LUCARA
DIAMOND

Management's Discussion and Analysis
and
Consolidated Financial Statements
Quarter Ended March 31, 2024

LUCARA DIAMOND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
March 31, 2024

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. (the "Company") and its subsidiaries performance and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the unaudited condensed interim consolidated financial statements of the Company for the period ended March 31, 2024, which are prepared in accordance with International Financial Reporting Standards ("IFRS") Accounting Standards applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting. All amounts are expressed in U.S. dollars unless otherwise indicated.

Disclosure of a scientific or technical nature in the MD&A was prepared under the supervision of Dr. Herman Grütter (Ph.D., P.Geol.) of SRK Consulting (Canada) Inc., and a Qualified Person, as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein. Additional information about the Company and its business activities is available on SEDAR+ at www.sedarplus.ca.

The effective date of this MD&A is May 9, 2024.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type IIa diamonds from its 100% owned Karowe Diamond Mine in Botswana ("Karowe"). Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Clara Diamond Solutions Limited Partnership ("Clara"), a wholly-owned subsidiary of Lucara, has developed a secure, digital sales platform which ensures diamond provenance from mine to finger. Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations. Lucara is certified by the Responsible Jewellery Council, complies with the Kimberley Process, and has adopted the IFC Performance Standards and the World Bank Group's Environmental, Health and Safety Guidelines for Mining (2007). Accordingly, the development of the Karowe underground expansion project (the "Karowe UGP") adheres to the Equator Principles. Lucara is committed to upholding high standards while striving to deliver long-term economic benefits to Botswana and the communities in which the Company operates.

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

HIGHLIGHTS – Q1 2024

- The recovery of a 320-carat top light brown gem quality diamond, a 166-carat Type IIa diamond, followed by the recovery of a 111-carat Type IIa diamond in Q1 2024.
- In January 2024, the successful execution of an amended project financing debt package of $220 million (the "Rebase Amendments") to amend the repayment profile in line with the rebase schedule released in July 2023 for the Karowe UGP.
- On February 18, 2024, the Company announced the signing of a new ten-year diamond sales agreement ("NDSA") with HB Trading BV ("HB") in respect of all qualifying diamonds produced in excess of 10.8 carats from the Karowe Mine.
- Total revenue of $41.1 million (Q1 2023: $42.8 million) was achieved in Q1 2024 which is reflective of a combination of the timing of production and quantity of large goods recovered and delivered to HB.
- During Q1 2024, a total of 93,560 carats of rough diamonds (Q1 2023: 83,374) from Karowe were sold through the Company's three sales channels, generating revenue of $36.2 million before top-up payments of $4.9 million (Q1 2023: $34.7 million before top-up payments of $6.6 million).

