



# LUCARA

## DIAMOND

Consolidated Financial Statements  
Year Ended December 31, 2025



# Independent auditor's report

To the Shareholders of Lucara Diamond Corp.

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## Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Lucara Diamond Corp. and its subsidiaries (together, the Company) as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

## What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statements of financial position as at December 31, 2025 and 2024;
- the consolidated statements of operations for the years then ended;
- the consolidated statements of comprehensive income for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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## **Basis for opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Independence**

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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## **Material uncertainty related to going concern**

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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## **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

## Key audit matter

## How our audit addressed the key audit matter

### Impairment test of the mineral properties, plant and equipment for the Karowe Mine cash generating unit (Karowe CGU)

Refer to note 3 - Significant accounting judgments, estimates and assumptions, note 4 - Summary of material accounting policies and Note 7 - Mineral properties, plant and equipment to the consolidated financial statements.

As at December 31, 2025, the total net book value of mineral properties, plant and equipment amounted to \$597.2 million, which relates to the Karowe CGU. When impairment indicators exist, an impairment test is conducted at the level of the CGU (a group of assets that generate independent cash inflows). An impairment loss is recognized for the amount by which the CGU's carrying amount exceeds its recoverable amount.

The Company has an ongoing impairment indicator for its mineral properties, plant and equipment. As at December 31, 2025, the Company's market capitalization was lower than the carrying value of its net assets. As a result, management performed an impairment test of the Karowe CGU at December 31, 2025. The recoverable amount of the Karowe CGU is based on the discounted projected after-tax cash flows expected to be derived from the mining properties and represents the CGU fair value less cost of disposal.

As of December 31, 2025, no impairment was noted as the recoverable amount was higher than the carrying amount of the Karowe CGU.

The determination of the recoverable amount calculated using a discounted cash flow model included the following significant assumptions: estimated long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones, operating and capital cost estimates and real discount rate.

Our approach to addressing the matter included the following procedures, among others:

- Tested how management determined the recoverable amount of the Karowe CGU, which included the following:
  - Tested the appropriateness and mathematical accuracy of the discounted cash flow model.
  - Tested the underlying data used in the discounted cash flow model.
  - Evaluated the reasonableness of significant assumptions by (i) comparing the operating estimates to recent actual operating costs incurred; (ii) comparing the capital cost estimated to capital expenditures incurred and contracts where applicable; (iii) comparing estimated diamond prices to recent actual sales data, external market and industry data; and (iv) assessing whether these assumptions were consistent with evidence obtained in other areas of the audit.
  - The work of management's experts was used in performing the procedures to evaluate the reasonableness of the significant assumptions which included production volumes including exceptional stones, operating costs, and capital cost estimates to complete development of the UGP. As a basis for using this work, the competence, capabilities and objectivity of management's experts was evaluated, the work performed was understood and the appropriateness of the work as audit evidence was evaluated. The procedures performed also included evaluation of the methods and assumptions used by management's experts, tests of the data used by management's experts and an evaluation of their findings.

**Key audit matter****How our audit addressed the key audit matter**

Management's estimates of the estimated long-term diamond prices including exceptional stones, production volumes including recoveries of exceptional stones, operating costs and capital cost estimates to complete development of the Karowe Underground Expansion Project ("UGP") are based on information compiled by qualified persons (management's experts).

We considered this a key audit matter due to the significant judgment by management in determining the recoverable amount of the Karowe CGU, and a high degree of auditor judgment, subjectivity and effort in performing procedures and evaluating management's assumptions. The audit effort involved the use of professionals with specialized skill and knowledge in the field of valuation.

- Professionals with specialized skill and knowledge in the field of valuation assisted in evaluating the reasonableness of the real discount rate.
- Tested the disclosures made in the consolidated financial statements with regard to the impairment test for the Karowe CGU.

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**Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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## **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit

evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mark Patterson.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Vancouver, British Columbia

March 3, 2026

**LUCARA DIAMOND CORP.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(In thousands of U.S. Dollars)

	December 31, 2025	December 31, 2024
<b>ASSETS</b>		
Current assets		
Cash	\$ 31,920	\$ 22,788
Receivables and other (Note 5)	22,009	33,039
Derivative financial instrument (Note 9)	1,142	2,089
Inventories (Note 6)	49,510	31,301
	104,581	89,217
Inventories (Note 6)	22,368	37,637
Mineral properties, plant and equipment (Note 7)	597,166	473,727
Derivative financial instrument (Note 9)	2,565	6,309
Cost overrun reserve account (Note 9)	33,720	49,148
Other non-current assets (Notes 5 and 10)	12,310	4,795
<b>TOTAL ASSETS</b>	<b>\$ 772,710</b>	<b>\$ 660,833</b>
<b>LIABILITIES</b>		
Current liabilities		
Trade payables and accrued liabilities	\$ 38,158	\$ 29,015
Working capital facility (Note 9)	30,000	25,000
Tax and royalties payable	1,888	7,227
Lease liabilities	970	831
	71,016	62,073
Project facility (Note 9)	190,000	180,000
Due to related party (Note 9)	43,000	15,000
Restoration provisions (Note 10)	21,622	17,640
Deferred income taxes (Note 15)	127,753	110,513
Other non-current liabilities	2,894	3,878
<b>TOTAL LIABILITIES</b>	<b>456,285</b>	<b>389,104</b>
<b>EQUITY</b>		
Share capital, unlimited common shares, no par value (Note 11)	349,410	348,401
Contributed surplus	10,330	9,513
Retained earnings	51,232	26,202
Accumulated other comprehensive loss	(94,547)	(112,387)
<b>TOTAL EQUITY</b>	<b>316,425</b>	<b>271,729</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 772,710</b>	<b>\$ 660,833</b>

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

Nature of Operations and Going Concern – Note 1  
Commitments – Note 19

"Ian Gibbs"  
Director

"Melissa Harmon"  
Director

**LUCARA DIAMOND CORP.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
(In thousands of U.S. Dollars, except for share and per share amounts)

