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2024. There were no changes in significant accounting judgements and estimates during the three and nine months ended September 30, 2025, except for the following:

Going Concern

The assumption that the Company will be able to continue as a going concern is subject to critical judgements of management with respect to assumptions surrounding short and long-term forecasts, continued profitability from its mining operations and securing adequate additional financing as its existing project financing is fully drawn. Should those judgements prove to be inaccurate, management's continued use of the going concern assumptions may be inappropriate.

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

4. MATERIAL ACCOUNTING POLICIES

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 4 of the Company's consolidated financial statements for the year ended December 31, 2024. There were no changes in material accounting policies during the three and nine months ended September 30, 2025.

5. RECEIVABLES AND OTHER

		September 30, 2025		December 31, 2024
Trade receivables	$	29,382	$	18,416
Value-added taxes ("VAT")		3,621		7,585
Prepayments		6,144		6,824
Other		220		214
Total current receivables and other	**$**	**39,367**	**$**	**33,039**
Non-current VAT receivables	**$**	**4,288**	**$**	**-**

Trade receivables at September 30, 2025 were $29.4 million (December 31, 2024: $18.4 million) due from HB Trading BV ("HB").

VAT receivables include $4.3 million on September 30, 2025 (December 31, 2024: $5.0 million) that relates to an income tax assessment dispute in Botswana. As at September 30, 2025, the VAT receivable under dispute in Botswana was classified as non-current.

6. INVENTORIES

		September 30, 2025		December 31, 2024
Rough diamonds	$	19,845	$	14,987
Ore stockpiles		3,136		3,339
Parts and supplies		14,342		12,975
Total current inventories	**$**	**37,323**	**$**	**31,301**
Non-current inventories – ore stockpiles	**$**	**37,163**	**$**	**37,637**

Inventory expensed during the three and nine months ended September 30, 2025 totaled $22.0 million and $51.3 million (2024: $23.1 million and $55.1 million), respectively. Inventory write-downs of $0.5 million were recognized during the three and nine months ended September 30, 2025 (2024: $nil).

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

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2024	**$ 92,512**	**$ 276,577**	**$ 18,214**	**$ 267,974**	**$ 655,277**
Additions	-	64,666	11,574	1,108	77,348
Borrowing cost capitalized	-	17,441	-	-	17,441
Adjustment to restoration provision	3,056	-	-	-	3,056
Disposals	-	-	-	(994)	(994)
Reclassifications	-	2,677	(25,688)	23,011	-
Translation differences	(3,755)	(13,448)	(301)	(11,776)	(29,280)
Balance, December 31, 2024	**$ 91,813**	**$ 347,913**	**$ 3,799**	**$ 279,323**	**$ 722,848**
Additions	-	55,511	4,247	1,289	61,047
Borrowing cost capitalized	-	14,336	-	-	14,336
Disposals	-	-	-	(7)	(7)
Reclassifications	-	1,901	(895)	(1,006)	-
Translation differences	4,299	17,684	243	13,529	35,755
Balance, September 30, 2025	**$ 96,112**	**$ 437,345**	**$ 7,394**	**$ 293,128**	**$ 833,979**

Accumulated depletion and amortization	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2024	**$ 81,844**	**$ -**	**$ -**	**$ 161,205**	**$ 243,049**
Depletion and amortization	7,124	-	-	10,231	17,355
Disposals	-	-	-	(725)	(725)
Translation differences	(3,449)	-	-	(7,109)	(10,558)
Balance, December 31, 2024	**$ 85,519**	**$ -**	**$ -**	**$ 163,602**	**$ 249,121**
Depletion and amortization	3,329	-	-	7,668	10,997
Disposals	-	-	-	(6)	(6)
Translation differences	4,072	-	-	8,309	12,381
Balance, September 30, 2025	**$ 92,920**	**$ -**	**$ -**	**$ 179,573**	**$ 272,493**
Net book value					
As at December 31, 2024	**$ 6,294**	**$ 347,913**	**$ 3,799**	**$ 115,721**	**$ 473,727**
As at September 30, 2025	**$ 3,192**	**$ 437,345**	**$ 7,394**	**$ 113,555**	**$ 561,486**

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

The Company has deposited $5.2 million (December 31, 2024: $4.3 million) as security for a mine rehabilitation guarantee provided to the Botswana Department of Mines. The restricted deposit matures in August 2026 and is included in other non-current assets on the statements of financial position.

Borrowing costs of $48.4 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.