- Operating cost per tonne processed[(1)] was $26.00, a decrease of 2% over the Q1 2023 cost per tonne processed of $26.65. The continued impact of inflationary pressures, particularly labour, has been well managed by the operation. A strong US dollar (+5%) continues to offset a small increase in costs over the comparable period.
- Operational highlights from the Karowe Mine for Q1 2024 included:
    - Ore and waste mined of 0.8 million tonnes ("Mt") (Q1 2023: 0.5Mt) and 0.2 million tonnes (Q1 2023: 0.8Mt), respectively.
    - 0.7 million tonnes (Q1 2023: 0.7Mt) of ore processed.
    - A total of 89,145 carats recovered, including 7,534 carats from the processing of historic recovery tailings, (Q1 2023: 89,640 carats) at a recovered grade of 11.7 carats per hundred tonnes ("cpht") of direct milled ore (Q1 2023: 12.8 cpht).
        - A total of 160 Specials (defined as stones larger than 10.8 carats) were recovered, with three diamonds greater than 100 carats including one diamond greater than 300 carats.
        - Recovered Specials equated to 5.1% of the total recovered carats from direct milling ore processed during Q1 2024 (Q1 2023: 4%).
    - The Karowe Mine has operated continuously for over three years without a lost time injury.
    - The twelve-month Total Recordable Injury Frequency Rate of 0.30 (Q1 2023: 0.36) at the end of Q1 2024 reflects a continued focus on leading indicators and safe performance.
- Financial highlights for Q1 2024 included:
    - Revenues of $41.1 million (Q1 2023: $42.8 million) were achieved despite a weaker rough diamond market. First quarter pricing stabilized in smaller goods and increases of 4% were observed compared to the fourth quarter of 2023. Revenue reflects the weighting of Lucara's revenue towards larger goods where pricing is heavily impacted by the individual goods delivered in a period. A 33% increase in the average price of larger goods sold was observed from the fourth quarter of 2023 and 18% from the first quarter of 2023. The price of goods in this size category are significantly impacted by the natural variability in quality of the recovered goods in any individual period. Revenue against plan was impacted by the quantity of larger goods delivered in Q1 2024.
    - Operating margins of 51% were achieved (Q1 2023: 57%). A strong operating margin continues to be achieved through cost reduction initiatives assisted by a strong U.S. dollar.
    - Adjusted EBITDA[(1)] was $12.7 million (Q1 2023: $15.3 million), with the decrease attributable to the changes in revenue and operating expenses.
    - Net loss was $7.9 million (Q1 2023: net income of $1.0 million), resulting in a loss per share of $0.02 (Q1 2023: earnings of $0.00). The significant change to a net loss is due to the loss on extinguishment of debt of $10.5 million incurred in Q1 2024 in conjunction with recognizing the amendments to the debt package.
    - Cash outflows from operating activities was $4.2 million (Q1 2023: cash flow generated of $20.4 million). Operating cash flow per share[(1)] generated, before working capital adjustments, was consistent at $0.03 (Q1 2023: $0.03)
- During Q1 2024, the Company invested $17.9 million into the Karowe UGP, excluding capitalized cash borrowing costs:
    - Significant progress was made in shaft sinking in the ventilation and production shafts in Q1 2024 with the critical path ventilation shaft ahead of the July 2023 rebase schedule. At the end of Q1, the production shaft had reached 449 metres below collar ("mbc") or 566 metres above sea level ("masl"). The ventilation shaft was at 426 metres below collar or 589 masl. The first shaft stations progressed and the first lateral connection between the two shafts (670 level, 348mbc) was completed.

[(1)] Operating cash cost per tonne processed, adjusted EBITDA and operating cash flow per share are non-IFRS measures (See "Use of Non-IFRS Financial Performance Measures").

- During Q1 2024, the ventilation shaft sank 78 metres, completed three probe hole covers, completed the 670-level station development and replaced the initial winder kibble ropes. Total lateral development in Q1 2024 was 141 metres. Sinking and lateral development was through the Thlabala mudstones and into Tlapana carbonaceous material in dry conditions.
- Production shaft activities included sinking a total of 101 metres, completion of four probe hole covers, lateral development on the 670-level station and replacement of the initial winder kibble ropes. A total of 26 metres of lateral development was completed. Sinking and lateral development was through the Thlabala mudstones and into Tlapana carbonaceous material. A mini grout cover was completed in the production shaft and sinking continued. Small quantities of water that were intersected came from Granites.
- Construction of the permanent bulk air coolers at the production shaft continued with completion expected in Q2 2024. Planning for the engineering of evaporation ponds for water management during production commenced.
- Detailed engineering and fabrication of the permanent men and materials winder continued during the quarter, representing the last major component for the permanent winders.