	<b>2025</b>	<b>2024</b>
<b>Revenues (Note 13)</b>	\$ 159,663	\$ 203,876
<b>Cost of goods sold</b>		
Operating expenses	77,205	79,581
Royalty expenses (Note 13)	17,737	23,208
Depletion and amortization	13,622	16,636
	108,564	119,425
<b>Income from mining operations</b>	51,099	84,451
<b>Other expenses</b>		
Administration (Note 14)	14,446	14,814
Sales and marketing	3,666	3,069
Finance expenses	3,456	2,895
Loss (gain) on derivative instrument (Note 9)	4,691	(290)
Foreign exchange (gain) loss	(9,523)	6,913
Loss on extinguishment of debt facilities (Note 9)	-	10,529
Loss on disposal of assets (Note 7)	69	152
	16,805	38,082
<b>Net income from continuing operations before tax</b>	34,294	46,369
<b>Income tax expense (recovery)</b>		
Current income tax (Note 15)	(1,916)	480
Deferred income tax (Note 15)	10,095	2,277
	8,179	2,757
<b>Net income from continuing operations</b>	26,115	43,612
<b>Net loss from discontinued operations (Note 8)</b>	-	(3,708)
<b>Net income for the year</b>	\$ 26,115	\$ 39,904
<b>Earnings per common share from continuing operations</b>		
Basic	\$ 0.06	\$ 0.10
Diluted	\$ 0.06	\$ 0.09
<b>Loss per common share from discontinued operations</b>		
Basic and diluted	\$ -	\$ (0.01)
<b>Weighted average common shares outstanding (millions)</b>		
Basic	454.0	457.3
Diluted	470.1	468.0

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

**LUCARA DIAMOND CORP.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
(In thousands of U.S. Dollars)

	2025	2024
<b>Net income for the year</b>	\$ 26,115	\$ 39,904
<b>Other comprehensive income</b>		
<i>Items that will not be reclassified to net income</i>		
Change in fair value of marketable securities	(156)	(312)
Other comprehensive loss reclassified on disposal of marketable securities	1,085	-
Currency translation adjustment reclassified on disposal of subsidiary	-	988
<i>Items that may be subsequently reclassified to net income</i>		
Currency translation adjustment	16,911	(9,807)
	17,840	(9,131)
<b>Comprehensive income for the year</b>	\$ 43,955	\$ 30,773
<b>Total comprehensive income (loss) attributable to shareholders of the Company from:</b>		
Continued operations	43,955	34,481
Discontinued operations	-	(3,708)
	\$ 43,955	\$ 30,773

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

**LUCARA DIAMOND CORP.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
(In thousands of U.S. Dollars)

	2025	2024
<b>Operating activities</b>		
Net income for the year from continuing operations	\$ 26,115	\$ 43,612
Items not affecting cash:		
Depletion and amortization	14,322	17,341
Unrealized foreign exchange (gain) loss	(9,585)	5,955
Share based compensation	918	685
Loss on extinguishment of debt facilities	-	9,727
Unrealized loss (gain) on derivative instrument	4,691	(290)
Deferred income tax expense	10,095	2,277
Current income tax recovery	(2,558)	-
Deferred revenue	-	(20,000)
Finance expenses	2,953	2,606
Loss on disposal of assets	69	152
Inventory write-down	1,023	-
	48,043	62,065
Net changes in working capital:		
Receivables and other	8,229	(761)
Inventories	(205)	(1,348)
Trade payables and accrued liabilities	3,584	(4,350)
Tax and royalties payable	(5,607)	4,040
Net cash provided by continuing operating activities	54,044	59,646
Net cash used in discontinued operating activities	-	(3,344)
<b>Financing activities</b>		
Drawdown on working capital facility	5,000	10,000
Drawdown on project facility	10,000	70,000
Drawdown on limited standby undertaking	28,000	-
Withholding tax on share units vested	-	(67)
Lease payments	(1,891)	(1,590)
Funding of cost overrun reserve account	(12,572)	(30,574)
Withdrawal from cost overrun reserve account	28,000	-
Net cash provided by continuing financing activities	56,537	47,769
Net cash used in discontinued financing activities	-	(13)
<b>Investing activities</b>		
Investment in mineral properties, plant and equipment	(101,499)	(95,010)
Disposal of subsidiary, net of cash disposed of	-	718
Disposal of marketable securities	388	-
Funding of rehabilitation guarantee	(737)	-
Net cash used in continuing investing activities	(101,848)	(94,292)
Net cash used in discontinued investing activities	-	(59)
Effect of exchange rate change on cash	399	(256)
Increase in cash	9,132	9,451
Cash, beginning of the year	22,788	13,337
<b>Cash, end of the year</b>	<b>\$ 31,920</b>	<b>\$ 22,788</b>
<b>Supplemental information</b>		
Interest paid	\$ (25,013)	\$ (20,578)
Taxes paid	(641)	(412)
Shares returned to treasury on disposal of subsidiary	-	3,314
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties <sup>(1)</sup>	1,597	(1,580)
Changes in lease liabilities related to plant and equipment and mineral properties	1,993	(1,359)

<sup>(1)</sup> 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 \$8.8 million at December 31, 2025 (December 31, 2024: \$7.2 million).

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

**LUCARA DIAMOND CORP.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024**  
(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>	<b>456,177,393</b>	<b>\$ 349,718</b>	<b>\$ 9,371</b>	<b>\$ (13,702)</b>	<b>\$ (103,256)</b>	<b>\$ 242,131</b>
Net income for the year	-	-	-	39,904	-	39,904
Other comprehensive (loss)	-	-	-	-	(9,131)	(9,131)
Total comprehensive income (loss)	-	-	-	39,904	(9,131)	30,773
Shares issued for limited standby undertaking	1,900,000	553	-	-	-	553
Shares issued for debenture	2,925,000	847	-	-	-	847
Shares issued from share units vested	846,555	597	(597)	-	-	-
Withholding tax for share units vested	-	-	(67)	-	-	(67)
Shares returned to treasury	(10,000,000)	(3,314)	-	-	-	(3,314)
Share-based compensation	-	-	806	-	-	806
<b>Balance, December 31, 2024</b>	<b>451,848,948</b>	<b>\$ 348,401</b>	<b>\$ 9,513</b>	<b>\$ 26,202</b>	<b>\$ (112,387)</b>	<b>\$ 271,729</b>
<b>Balance, January 1, 2025</b>	<b>451,848,948</b>	<b>\$ 348,401</b>	<b>\$ 9,513</b>	<b>\$ 26,202</b>	<b>\$ (112,387)</b>	<b>\$ 271,729</b>
Net income for the year	-	-	-	26,115	-	26,115
Other comprehensive income	-	-	-	-	17,840	17,840
Total comprehensive income	-	-	-	26,115	17,840	43,955
Shares issued for debentures	3,660,387	601	-	-	-	601
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	-	-	994	-	-	994
<b>Balance, December 31, 2025</b>	<b>457,299,184</b>	<b>\$ 349,410</b>	<b>\$ 10,330</b>	<b>\$ 51,232</b>	<b>\$ (94,547)</b>	<b>\$ 316,425</b>

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

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 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 year ended December 31, 2025, the Company recognized a net income from continuing operations of \$26.1 million and generated cash of \$54.0 million from continuing operating activities. As at December 31, 2025, the Company had cash of \$31.9 million and working capital (current assets less current liabilities) of \$33.6 million (December 31, 2024: \$27.1 million). On January 29, 2026, the Company closed a private placement equity financing (the “January 2026 equity financing”) for total gross proceeds of C\$165.0 million (Note 20).