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

7. MINERAL PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

The Company has an ongoing impairment indicator for its mineral properties and plant and equipment, as the market capitalization of the Company remains lower than the carrying amount of its net assets. An impairment assessment was conducted as of September 30, 2025, and no impairment was recorded since the fair value less cost of disposal (FVLCD) of the Karowe CGU exceeded its carrying amount. Determining the FVLCD involves Level 2 and Level 3 inputs and key assumptions including estimated production volumes (reflecting historical high-value stone recoveries), operating and capital costs from geomechanics numerical models, diamond prices reflecting historical pricing achieved, and real discount rates of 7.0% to 8.0%.

8. CREDIT FACILITIES

The movement in credit facilities are comprised of the following:

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

Senior Secured Facilities and Cost Overrun Reserve Account ("CORA")
On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara as sponsor and guarantor, amended its senior secured project financing debt package of $220.0 million that was originally entered into in 2021. The Facilities consist of the Project Facility of $190.0 million ($170.0 million prior to amendment) to fund the development of the UGP and a $30.0 million ($50.0 million prior to amendment) senior secured WCF.

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

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

8. CREDIT FACILITIES (CONTINUED)

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

The Facilities contain multiple covenants, including the Financial Model Covenant, Lateral Development Contract Covenant and Cost to Complete Covenant. To date, the Company has not met the deadlines for the Covenants. As a result of these breaches, the Lenders are contractually entitled to demand early repayment of the Facilities. The Project Facility has therefore been classified as a current liability as of September 30, 2025. Additionally, the WCF requires the Company to fully pay down the WCF for five successive business days at least once every 12 months (the "Clean Down Covenant"). The Company has breached this covenant by not complying with the Clean Down Covenant deadline of October 21, 2025. To date, early repayment has not been demanded by the Lenders. Management is actively working with the Lenders to remedy these Covenant breaches. If the Company obtains a waiver for the Covenant breaches from the Lenders, the Project Facility would be classified as a non-current liability in future periods.

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

Under the Rebase Amendments, Nemesia provided funding support of up to $63.0 million consisting of two components: i) $28.0 million component as the amended limited standby undertaking to support liquidity shortfalls until UGP completion and; ii) $35.0 million component as a liquidity guarantee to cover cost overruns. On August 28, 2025 and November 12, 2025, the Company drew $10.0 million and $13.0 million from the amended limited standby undertaking to fund UGP construction.

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 2.447% to 2.577% on a quarterly basis. The final interest rate swap matures on September 30, 2031.

As at September 30, 2025, the interest rate swaps had a total unrealized fair value of $3.8 million (December 31, 2024: $8.4 million), of which $1.4 million has been classified as a current asset. The fair value of the interest rate swaps is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

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

8. CREDIT FACILITIES (CONTINUED)

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

In August 2025, the Company drew $10.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"). For each $500,000 drawn under the Second Debenture, the Company will issue 7,500 common shares per month, settled quarterly, to Nemesia until the amounts borrowed are repaid. The Second Debenture matures on June 30, 2031.

9. SHARE CAPITAL

During the nine months ended September 30, 2024, a total of 1,900,000 common shares ($0.6 million) as consideration for increasing the limited standby undertaking.

During the nine months ended September 30, 2025, a total of 2,189,516 common shares (2024: 1,575,000 common shares) with a fair value of $0.4 million (2024: $0.4 million) were issued to Nemesia as consideration for payment of interest on the Debentures (Note 8).

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, with amendments approved on May 14, 2025. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted in 2024 and 2025 vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire five years from the date of grant.

	Number of shares issuable pursuant to stock options		**Weighted average exercise price per share (CA$)**
Balance at January 1, 2024	6,544,000	$	0.68
Granted	2,965,000		0.37
Expired	(1,173,000)		0.77
Forfeited	(2,173,000)		0.58
Balance at December 31, 2024	**6,163,000**	**$**	**0.55**
Granted	4,176,325		0.40
Expired	(819,000)		0.79
Forfeited	(975,778)		0.63
Balance at September 30, 2025	**8,544,547**	**$**	**0.45**

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

10. SHARE BASED COMPENSATION (CONTINUED)

As of September 30, 2025, the following stock options remain outstanding:

	Outstanding Options			**Exercisable Options**		
Range of exercise prices (CA$)	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (CA$)
$0.32 - $0.43	6,140,547	4.09	0.39	676,662	3.44	0.36
$0.44 - $0.66	2,404,000	1.75	0.60	1,395,000	0.98	0.63
	8,544,547	**3.43**	**$ 0.45**	**2,071,662**	**1.78**	**$ 0.54**

During the nine months ended September 30, 2025, the Company recognized $0.2 million (2024: $0.2 million) in share-based compensation based on the vesting of options.