- Cash position and liquidity as at March 31, 2024:
  - Cash and cash equivalents of $13.2 million.
  - Working capital deficit (current assets less current liabilities) of $0.3 million.
  - Cost overrun account balance (“CORA”) of $37.0 million.
  - $140.0 million drawn on the $190.0 million Project Loan (“Project Loan”) for the Karowe UGP.
  - $25.0 million drawn on the $30.0 million working capital facility (“WCF”).
  - Total debt drawn at the end of Q1 2024 was $165.0 million compared to $125.0 million at December 31, 2023. The increase in debt drawn during Q1 2024 largely resulted as the Company did not have access to the Project Loan and WCF from June 2023 until January 2024 when the project finance debt package was finalized.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains positive, anchored on improving fundamentals around supply and demand as many of the world’s largest mines reach their end of life. In the short-term, De Beers, the largest diamond producer by value reduced their production guidance by up to 3.0 million carats, for 2024, to assist with stabilising the diamond market. During the quarter, the G7 sanctions on the importation of Russian diamonds greater than one carat went into effect at the beginning of March and some trade delays were noted in the industry. The new procedures require all rough diamonds larger than 1.0 carat to be processed through the Antwerp World Diamond Centre for validation of point of origin. The Company sees this as short-term support for diamond pricing as this, together with the reduction in production volumes from De Beers, will result in lower volumes of higher value goods being available in the market.

Sales of lab-grown diamonds increased steadily through 2023 and into Q1 2024 with many smaller retail outlets increasingly adopting these diamonds as a product. In Q1 2024, this market underwent further change with a number of major brands confirming that they would not market lab-grown stones. The overall long-term impact will support the natural diamond market as the Company expects a division between the natural and lab-grown diamond market. The longer-term market fundamentals for natural diamonds remain positive, pointing to continued price growth as demand is expected to outstrip future supply, which is now declining globally.

SALES

Karowe diamonds are sold through three sales channels: through the HB sales agreement (terminated as of September 28, 2023; reinstated in February 2024), on the Clara digital sales platform and through quarterly tenders.

HB Sales

Karowe's large, high value diamonds have historically accounted for approximately 60% to 70% of Lucara's annual revenues. In February 2024, Lucara entered into a ten-year NDSA with HB in respect of all qualifying diamonds produced in excess of 10.8 carats from the Karowe Mine, following the termination in September 2023 of its November 2022 definitive sales agreement with HB. The Company is currently working with its lenders and the Government of the Republic of Botswana to receive approval of the NDSA.

Under the sales arrangements with HB, +10.8 carat gem and near gem diamonds from the Karowe Mine of qualities that could directly enter the manufacturing stream are sold to HB at prices based on the estimated polished outcome of each diamond. The estimated polished value is determined through the use of state-of-the-art scanning and planning technology, with an adjusted amount payable on actual achieved polished sales, less a fee. The timing of payments varies based on the category of stones being delivered, as determined by the estimated polished value of the diamond. All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats which did not meet the criteria for sale on Clara continue to be sold as rough through a quarterly tender.

Additional consideration, in the form of a "top-up" payment, is payable to the Company if the final sales price of the polished diamond sold is higher than the initial estimated polished price. Any manufactured diamonds sold to an end buyer for less than the initial estimated polished price (after deductions for HB's fee and the cost of manufacturing) will result in the difference being refunded to HB. The rough diamonds delivered to HB prior to the termination of the November 2022 agreement continued to be manufactured and sold as polished diamonds under the terms of the definitive sales agreement.

Top-up payments, net of fees earned by HB, are payable when polished diamonds are sold to an end buyer and the sales prices achieved exceeds the initial purchase price paid to Lucara. Top-up payments primarily relate to carats delivered in previous quarters. The amount and timing of top up payments received is impacted by the complexity of certain rough diamonds and the qualitative assumptions that are part of the initial planning process. At various points during the manufacturing process, the stones are re-assessed, and adjustments may be made to the manufacturing plan, with the objective of maximizing the final sales price.

Payments owing for the final polished sales price and top-up payments received are estimated, after deductions for HB's fee and the cost of manufacturing, when determining the transaction price recognized for accounting purposes. This estimate is updated at each period end until the transaction price is confirmed. Timing of deliveries to HB and polished sales by HB have the most significant impact on the timing of revenue recognition.

Sethunya Diamond

In 2021, amidst strengthening prices for large, high value diamonds, a strategic decision was taken to defer the sale of the Sethunya (549 carats), one of the finest, gem quality diamonds produced from the Karowe Mine to date. In mid-2022, Lucara and HB agreed to a series of prepayments. As at March 31, 2024, the Company had received prepayments of $20.0 million from HB for the Sethunya. These prepayments have been recorded as deferred revenue on the Statement of Financial Position.