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 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 the requirement to fully pay down the WCF for five successive business days at least once every 12 months (the “Clean Down” and collectively, the “Covenants”). On December 30, 2025, the Company and the lenders, a syndicate of six mandated lead arrangers (the “Lenders”) entered into an agreement to waive all Covenant breaches and events of default (the “Waiver Agreement”). The Waiver Agreement provided extensions to the following covenants: the Financial Model Covenant and the Lateral Development Contract Covenant to February 28, 2026, the Cost to Complete Covenant to March 31, 2026, and the Clean Down to June 30, 2026. As of the date these consolidated financial statements were approved by the Board of Directors, the Company is in full compliance with its Facilities, including the Financial Model Covenant and the Lateral Development Contract Covenant, with no outstanding Covenant breaches.

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

On January 30, 2026, the Company provided an update on the status of and estimate for the total costs of the UGP. The revised forecasted costs at completion are \$779.2 million, an increase of 14% from the prior estimate in July 2023. As at December 31, 2025, \$469.4 million of costs have been incurred for the UGP. Committed, not yet incurred, UGP costs are \$82.3 million at December 31, 2025 (Note 19). Completion of the UGP is currently being supported by continued operating cash flows from mining operations, the January 2026 equity financing, access to the cost overrun reserve account (the “CORA”), and guarantees from its largest shareholder, Nemesia S.à.r.l. (“Nemesia”) (Note 9). Access to the CORA and shareholder guarantees are subject to the receipt of certain approvals.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 1. NATURE OF OPERATIONS AND GOING CONCERN (CONTINUED)

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

These 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 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

#### Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). Other than changes due to new and amended standards and interpretations, the accounting policies adopted are consistently applied in all periods presented.

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

These consolidated financial statements were approved by the Board of Directors for issue on March 3, 2026.

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**LUCARA DIAMOND CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 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 (CONTINUED)**

The following entities are included in these consolidated financial statements:

	Country of incorporation	Ordinary shares held	
		December 31, 2025	December 31, 2024
Lucara Botswana Proprietary Limited	Botswana	100%	100%
Wati Ventures Proprietary Limited	Botswana	100%	100%
Debwat Exploration Proprietary Limited	Botswana	100%	100%
Lucara Management Services Limited	United Kingdom	100%	100%
African Diamonds Limited.	United Kingdom	100%	100%
Lucara Diamond Holdings Inc.	Mauritius	100%	100%
Boteti Diamond Holdings Inc.	Mauritius	100%	100%

The Company has pledged the shares held in Lucara Botswana Proprietary Limited, through the various intermediate holding companies, to secure the Facilities (Note 9). The Company is not allowed to pledge the shares held as security for other borrowings.

Adoption of new accounting standards and accounting developments

*New standards and interpretations not yet adopted*

*Amendments to the Classification and Measurement of Financial Instruments*

In May 2024, the IASB issued targeted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. These amendments include the following:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with the exception for some financial liabilities settled through an electronic cash transfer system;
- clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
- add new disclosures for certain instruments with contractual terms that can change cash flows; and
- update the disclosures for equity instruments designated at fair value through other comprehensive income.

These amendments are effective for annual periods beginning on or after January 1, 2026. These amendments are not expected to have a material impact on the consolidated financial statements.

*IFRS 18 Presentation and Disclosure in Financial Statements*

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

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 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 (CONTINUED)

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

The preparation of consolidated financial statements requires the use of certain critical accounting estimates and judgements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The Company has identified the following areas where significant accounting judgements, estimates and assumptions have been made in the preparation of the consolidated financial statements:

#### **Areas of accounting policy judgements**

##### *Satisfaction of performance obligations under the HB Trading BV sales arrangement*

The Company has determined that, under the terms of the Company's diamond sales agreement with HB Trading BV ("HB"), control is transferred when the delivery and analysis of rough diamonds are completed. At this point the estimated initial polished value of the rough diamond is determined and HB assumes responsibility for its manufacturing, polishing and sale to an end buyer. Once the initial polished value is determined, the Company recognizes revenue if collectability is reasonably assured.

##### *Mineral property valuation*

The Company carries its mineral properties and plant and equipment at depleted and amortized cost, less any provision for impairment. The Company assesses at each reporting period whether there is an indication of impairment. Significant judgement is applied in assessing whether indicators of impairment exist that would require impairment testing. The Company has an ongoing indicator of impairment related to its mineral properties and plant and equipment, as its market capitalization is lower than its net book value. The Company conducted an impairment assessment at December 31, 2025, and no impairment was identified (Note 7).

##### *Deferred taxes*

Judgement is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized and what tax rate is expected to be applied in the year when the related temporary differences reverse. Judgement is also required in the application of income tax legislation. These judgements are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### *Modification versus extinguishment of financial liabilities*

Judgement is required in applying IAS 32 *Financial Instruments: Presentation* and IFRS 9 *Financial Instruments: Recognition and Measurement* to determine whether the amended terms of the credit facilities were a substantial modification of an existing financial liability and whether it should be accounted for as an extinguishment of the original credit facilities.

#### **Sources of estimation uncertainty**

##### *Uncertain tax positions*

The Company recognizes that its tax obligations are subject to interpretation and judgement. Uncertain tax positions arise when there is uncertainty regarding the application of tax laws and regulations to the Company's transactions or positions. Estimates of uncertain tax positions are measured using the most likely amount or expected value approach, considering all available information.

##### *Impairment*

The Company reviews the carrying amounts of non-current assets whenever events or changes in circumstances indicate that the carrying amounts may exceed the estimated recoverable amounts. Recoverable amounts are determined by reference to relevant market data, discounted future cash flows, and fair value less costs to sell. An impairment loss is recognized when the carrying amount of assets is no longer considered recoverable. Non-current assets that were previously impaired are tested for possible reversal of the impairment whenever events or changes in circumstance indicate that the impairment may have reversed.

Calculating the estimated recoverable amount of the cash-generating unit ("CGU") for non-current asset impairment tests requires management to make estimates and assumptions with respect to estimated production volumes, operating, and capital costs, diamond prices, and discount rates. Management relies on production history and geological experts to develop estimates of long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones as well as expected future operating and capital costs. These estimates are subject to various risks and uncertainties which may ultimately influence the estimated recoverability of the carrying amounts of non-current assets. Changes in these assumptions could significantly impact the valuation of the Company's assets in the future.