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

	2025	**2024**
Assumptions:		
Risk-free interest rate *(%)*	2.54	3.81
Expected life *(years)*	3.35	3.41
Expected volatility *(%)*	47.52	45.42
Expected dividend *($)*	Nil	Nil
Results:		
Weighted average fair value of options granted *(per option)*	CA$0.14	CA$0.13

b. Restricted and performance share units

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

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

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

10. SHARE BASED COMPENSATION (CONTINUED)

b. Restricted and performance share units (continued)

During the nine months ended September 30, 2025, the Company recognized an expense of $0.5 million (2024: $0.3 million) in share-based compensation for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA$)	
Balance at January 1, 2024	3,614,000	$	0.65
Granted	6,819,000		0.36
Redeemed	(1,075,000)		0.75
Cancelled	(1,323,332)		0.59
Balance at December 31, 2024	**8,034,668**	**$**	**0.40**
Granted	5,634,384		0.39
Redeemed	(411,332)		0.56
Cancelled	(554,403)		0.54
Balance at September 30, 2025	**12,703,317**	**$**	**0.38**

c. Deferred share units ("DSUs")

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

During the nine months ended September 30, 2025, the Company recognized a share-based compensation recovery of $0.2 million (2024: $nil) related to the revaluation of DSUs.

	Number of DSUs	Estimated fair value (CA$)	
Balance at January 1, 2024	3,172,156	$	0.49
Granted	1,589,322		0.37
Redeemed	(1,113,852)		0.34
Balance at December 31, 2024	**3,647,626**	**$**	**0.42**
Granted	2,229,858		0.27
Redeemed	(1,378,517)		0.23
Balance at September 30, 2025	**4,498,967**	**$**	**0.23**

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

11. REVENUES

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

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Sales Channels				
HB	$ 38,026	$ 27,844	$ 91,264	$ 80,669
Clara	1,957	1,867	5,606	7,674
Tender	11,248	14,589	28,339	36,768
	$ 51,231	**$ 44,300**	**$ 125,209**	**$ 125,111**

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 three and nine months ended September 30, 2025, the Company incurred a royalty expense of $5.6 million and $13.7 million (2024: $4.8 million and $13.8 million), respectively.

12. ADMINISTRATION

	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Salaries and benefits	$ 1,142	$ 1,175	$ 3,676	$ 3,575
Professional fees	813	722	1,941	2,462
Insurance, office and general	227	459	951	1,114
Promotion	23	16	174	145
Stock exchange, transfer agent and shareholder communication	27	48	244	277
Travel	73	96	208	358
Share-based compensation (Note 10)	339	717	496	488
Depreciation	177	204	533	530
Sustainability and donations	77	153	505	710
	$ 2,898	**$ 3,590**	**$ 8,728**	**$ 9,659**

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

13. RELATED PARTY TRANSACTIONS

Key management compensation

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

The remuneration of key management personnel was as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2025	**2024**	**2025**	**2024**
Salaries and wages	$ 454	$ 329	$ 1,618	$ 1,433
Short term benefits	1	6	14	30
Share-based compensation	301	674	415	440
	$ 756	**$ 1,009**	**$ 2,047**	**$ 1,903**

Other related party transactions

During the three and nine months ended September 30, 2025, the Company incurred $0.1 million and $0.3 million (2024: $0.1 million and $0.1 million), respectively, primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At September 30, 2025, included in trade payables and accrued liabilities is $0.5 million (December 31, 2024: $0.4 million) for related services.

14. SEGMENT INFORMATION

The Company's primary business activity is the operation of an open-pit diamond mine and development of the UGP in Botswana. The Company has one operating segment: Karowe Mine.

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

Three months ended September 30, 2025			
	Karowe Mine	**Corporate**	**Total**
Revenues	$ 51,231	$ -	$ 51,231
Operating expenses	(21,984)	-	(21,984)
Royalty expenses	(5,609)	-	(5,609)
Depletion and amortization	(3,850)	-	(3,850)
Income from mining operations	19,788	-	19,788
Finance expenses	(798)	(130)	(928)
Loss on derivative instrument	(745)	-	(745)
Foreign exchange loss	(799)	(6)	(805)
Administrative and other	(2,345)	(1,290)	(3,635)
Income tax	(6,317)	-	(6,317)
Net income (loss) for the period from continuing operations	**$ 8,784**	**$ (1,426)**	**$ 7,358**
Capital expenditures	**$ 29,431**	**$ -**	**$ 29,431**