Clara Sales Platform

Clara is a secure web-based digital marketplace which is best suited to transact diamonds between 1 and 10 carats, in higher colours and quality. The Clara platform matches buyers to sellers on a stone-by-stone basis based on polished demand and is the only sales platform in the world that uses blockchain technology to provide complete assurance on diamond provenance. Clara continues to gain interest as the financial benefits of purchasing rough diamonds in this innovative way are realized for all participants and, buyers become more focused on transparency and traceability of diamonds from mine to retail.

Total volume transacted on the platform was $4.9 million in Q1 2024 (Q1 2023: $5.3 million), with non-Karowe goods representing 33% of the total sales volume transacted. The number of buyers on the platform reached 106 as of March 31, 2024.

Quarterly Tenders

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats which did not meet the criteria for sale on Clara are being sold as rough through quarterly tenders. Viewings take place in both Gaborone, Botswana and Antwerp, Belgium.

KAROWE UNDERGROUND PROJECT UPDATE

The Karowe UGP is designed to access the highest value portion of the Karowe orebody, with initial underground carat production predominantly from the highest value eastern magmatic/pyroclastic kimberlite (south) ("EM/PK(S)") unit. The Karowe UGP is expected to extend mine life to at least 2040.

On July 16, 2023, an update to the Karowe UGP schedule and budget was announced (link to news release). The anticipated commencement of production from the underground is H1 2028. The revised forecast of costs at completion is $683.0 million (including contingency). As at March 31, 2024, capital expenditures of $332.5 million had been incurred and further capital commitments of $64.4 million had been made.

With the update, the Karowe Mine production and cash flow models were updated for the revised project schedule and cost estimate. Open pit mining will continue until mid-2025 and provide mill feed during this time. Stockpiled material (North, Centre, South Lobe) from working stocks and life of mine stockpiles will provide uninterrupted mill feed until late 2026 when Karowe UGP development ore will begin to offset stockpiles with high-grade ore from the underground production feed planned for H1 2028. The long-term outlook for diamond prices, combined with the potential for exceptional stone recoveries and the continued strong performance of the open pit could mitigate the modelled impact on project cash flows due to the changes in schedule. The Company continues to explore opportunities to further mitigate the modelled impact.

During the three months ended March 31, 2024, a total of $17.9 million was spent on the Karowe UGP development, surface infrastructure and ongoing shaft sinking activities. The following activities were completed during Q1 2024, including:

- Main sinking in the production and ventilation shafts:
  - The ventilation shaft reached 426 metres below collar, with a planned final depth of 731 metres. The shaft is approximately 19 days ahead of the July 2023 rebase schedule update (combined vertical and lateral metres).
  - The production shaft reached 449 metres below collar, with a planned final depth of 765 metres. The production shaft is approximately 15 days behind the July 2023 schedule update (combined vertical and lateral), with 9 days gained during the first quarter of 2024. The production shaft is not a critical path schedule item.
  - During Q1 2024, the first shaft stations at the 670-level were engaged in lateral development at 348 metres below collar (666 masl). The first lateral connection between the two shafts (670 level) was completed. Electrical and dewatering sump excavation was completed, and construction of equipment was carried out as a concurrent activity during shaft sinking.
  - During Q1 2024, the ventilation shaft sank 78 metres, completed three probe hole covers, continued the 670-level station development and replaced the initial winder kibble ropes. Total lateral development in Q1 2024 was 141 metres.
  - Production shaft activities included sinking a total of 101 metres, completion of four probe hole covers, lateral development on the 670-level station and replacement of the initial winder kibble ropes. A total of 26 metres of lateral development was completed.
  - Sinking and lateral development during the first quarter took place in the Thalbala mudstone and Tlapana carbonaceous material. Water encountered in the core holes was derived from Granites. A mini grout cover was completed in the production shaft and sinking continued.
- Construction of the permanent bulk air coolers at the production shaft continued with completion expected in Q2 2024. Engineering and planning for a surface evaporation dam for the water during production commenced.