##### *Estimated variable consideration in determining revenue*

Revenues include an estimate of variable consideration receivable under the terms of the Company's diamond sales agreement with HB. Variable consideration is a component of the transaction price and represents an area of management estimate. Under the diamond sales agreement, at the time of sale of a rough diamond, the Company receives an initial payment based on an estimated initial polished value. When the manufactured diamond is sold to an end buyer, HB is entitled to receive a fee and reimbursement for the cost of manufacturing. If the final sales price is higher than the estimated initial polished value a true up payment is payable to the Company. Any manufactured diamonds sold to an end buyer for less than the estimated initial polished value (after deductions for HB's fee and the cost of manufacturing) will result in the difference being refunded to HB. Variable consideration is estimated using the most likely approach. The transaction price is reassessed at each reporting period, including any adjustments to the amount of variable consideration recognized. The revenue recognized as the transaction price, including any variable consideration, is recognized within the constraint of "highly probable". In evaluating the most likely approach, significant estimates include market conditions, the current estimated polished value provided by HB and the probability that the variable consideration will be realized.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### *Decommissioning and site restoration*

The Company has obligations for site restoration and decommissioning related to the Karowe Mine. The restoration provision is based on cost estimates of the future decommissioning and site restoration activities estimated using mine closure plans which outline the activities that will be carried out to meet the obligations. The restoration provision requires significant estimates and assumptions because the obligations are dependent on the laws and regulations of the country in which the mine operates and are based on future expectations of the timing, extent and cost of required decommissioning and site restoration activities. The provision for decommissioning and site restoration is remeasured at the end of each reporting period for changes in estimates or circumstances.

#### *Deferred taxes*

The deferred tax provisions are calculated by the Company whilst the actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. Deferred tax liabilities arising from temporary differences are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Assumptions about the generation of future taxable profits depends on management's estimates of future production and sales volumes, diamond prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures and other capital management transactions. These estimates and assumptions are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding income or expense to profit.

### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The material accounting policies used in the preparation of these consolidated financial statements are as follows:

#### *(a) Consolidation*

These consolidated financial statements include the accounts of the Company and all of its subsidiaries.

Subsidiaries are entities controlled by the Company. An entity is controlled by the Company when as a group; it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date control is obtained until the date control ceases. For non wholly-owned subsidiaries, the net assets attributable to outside equity shareholders are presented as non-controlling interests in the equity section of the consolidated balance sheet. All intercompany balances and transactions have been eliminated on consolidation.

#### *(b) Foreign currency translation*

##### *Functional and presentation currency*

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in U.S. dollars. The functional currency of the parent company, Lucara Diamond Corp., is the Canadian dollar.

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at exchange rates of monetary assets and liabilities denominated in currencies other than an entity's functional currency are recognized in the statement of operations.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### *Group companies*

The functional currency of the most significant subsidiary of the Company, Lucara Botswana Proprietary Limited (“Lucara Botswana”), is the Botswana Pula. The results and financial position of the group companies, which have a functional currency different from the presentation currency, are translated into the presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement.
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- (iii) All resulting exchange differences are recognized in other comprehensive income as currency translation adjustments.

#### *(c) Financial instruments*

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. All recognized financial assets are measured subsequently at amortized cost, fair value through profit or loss or fair value through other comprehensive income.

At initial recognition, the Company classifies its financial instruments in the following categories:

- (i) Fair value through profit or loss: Financial assets or liabilities measured at fair value through profit or loss are assets or liabilities which do not qualify as financial instruments at amortized costs or those not designated in hedge relationships. Derivatives, including interest rate swaps, are also included in this category unless they are designated as hedges. Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the consolidated statement of operations. Gains and losses arising from changes in fair value are presented in the consolidated statement of operations in the period in which they arise.
- (ii) Fair value through other comprehensive income: The Company has made an irrevocable election to designate its investments in marketable equity securities as classified at fair value through other comprehensive income. Fair values are determined by reference to quoted market prices at the reporting date. When investments in marketable securities are disposed of or impaired, the cumulative gains and losses recognized in other comprehensive income are not recycled to profit and loss and remain within equity.
- (iii) Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost include cash, trade receivables, the WCF and trade and royalties payable due to their short-term nature. Trade receivables and payables and royalties payable are non-interest bearing if paid when due and are recognized at their face amount, less, when material, a discount, except when fair value is materially different. Amounts drawn on the WCF and Project Facility are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### *(d) Inventories*

Inventories, which include rough diamonds, ore stockpiles and parts and supplies, are measured at the lower of cost and net realizable value. Cost is determined using the weighted average method. Cost includes the costs of mining, processing and directly attributable mining overhead.

Net realizable value represents the estimated selling price in the ordinary course of business, less all estimated costs to completion and selling expenses. The portion of the ore stockpile that is expected to be processed more than twelve months from year end is classified as non-current inventory.

#### *(e) Plant and equipment*

Plant and equipment are carried at cost, less accumulated amortization and accumulated impairment charges. The cost of an asset consists of its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

For production plant and equipment, depreciation is recorded on a units-of-production basis. Depreciation on all other plant and equipment is recorded on a straight-line basis over the estimated useful life of the asset or over the estimated remaining life of the mine, if shorter. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Residual values and useful lives are reviewed annually. Gains and losses on disposals are calculated as proceeds received less the carrying amount and are recognized in the consolidated statements of operations.

The estimated useful lives of plant and equipment are as follows:

Furniture and office equipment	3 to 5 years straight line
Machinery and equipment	3 to 10 years straight line
Plant facilities	units of production based on recoverable reserves
Right-of-use assets	straight line over the shorter of the lease term and useful lives

#### *(f) Mineral properties and capitalized production stripping costs*

Mineral properties are carried at cost, less accumulated depletion and any accumulated impairment charges. Costs are amortized from the date of commencement of production of the mine on a units of production basis over estimated recoverable reserves. Costs associated with mineral properties include acquisition costs, evaluation and project investigation costs, development costs and borrowing costs. Mineral property costs are expensed as incurred until such time that the project demonstrates technical feasibility and commercial viability, and the Company has demonstrated a commitment to advance the project. Once this has been established, all further expenditures are capitalized as incurred.

During the production phase, mining expenditures incurred either to develop new ore bodies or to develop mine areas in advance of current production are capitalized to mineral properties. Stripping costs incurred in the production phase of an open pit mine are accounted for as variable production costs. Stripping costs are capitalized and recorded as deferred stripping, a component of mineral properties, when the stripping activity provides access to sources of reserves or resources that will be produced in future periods that would not have otherwise been accessible in the absence of this activity. The deferred stripping costs are capitalized based on actual versus expected strip ratios and depleted on a unit of production basis over the reserves that directly benefited from the stripping activity.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### *(g) Impairment of non-financial assets*

At the end of each reporting period, the Company assesses whether there is an indication that an asset or group of assets within a cash generating unit (“CGU”) may be impaired. When impairment indicators exist, an impairment assessment is conducted at the level at which an asset or group of assets generate independent cash inflows. An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. The recoverable amount is the higher of the asset or CGU’s fair value less costs to sell and its value in use. Non-financial assets that have previously been impaired are reviewed for possible reversal of the impairment at each reporting date.