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

14. SEGMENT INFORMATION (CONTINUED)

Three months ended September 30, 2024

	Karowe Mine	Corporate	Total
Revenues	$ 44,300	$ -	$ 44,300
Operating expenses	(23,120)	-	(23,120)
Royalty expenses	(4,805)	-	(4,805)
Depletion and amortization	(5,327)	-	(5,327)
Income from mining operations	11,048	-	11,048
Finance expenses	(381)	(208)	(589)
Loss on derivative instrument	(4,400)	-	(4,400)
Foreign exchange gain (loss)	4,644	(262)	4,382
Administrative and other	(2,244)	(2,028)	(4,272)
Income tax	(6,014)	-	(6,014)
Net income (loss) for the period from continuing operations	**$ 2,653**	**$ (2,498)**	**$ 155**
Capital expenditures	**$ 25,829**	**$ -**	**$ 25,829**

Nine months ended September 30, 2025

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

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

14. SEGMENT INFORMATION (CONTINUED)

Nine months ended September 30, 2024

	Karowe Mine	Corporate	Total
Revenues	$ 125,111	$ -	$ 125,111
Operating expenses	(55,136)	-	(55,136)
Royalty expenses	(13,846)	-	(13,846)
Depletion and amortization	(12,738)	-	(12,738)
Income from mining operations	43,391	-	43,391
Finance expenses	(1,361)	(690)	(2,051)
Loss on derivative instrument	(3,746)	-	(3,746)
Foreign exchange gain	3,843	34	3,877
Loss on extinguishment of debt facilities	(10,529)	-	(10,529)
Administrative and other	(6,547)	(5,162)	(11,709)
Income tax	(14,086)	(37)	(14,123)
Net income (loss) for the period from continuing operations	**$ 10,965**	**$ (5,855)**	**$ 5,110**
Capital expenditures	**$ 62,063**	**$ -**	**$ 62,063**
Total assets	**$ 661,630**	**$ 9,478**	**$ 671,108**

Depletion and amortization expense for Karowe Mine and Corporate during the three months ended September 30, 2025 totaled $3.9 million and $0.1 million, respectively (three months ended September 30, 2024: $5.4 million and $0.1 million).

During the nine months ended September 30, 2025, diamonds sold to HB generated 73% (2024: 64%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated. During the three and nine months ended September 30, 2025 and 2024, the Company generated 100% of revenue from sales originating in Botswana.

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

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

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

b) Fair value hierarchy

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). No financial assets or liabilities are recognized at level 3.

	September 30, 2025	December 31, 2024
Level 1: Fair value through other comprehensive income – Marketable Securities	$ -	$ 498
Level 2: Derivative financial instruments	$ 3,796	$ 8,398

c) Financial risk management

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

Currency risk

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

At September 30, 2025, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately $5.1 million in net income for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately $0.5 million in net income for the period.

Liquidity risk

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

Trade payable and accrued liabilities are predominately due within 60 days. Tax and royalties payable are predominately due within 15 days. As at September 30, 2025, the amount of the Company's contractual maturities for the WCF, due to related party, and lease liabilities of $31.2 million are due within twelve months, and $28.6 million due beyond twelve months. The Project Facility is classified as a current liability as of September 30, 2025 as the Lenders are contractually entitled to demand early repayment of the Facilities. Further details regarding the Company's liquidity risks are disclosed in Notes 1 and 8.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

c) Financial risk management (continued)

Credit risk

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

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

Interest rate risk

Interest rate risk is the risk that the fair value 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 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 increase or decrease to net income (loss).

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

Price risk

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

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

16. COMMITMENTS

As at September 30, 2025, purchase orders and contracts resulting in commitments for future minimum payments for services to be provided related to the UGP amounted to $52.2 million (December 31, 2024: $79.2 million). The following table summarizes the approximate timing of the commitments (undiscounted) at September 30, 2025:

In millions of dollars		2025	2026	2027	2028	2029		**Total**
UGP commitments	$	22.6	28.7	0.8	0.1	-	**$**	**52.2**

As at September 30, 2025, minimum payments in relation to lease commitments amount to $2.8 million (December 31, 2024: $2.8 million). The following table summaries the approximate timing of the undiscounted minimum lease payments at September 30, 2025:

In millions of dollars		2025	2026	2027	2028	2029		**Total**
Minimum lease payments	$	0.4	1.2	0.8	0.3	0.1	**$**	**2.8**