- Detailed engineering and fabrication of the permanent men and materials winder continued during the quarter, representing the last major component for the permanent winders.
- Preparation of tender documents for the underground lateral development work.
- Mining engineering advanced with a focus on supporting shaft sinking, underground infrastructure engineering and finalizing level plans.
- During Q1 2024, the UGP achieved a twelve-month rolling Total Recordable Injury Frequency Rate of 0.65. Project to date Total Recordable Injury Frequency Rate at March 31, 2024 was 0.56.

The capital cost expenditure for the underground expansion in 2024 is up to $100 million – see “2024 Outlook” below.

Activities planned for the Karowe UGP in Q2 2024 include the following:

- Sinking within the ventilation and production shafts to the 470-level.
- Sink through the Mea formation into Granites and commence 470-level station development and lateral development.
- Planned cover drill campaigns in the ventilation and production shafts. Sinking planned for the second quarter will move through the Mea formation into the Granite lithologies. Probe hole grouting campaigns are planned in each shaft in the period.
- Procurement of underground equipment, including an additional Load, Haul, Dump vehicle for the production shaft station development. Major components of the underground crusher and pumps will be delivered to site.
- Commissioning of the permanent bulk air cooler system.
- Launch of the tender process for the underground lateral development work.
- Continuation of detailed design and engineering of the underground mine infrastructure and layout.
- Finalise engineering of the permanent men and materials winder. Commence earthworks for winder.

FINANCING

On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as the sponsor and the guarantor, amended its debt package that was originally entered into in 2021. The senior secured project financing debt package of $220 million (the "Facilities”) consist of a project finance facility of $190.0 million (previously $170.0 million) to fund the development of an UGP at the Karowe Mine, and a $30.0 million (previously $50.0 million) senior secured working capital facility (the "WCF") which is used to support ongoing operations. While the total quantum of the Facilities has not changed, the repayment profile has been extended in line with the rebase schedule released on July 17, 2023, and the maturity of the WCF has been extended to June 30, 2031.

The Project Loan may be used to fund the development, construction costs and construction phase operating costs of the Karowe UGP as well as financing costs on the Facilities. The Project Loan maturity was extended to June 30, 2031, with quarterly repayments commencing on September 30, 2028.

The Project Loan bears interest at a rate of Term Secured Overnight Financing Rate (“SOFR”) plus a margin of 6.5% annually until the project completion date, 6.0% annually from the project completion date to June 30, 2029, and 7.0% annually thereafter. Commitment fees for the undrawn portion of the Project Loan are 35% of the margin per annum.

The WCF may be used for working capital and other corporate purposes. This facility bears interest at a rate of Term SOFR plus margin of 6.5% annually until the project completion date, 6.25% annually from the project completion date to June 30, 2029, and 7.25% annually thereafter. Commitment fees for the undrawn portion of the WCF are 35% of the margin per annum. The WCF now matures on June 30, 2031.

As at March 31, 2024, the Company has drawn $140.0 million from the Project Loan and $25.0 million from the WCF. At financial close of the Rebase Amendments, an amount of $20.0 million outstanding on the WCF was transferred to the Project Loan and $15.0 million was drawn from the Project Loan and contributed to the CORA.

Following the Rebase Amendments, the Company is required to place $61.7 million in the CORA as a condition of the Facilities prior to June 30, 2025. The Facilities Agreement, meaning the loan documentation signed on July 12, 2021 consisting of the Facilities, as amended and restated on July 19, 2023 and as further amended on January 9, 2024 by the Rebase Amendments, includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was $37.0 million as at March 31, 2024. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and excess cashflow from operations.