#### *(h) Asset retirement obligations*

The Company recognizes a liability for an asset retirement obligation on long-lived assets when a present legal or constructive obligation exists, as a result of past events and the amount of the liability is reasonably determinable. Asset retirement obligations are initially recognized as a liability based on estimated future cash flows discounted at a risk-free rate. This is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the risk-free discount rate. Corresponding amounts and adjustments are added to the carrying value of the related long-lived asset and amortized or depleted to operations over the life of the related asset.

#### *(i) Income taxes*

Income taxes are recognized in the statement of operations, except where they relate to items recognized in other comprehensive income or directly in equity, in which case the related taxes are recognized in other comprehensive income or equity. Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred taxes are recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable income, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the sliding tax rate that is expected at the time of reversal and the laws that have been enacted or substantively enacted by the year end.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities where there is a legal right to do so, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

A deferred tax asset is recognized to the extent that it is probable that future tax profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each year end and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Uncertain tax positions and interest and penalties related to uncertain tax positions are accounted for under IFRIC 23, *Uncertainty over Income Tax Treatments*. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not recognition threshold it is then measured to determine the amount of benefit or liability to recognize in the financial statements. The tax position is measured as the amount of benefit or liability that is likely to be realized upon ultimate settlement. The Company assesses the validity of conclusions regarding uncertain tax positions on a quarterly basis to determine if facts or circumstances have arisen that might cause the Company to change their judgement regarding the likelihood of a tax position.

#### *(j) Revenue recognition*

Revenues from diamond sales are recognized when the purchaser obtains control of the diamond. For diamonds sold through tender or digital sales platforms, control is transferred when the Company receives payment for the diamonds sold and title is transferred to the purchaser according to contract terms.

The Company sells its large stone production (diamonds greater than 10.8 carats) under the diamond sales agreement with HB. For diamonds sold under this agreement, control is transferred once the stones are delivered and the analysis of the rough diamonds are agreed upon according to the contract terms to which the stones relate. Once the estimated initial polished value is determined, the Company recognizes revenue if collectability is reasonably assured. The initial purchase price paid for the rough diamonds are based on an estimated initial polished value with a true up paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently resolved. Final revenue is determined when the polished diamonds are sold to the end buyer.

#### *(k) Share-based compensation*

The Company grants share-based awards in the form of share options and share units in exchange for the provision of services. Stock options and equity-settled share units granted to employees are measured on the grant date. Stock options granted to non-employees are measured on the date that the goods or services are received. Share units which do not meet the criteria for equity-settlement are recorded as a liability and measured at fair value at each reporting period.

The fair value of the employee and non-employee services received in exchange for the grant of the options and share units is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the stock options and share units granted and the vesting periods. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

The cash subscribed for the shares issued when options are exercised is credited to share capital, net of any directly attributable transaction costs.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 4. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

#### *(l) Earnings per share*

Basic earnings per share is calculated using the weighted average number of common shares outstanding during each reporting period. Diluted earnings per share is calculated assuming the proceeds from the exercise of "in-the-money" share-based arrangements are used to purchase common shares at the average market price during the period.

#### *(m) Leases*

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Assets and liabilities arising from a lease are initially measured on a present value basis. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Company leases various equipment, office spaces and buildings. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less.

#### *(n) Borrowing costs*

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset. Other borrowing costs not directly attributable to a qualifying asset are expensed in the period incurred.

#### *(o) Discontinued operations*

Discontinued operations are reported when a component of the Company, representing a separate major line of business or geographical area of operations with clearly distinguishable cash flows, has been disposed of or is held for sale. Classification as a discontinued operations occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. Discontinued operations are reported as a separate element on the consolidated statements of operations for both the current and comparative periods.

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**LUCARA DIAMOND CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

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**5. RECEIVABLES AND OTHER**

		<b>2025</b>		<b>2024</b>
Trade receivables	\$	9,478	\$	18,416
Value-added taxes ("VAT")		4,604		7,585
Prepayments		7,462		6,824
Other		465		214
<b>Total current receivables and other</b>	<b>\$</b>	<b>22,009</b>	<b>\$</b>	<b>33,039</b>
<b>Non-current VAT receivables</b>	<b>\$</b>	<b>6,988</b>	<b>\$</b>	<b>-</b>

Trade receivables at December 31, 2025 were \$9.5 million (December 31, 2024: \$18.4 million) due from HB.

VAT receivables include \$7.0 million at December 31, 2025 (December 31, 2024: \$5.0 million) relating to an income tax assessment dispute in Botswana. The VAT receivables under dispute are classified as non-current at December 31, 2025 and are included in other non-current assets on the consolidated statements of financial position (Note 15).

**6. INVENTORIES**

		<b>2025</b>		<b>2024</b>
Rough diamonds	\$	18,584	\$	14,987
Ore stockpiles		16,655		3,339
Parts and supplies		14,271		12,975
<b>Total current inventories</b>	<b>\$</b>	<b>49,510</b>	<b>\$</b>	<b>31,301</b>
<b>Non-current inventories – ore stockpiles</b>	<b>\$</b>	<b>22,368</b>	<b>\$</b>	<b>37,637</b>

Inventory expensed during the year ended December 31, 2025 totaled \$77.2 million (2024: \$79.6 million). Inventory write-downs of \$1.0 million were recognized during the year ended December 31, 2025 (2024: \$nil) relating to obsolete parts and supplies.

# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(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
<b>Balance, January 1, 2024</b>	<b>\$ 92,512</b>	<b>\$ 276,577</b>	<b>\$ 18,214</b>	<b>\$ 267,974</b>	<b>\$ 655,277</b>
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)
<b>Balance, December 31, 2024</b>	<b>\$ 91,813</b>	<b>\$ 347,913</b>	<b>\$ 3,799</b>	<b>\$ 279,323</b>	<b>\$ 722,848</b>
Additions	-	75,768	8,942	1,347	86,057
Borrowing cost capitalized	-	19,032	-	-	19,032
Adjustments to restoration provision	667	-	-	-	667
Disposals	-	-	-	(333)	(333)
Reclassifications	-	2,113	(6,846)	4,733	-
Translation differences	5,690	24,556	301	18,088	48,635
<b>Balance, December 31, 2025</b>	<b>\$ 98,170</b>	<b>\$ 469,382</b>	<b>\$ 6,196</b>	<b>\$ 303,158</b>	<b>\$ 876,906</b>
Accumulated depletion and amortization	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
<b>Balance, January 1, 2024</b>	<b>\$ 81,844</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 161,205</b>	<b>\$ 243,049</b>
Depletion and amortization	7,124	-	-	10,231	17,355
Disposals	-	-	-	(725)	(725)
Translation differences	(3,449)	-	-	(7,109)	(10,558)
<b>Balance, December 31, 2024</b>	<b>\$ 85,519</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 163,602</b>	<b>\$ 249,121</b>
Depletion and amortization	4,170	-	-	10,171	14,341
Disposals	-	-	-	(264)	(264)
Translation differences	5,415	-	-	11,127	16,542
<b>Balance, December 31, 2025</b>	<b>\$ 95,104</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 184,636</b>	<b>\$ 279,740</b>
<b>Net book value</b>					
<b>As at December 31, 2024</b>	<b>\$ 6,294</b>	<b>\$ 347,913</b>	<b>\$ 3,799</b>	<b>\$ 115,721</b>	<b>\$ 473,727</b>
<b>As at December 31, 2025</b>	<b>\$ 3,066</b>	<b>\$ 469,382</b>	<b>\$ 6,196</b>	<b>\$ 118,522</b>	<b>\$ 597,166</b>