Under the terms of the Rebase Amendments to the Project Loan, the Company's largest shareholder, Nemesia S.a.r.l. ("Nemesia") provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the CORA to $61.7 million ($28.1 million at the effectiveness of the Rebase Amendments) by June 30, 2025 and ii) in the event of a funding shortfall, support up to $35.0 million occurring up to project completion. In consideration for the guarantee, a total of 1,900,000 shares were issued to Nemesia.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to $15.0 million in aggregate in the event the Company's cash balance decreased below $10.0 million which was drawn by the Company in Q4 2023. For each $500,000 drawn down under the Liquidity Guarantee, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. Following receipt of shareholder and regulatory approval at the Annual and General Special Meeting on May 10, 2024, an additional 1,125,000 common shares currently owed will be paid to Nemesia.

As at March 31, 2024, the Company was in compliance with all covenants under the Facilities.

INTEREST RATE SWAP

In February 2024, the Company amended a series interest rate swaps to the expected Project Loan drawdown schedule under the Rebase Amendments. The total interest rate swaps were amended to amounts up to $142.5 million and the maturity was extended to June 30, 2031. The Company receives interest at the rate equivalent to the three-month USD Term SOFR plus a credit adjustment spread and pays interest at a fixed rate of between 2.421 and 2.447% on a quarterly basis.

As at March 31, 2024, the interest rate swaps had a total unrealized fair value of $8.6 million (December 31, 2023: $8.1 million), of which $2.5 million has been classified as a current asset in the Statement of Financial Position. In Q1 2024, the Company recorded a $0.5 million gain (Q1 2023: loss of $1.4 million) on this derivative financial instrument. Movements in the unrealized fair value are recorded through the Statements of Operations.

CLARA REVOLVING CREDIT FACILITY

On September 28, 2022, the Company's wholly owned subsidiary, Clara, with Lucara Diamond Corp. as guarantor, entered into a revolving credit facility agreement of $4.0 million with FirstRand Bank Limited, acting through its Rand Merchant Bank Division (the "Clara Facility") which matures on September 28, 2024.

The Clara Facility is used for inventory and working capital purposes. As at March 31, 2024, $1.5 million (December 31, 2023: $nil million) of the facility was drawn. The facility bears interest at SOFR plus a margin of 6.0%.

FINANCIAL HIGHLIGHTS

Table 1

In millions of U.S. dollars, except carats or otherwise noted		**Three months ended March 31, 2024**	**2023**
Revenues	$	41.1	42.8
Operating expenses		(20.2)	(18.3)
Net (loss) income for the period		(7.9)	1.0
(Loss) earnings per share (basic and diluted)		(0.02)	0.00
Operating cash flow per share[(1)]		0.03	0.03
Cash on hand		13.2	31.2
Cost overrun facility (restricted cash)		37.0	18.0
Amounts drawn on WCF[(2)]		25.0	23.0
Amounts drawn on Project Loan		140.0	90.0
Revenue from the sale of Karowe diamonds		39.5	41.2
Carats sold from Karowe		93,560	83,374

[(1)] Operating cash flow per share before working capital adjustments is a non-IFRS measure. See "*Use of Non-IFRS Performance Measures*" below.

[(2)] Excludes amounts drawn from the Clara Facility.

Q1 2024 Analysis

The Company recognized total revenues of $41.1 million in Q1 2024. This included $39.5 million from the sale of 93,560 carats from Karowe (including top-up payments of $4.9 million) as well as $1.6 million from the sale of third-party goods on the Clara platform. In comparison, the Company achieved total revenues of $42.8 million in Q1 2023 which included $41.3 million from the sale of 83,374 carats from Karowe and top-up payments of $6.6 million, and $1.5 million in revenue from third party goods sold through the Clara platform. The 4% decrease in quarterly revenue was predominantly driven by a decrease in the recovery of stones greater than 10.8 carats in the first quarter due to the natural variability of the resource and the timing of the delivery of stones greater than 10.8 carats to HB. Under the sales agreement with HB, Karowe's +10.8 production accounted for 57% (Q1 2023: 57%) of total revenues recognized in Q1 2024.