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

Borrowing costs of \$53.1 million (December 31, 2024: \$34.1 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.

# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

(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 Company's market capitalization at December 31, 2025 was lower than the carrying amount of its net assets. An impairment assessment was conducted and no impairment was recorded since the fair value less cost of disposal (FVLCD) of the Karowe CGU exceeded its carrying amount. Impairment assessments incorporate estimates of recoverable reserves and resources, which rely on assumptions including production volumes, mining and processing recoveries, operating and capital costs, and long-term diamond prices. Determining the FVLCD involves Level 2 and Level 3 inputs and key assumptions include estimated long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones, operating and capital cost estimates from the Feasibility Study Technical Report and real discount rates of 7.0% to 8.0%.

### 8. 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") including intangible assets. Total sale consideration comprised of \$3.0 million in cash less working capital adjustments of \$0.8 million, the return of 10,000,000 Lucara common shares (Note 11) and the elimination of contingent liabilities tied to certain sales performance metrics, EBITDA performance targets or a change of control, amounting to a share issuance obligation of 13,400,000 Lucara common shares. The 10,000,000 Lucara common shares were initially issued as partial consideration upon acquisition of Clara.

The following outlines the results of discontinued operations of Clara for the period from January 1, 2024 to the date of disposal, October 4, 2024.

Year ended December 31, 2024	
Revenue <sup>(1)</sup>	\$ 2,223
Cost of sales <sup>(1)</sup>	3,382
<b>Gross margin</b>	<b>(1,159)</b>
Other expenses	1,196
Loss on disposal	1,353
<b>Net loss from discontinued operations</b>	<b>\$ (3,708)</b>

<sup>(1)</sup> Lucara continues to use Clara's platform to sell its Clara qualifying stones after the disposition of Clara, the revenue and cost of sales related to Lucara's diamonds has been included as part of continuing operations (See Note 13).

### 9. CREDIT FACILITIES

The movement in credit facilities is comprised of the following:

	Deferred financing fees	Project Facility	Working Capital Facility	Total
<b>Balance, January 1, 2024</b>	\$ 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)
<b>Balance, December 31, 2024</b>	\$ -	\$ (180,000)	\$ (25,000)	\$ (205,000)
Drawdown	-	(10,000)	(5,000)	(15,000)
<b>Balance, December 31, 2025</b>	\$ -	\$ (190,000)	\$ (30,000)	\$ (220,000)

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 9. CREDIT FACILITIES (CONTINUED)

#### *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 "Rebase Amendments"). 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 Rebase Amendments modified the repayment schedule, extended the maturity date of the WCF to September 30, 2031, and amended certain other terms. 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 December 31, 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 December 31, 2025, the WCF was fully drawn.

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, Cost to Complete Covenant and Clean Down. On December 30, 2025, the Lenders and the Company entered into a Waiver Agreement to waive all Covenant breaches and events of default. The Waiver Agreement provided extensions to the following covenants: the Financial Model Covenant and the Lateral Development Contract Covenant to February 28, 2026, the Cost to Complete Covenant to March 31, 2026, and the Clean Down to June 30, 2026. The Company has a 30-day cure period following the breach of a Covenant before it is considered an event of default. As of the date these consolidated financial statements were approved by the Board of Directors, the Company is in full compliance with its Facilities, including the Financial Model Covenant and the Lateral Development Contract Covenant, with no outstanding covenant breaches.

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.

During the year ended December 31, 2025, the Company drew \$28.0 million from the amended limited standby undertaking to fund UGP construction.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

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### 9. CREDIT FACILITIES (CONTINUED)

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 of \$33.7 million.

#### *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, 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 December 31, 2025, the interest rate swaps had a total unrealized fair value of \$3.7 million (December 31, 2024: \$8.4 million), of which \$1.1 million has been classified as a current asset. 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.

#### *Due to related party – debentures*

During the year ended December 31, 2023, the Company drew \$15.0 million from its liquidity guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "First Debenture"). 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.

During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"). 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.

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# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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### 10. RESTORATION PROVISIONS

The Company's restoration provisions relate to the rehabilitation of the Karowe Mine in Botswana. The provisions have been calculated based on total estimated rehabilitation costs and discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments for the applicable geographical areas.

The Company has applied a pre-tax discount rate of 10.2% at December 31, 2025 (December 31, 2024: 8.4%) and an annual inflation rate of 4.5% at December 31, 2025 (December 31, 2024: 4.5%). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately \$43.1 million (December 31, 2024: \$39.4 million). The Company expects these liabilities to be settled between 2026 and 2040.

<b>Balance, January 1, 2024</b>	\$	13,738
Changes to rates and estimates		3,056
Accretion		1,525
Translation differences		(679)
<b>Balance, December 31, 2024</b>	\$	17,640
Changes to rates and estimates		667
Accretion		2,136
Translation differences		1,179
<b>Balance, December 31, 2025</b>	\$	<b>21,622</b>

The Company has deposited \$5.3 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 consolidated statements of financial position.

### 11. SHARE CAPITAL

During the year ended December 31, 2024, 4,825,000 common shares (\$1.4 million) were issued to Nemesia consisting of 1,900,000 common shares as consideration for increasing the limited standby undertaking and 2,925,000 common shares in relation to the Debenture (Note 9). Additionally, the Company returned 10,000,000 common shares (\$3.3 million) to treasury relating to the sale of Clara (Note 8).

During the year ended December 31, 2025, a total of 3,660,387 common shares with a fair value of \$0.6 million were issued to Nemesia in relation to the Debentures (Note 9).

# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

### 12. 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
<b>Balance at December 31, 2024</b>	<b>6,163,000</b>	<b>\$ 0.55</b>
Granted	4,176,325	0.40
Expired	(819,000)	0.79
Forfeited	(975,778)	0.63
<b>Balance at December 31, 2025</b>	<b>8,544,547</b>	<b>\$ 0.45</b>

As of December 31, 2025, the following stock options remain outstanding:

Range of exercise prices (CA\$)	Outstanding Options			Exercisable Options		
	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	3.84	0.39	676,662	3.19	0.36
\$0.44 - \$0.66	2,404,000	1.49	0.60	1,473,333	0.89	0.63
	<b>8,544,547</b>	<b>3.148</b>	<b>\$ 0.45</b>	<b>2,149,995</b>	<b>1.62</b>	<b>\$ 0.54</b>

During the year ended December 31, 2025, the Company recognized \$0.3 million (2024: \$0.3 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	3.74
Expected life (years)	3.35	3.53
Expected volatility (%)	47.52	45.61
Expected dividend (\$)	Nil	Nil
Results:		
Weighted average fair value of options granted (per option)	CA\$0.14	CA\$0.14

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**LUCARA DIAMOND CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

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**12. SHARE BASED COMPENSATION (CONTINUED)**

## b. Restricted and performance share units

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for 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.

During the year ended December 31, 2025, the Company recognized an expense of \$0.7 million (2024: \$0.5 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
Forfeited	(1,323,332)	0.59
<b>Balance at December 31, 2024</b>	<b>8,034,668</b>	<b>\$ 0.40</b>
Granted	5,634,384	0.39
Redeemed	(411,332)	0.56
Forfeited	(554,403)	0.54
<b>Balance at December 31, 2025</b>	<b>12,703,317</b>	<b>\$ 0.38</b>

## 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 consolidated statements of financial position.

During the year ended December 31, 2025, the Company recognized a share-based compensation recovery of \$0.1 million (2024: \$0.1 million) related to the revaluation of DSUs.

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**LUCARA DIAMOND CORP.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
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**12. SHARE BASED COMPENSATION (CONTINUED)**

	<b>Number of DSUs</b>	<b>Estimated fair value (CA\$)</b>	
Balance at January 1, 2024	3,172,156	\$	0.49
Granted	1,589,322		0.37
Redeemed	(1,113,852)		0.34
<b>Balance at December 31, 2024</b>	<b>3,647,626</b>	<b>\$</b>	<b>0.42</b>
Granted	2,835,723		0.26
Redeemed	(1,378,517)		0.23
<b>Balance at December 31, 2025</b>	<b>5,104,832</b>	<b>\$</b>	<b>0.20</b>

**13. REVENUES**

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

	<b>2025</b>	<b>2024</b>
<i>Sales Channels</i>		
HB	111,187	142,741
Clara	9,084	11,145
Tender	39,392	49,990
	<b>\$ 159,663</b>	<b>\$ 203,876</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 year ended December 31, 2025, the Company incurred a royalty expense of \$17.7 million (2024: \$23.2 million).

During the year ended December 31, 2024, the Company sold the 549-carat Sethunya diamond and recognized \$20.0 million of previously deferred revenue as revenue.

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**14. ADMINISTRATION**

	<b>2025</b>	<b>2024</b>
Salaries and benefits	\$ 6,280	\$ 5,842
Professional fees	3,612	3,712
Insurance, office and general	1,372	1,188
Promotion	206	375
Stock exchange, transfer agent and shareholder communication	271	314
Travel	300	764
Share-based compensation (Note 12)	918	685
Depreciation	700	705
Sustainability and donations	787	1,229
	<b>\$ 14,446</b>	<b>\$ 14,814</b>

**15. INCOME TAXES**

Income tax expense differs from the amount that would result from applying the Canadian federal and provincial income tax rates to net income before tax. These differences result from the following items:

	<b>2025</b>	<b>2024</b>
Net income before tax	\$ 34,294	\$ 46,369
Combined basic federal and provincial rates	27.00%	27.00%
Expected income tax expense based on Canadian statutory income tax rates	9,259	12,520
Increase (decrease) due to:		
Differences in foreign tax rates	3,957	4,055
Differences in future expected foreign tax rates	(4,288)	(15,156)
Non-deductible expenses and other permanent differences	810	1,094
Change in deferred tax assets not recognized	406	(201)
Tax assets not previously recognized	(2,557)	-
Withholding taxes	592	445
<b>Total income tax expense</b>	<b>\$ 8,179</b>	<b>\$ 2,757</b>

The Company is subject to a variable tax rate in Botswana based on a profit and revenue ratio which increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). The Company has estimated the variable tax rate to be 32.5% in 2025 (2024: 33.1%) for deferred income taxes based on current financial performance and the life of mine plan.

# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

### 15. INCOME TAXES (CONTINUED)

Deferred tax assets and liabilities recognized and not recognized in the consolidated statements of financial position are as follows:

<b>Deferred income tax assets and liabilities recognized</b>	<b>2025</b>	<b>2024</b>
<i>Deferred income tax assets</i>		
Non-capital losses	\$ 25,998	\$ 15,574
Accounts payable and other	20,774	7,070
Unrealized foreign exchange loss	-	1,271
Restoration provisions	6,587	5,480
Total deferred income tax assets	53,359	29,395
<i>Deferred income tax liabilities</i>		
Mineral properties, plant and equipment	177,358	139,908
Unrealized foreign exchange gain	3,754	-
Total deferred income tax liabilities	181,112	139,908
<b>Deferred income tax liabilities, net</b>	<b>\$ 127,753</b>	<b>\$ 110,513</b>
<b>Deferred income tax assets not recognized</b>		
Non-capital tax losses	\$ 36,896	\$ 34,370
Mineral properties, plant and equipment	103	-
Other deductible temporary differences	316	451
	<b>\$ 37,315</b>	<b>\$ 34,821</b>

As at December 31, 2025, the Company has non-capital losses for income tax purposes which expire as follows:

	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>Subsequent to 2029</b>	<b>No expiry date</b>	<b>Total</b>
Botswana	\$ -	\$ -	\$ -	\$ -	\$ 118,174	\$ 118,174
Canada	541	1,285	1,272	122,356	-	125,454
United Kingdom	-	-	-	-	5,923	5,923
	<b>\$ 541</b>	<b>\$ 1,285</b>	<b>\$ 1,272</b>	<b>\$ 122,356</b>	<b>\$ 124,097</b>	<b>\$ 249,551</b>

No tax benefit has been recognized for the Canadian and United Kingdom non-capital losses.

Various tax matters are outstanding from time to time. Judgements and assumptions regarding these matters are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations. If management's estimate of the future resolution of these matters changes, the Company will recognize the effects of these changes in the consolidated financial statements on the date such changes occur. Lucara Botswana received an assessment from the Botswana Unified Revenue Service ("BURS") for the fiscal years 2016 to 2020 related to the tax deductibility of certain expenditures associated with the Company's operations in Botswana.

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FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024****(All amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

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**15. INCOME TAXES (CONTINUED)**

On February 24, 2026, the Company received a response to its objections from BURS in relation to the above tax assessments. BURS allowed the tax deductibility of certain of the previously challenged expenditures, and as a result the Company reversed its previously recorded provision which included \$2.6 million against VAT receivables and a valuation allowance against certain losses of \$1.3 million. BURS maintained its position on two remaining matters. A penalty on the assessed amounts has also been maintained. The Company intends to lodge appeals for the remaining disallowed expenditures and believes that its tax positions are valid. The Company's view is that an economic outflow in relation to the remaining matters is not probable and accordingly no provision has been recorded in these financial statements. The ultimate outcome of an appeal of the remaining positions is uncertain and may have implications for the tax treatment of similar transactions in periods subsequent to those currently under assessment.

**16. RELATED PARTY TRANSACTIONS***Key management compensation*

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

The remuneration of key management personnel was as follows:

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

*Other related party transactions*

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

# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

### 17. SEGMENT INFORMATION

The Company's primary business activity is the operation of the Karowe diamond mine in Botswana. The Company has one operating segment: Karowe Mine.

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

Year ended December 31, 2025			
	Karowe Mine	Corporate	Total
Revenues	\$ 159,663	\$ -	\$ 159,663
Operating expenses	(77,205)	-	(77,205)
Royalty expenses	(17,737)	-	(17,737)
Depletion and amortization	(13,622)	-	(13,622)
Income from mining operations	51,099	-	51,099
Finance expenses	(2,805)	(651)	(3,456)
Loss on derivative instrument	(4,691)	-	(4,691)
Foreign exchange gain (loss)	9,563	(40)	9,523
Loss on disposal of assets	(69)	-	(69)
Administrative and other	(11,383)	(6,729)	(18,112)
Income tax	(7,866)	(313)	(8,179)
<b>Net income (loss) for the period from continuing operations</b>	<b>\$ 33,848</b>	<b>\$ (7,733)</b>	<b>\$ 26,115</b>
<b>Capital expenditures</b>	<b>\$ 101,499</b>	<b>\$ -</b>	<b>\$ 101,499</b>
<b>Total assets</b>	<b>\$ 770,426</b>	<b>\$ 2,284</b>	<b>\$ 772,710</b>
Year ended December 31, 2024			
	Karowe Mine	Corporate	Total
Revenues	\$ 203,876	\$ -	\$ 203,876
Operating expenses	(79,581)	-	(79,581)
Royalty expenses	(23,208)	-	(23,208)
Depletion and amortization	(16,636)	-	(16,636)
Income from mining operations	84,451	-	84,451
Finance expenses	(1,966)	(929)	(2,895)
Gain on derivative financial instrument	290	-	290
Foreign exchange gain (loss)	(7,282)	369	(6,913)
Loss on disposal of assets	(152)	-	(152)
Loss on extinguishment	(10,529)	-	(10,529)
Administrative and other	(10,773)	(7,110)	(17,883)
Income tax	(2,387)	(370)	(2,757)
<b>Net income (loss) for the year from continuing operations</b>	<b>\$ 51,652</b>	<b>\$ (8,040)</b>	<b>\$ 43,612</b>
<b>Capital expenditures</b>	<b>\$ 95,010</b>	<b>\$ -</b>	<b>\$ 95,010</b>
<b>Total assets</b>	<b>\$ 657,466</b>	<b>\$ 3,367</b>	<b>\$ 660,883</b>

# LUCARA DIAMOND CORP.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

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

### 17. SEGMENT INFORMATION (CONTINUED)

The geographic distribution of non-current assets is as follows:

	Plant and equipment		Mineral properties		Other	
	2025	2024	2025	2024	2025	2024
Canada	\$ 706	\$ 1,316	\$ -	\$ -	\$ -	\$ -
Botswana	124,050	118,204	472,410	354,207	70,963	97,889
	\$ 124,756	\$ 119,520	\$ 472,410	\$ 354,207	\$ 70,963	\$ 97,889

Depletion and amortization expense for Karowe Mine and Corporate during the year ended December 31, 2025 totaled \$13.9 million and \$0.4 million, respectively (2024: \$17.0 million and \$0.3 million).

During the year ended December 31, 2025, diamonds sold to HB generated 70% (2024: 70%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated. During the year ended December 31, 2025 and 2024, the Company generated 100% of revenue from sales originating in Botswana.

### 18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

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

The Company's financial instruments include cash and 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 Facilities and due to related parties are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost. The Company's marketable securities are classified as financial instruments measured at fair value through other comprehensive income, with fair values derived from quoted prices in active markets for identical assets.

#### b) *Fair value hierarchy*

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

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

Level 2 - Inputs other than quoted prices included within level 1 that are observable for assets or liabilities, either directly (i.e. observed prices) or indirectly (i.e. derived from prices).

Level 3 - Inputs for the assets or liabilities that are not based on observable market data. No financial assets or liabilities are recognized at level 3.

	December 31, 2025		December 31, 2024	
Level 1: Fair value through other comprehensive income				
– Marketable Securities	\$	-	\$	498
Level 2: Derivative financial instruments	\$	3,707	\$	8,398

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### 18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

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 December 31, 2025, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$6.4 million in net income for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income for the period.

*Liquidity risk*

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

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at December 31, 2025, \$1.0 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$45.9 million is due beyond twelve months. The WCF is classified as current due to the Clean Down. The maturity date for the WCF is September 30, 2031. Further details regarding the Company's liquidity risks are disclosed in Notes 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 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.

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### 18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

#### *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 a portion of the variable rate inherent in the term debt for a fixed rate (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 interest rate swap derivative will however fluctuate in response to changing market interest rates that will result in a corresponding increase or decrease to profit or loss.

In September 2024, the Company amended interest rate swap contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.447% to 2.577% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate 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.

### 19. COMMITMENTS

As at December 31, 2025, purchase orders and contracts resulting in commitments for future minimum payments for services to be provided related to the UGP amounted to \$82.3 million (December 31, 2024: \$79.2 million). The following table summarizes the approximate timing of the commitments (undiscounted) at December 31, 2025:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	<b>Total</b>
UGP commitments	\$ 37.9	38.8	5.6	-	-	<b>\$ 82.3</b>

As at December 31, 2025, minimum payments in relation to lease commitments amount to \$2.5 million (December 31, 2024: \$2.8 million). The following table summarizes the approximate timing of the undiscounted minimum lease payments at December 31, 2025:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	<b>Total</b>
Minimum lease payments	\$ 1.2	0.9	0.3	0.1	-	<b>\$ 2.5</b>

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**20. SUBSEQUENT EVENTS**

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

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