The Company had expected higher diamond recoveries and diamond quality during Q4 2023 and Q1 2024. This decrease in both recovery and diamond quality contributed to the Company's additional working capital facility draw during the quarter. Under the HB agreement, payment for diamonds delivered under a value of $2.0 million per stone is 60 days and for diamonds of value greater than $2.0 million per stone is 120 days. The Company has seen diamond recoveries and quality improve during Q2 2024, however due to the payment terms of the HB agreement these funds will not be received until Q3 2024 which has strained cash flows during Q2. As a result, the Company drew $25.0 million from the project loan to fund its underground development in April 2024.

A softer diamond market in 2023 resulted in lower achieved prices for the goods less than 10.8 carats, when compared to the fourth quarter of 2023, increasing prices were observed in the first quarter. On a like-for-like comparison, prices increased 4% from realized prices in the fourth quarter of 2023. The average price for goods less than 10.8 carats was $170 per carat, a decrease of 16% from the average price of $203 per carat in Q1 2023. The Company's product mix (which is weighted to larger, high value goods of sizes greater than 10.8 carats) is impacted less by price movements in the smaller goods. Recoveries were lower than planned in the first quarter in all size categories.

Total operating expenses were higher in Q1 2024 ($20.2 million) compared to Q1 2023 ($18.3 million) predominantly due to inventory movements with a larger volume of carats sold in the first quarter of 2024 (+12%) versus the comparable quarter in 2023. Operating expenses are recorded on a per carat basis and recognized as the carat is sold. The timing of the sale of carats can affect when amounts are recognised between inventory and operating expenses. Inventory costs were 2% lower on a per carat basis after accounting for inflationary pressures and a stronger USD (+5%). Please see Table 4: *"Select Financial Information"* below for details on the expense line items which had the most significant impact on net loss of $7.9 million (Q1 2023: net income $1.0 million) in the quarter.

QUARTERLY SALES RESULTS

Table 2

Q1 2024 - Sales Channel	Rough Carats Sold		Revenue US$ M
HB Arrangements	2,482	$	18.3
Clara(1)	2,803		3.3
Tender(2)	88,275		13.0
Subtotal – Karowe diamonds sold	**93,560**	**$**	**34.6**
HB top-up payments			4.9
Total Revenue – Karowe Diamonds		**$**	**39.5**
3rd party goods (Clara)(1)			1.6
Total Revenue – Q1 2024		**$**	**41.1**

Q1 2023 - Sales Channel	Rough Carats Sold		Revenue US$ M
HB Arrangements	2,971	$	18.0
Clara(1)	2,653		3.8
Tender(2)	77,750		12.9
Subtotal – Karowe diamonds sold	**83,374**	**$**	**34.7**
HB top-up payments			6.6
Total Revenue – Karowe Diamonds		**$**	**41.3**
3rd party goods (Clara)(1)			1.5
Total Revenue – Q1 2023		**$**	**42.8**

(1) Four sales were completed on Clara in Q1 2024 (Q1 2023: four), with the sale of third-party goods continuing to supplement the total volume transacted from Karowe.

(2) Non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which did not meet characteristics for sale on Clara were sold through tender.

HB Arrangements – Q1 2024

For the three months ended March 31, 2024, the Company recorded revenue of $23.2 million from the HB arrangements (inclusive of top-up payments of $4.9 million), as compared to revenue of $24.5 million (inclusive of top-up payments of $6.6 million) for the three months ended March 31, 2023. The volume of carats delivered to HB was lower in the first quarter of 2024 than planned. The volume recognized as revenue in Q1 2024 was impacted by the timing of goods delivered as well as the number and the quality of stones greater than +10.8 carats recovered in the period. The plant performance remained strong with a 97% recovery factor achieved in Q1 2024; however, the weight percentage of recovered specials was lower than plan.

Recovered Specials for the quarter equated to 5.1% by weight of total recovered carats from mined ore processed during Q1 2024, with 89% of carats recovered coming from the South Lobe, 7% recovered from the Centre Lobe, and 4% recovered from mixed ore (Q1 2023: 4.0%; 64% Centre and North, 36% South Lobe ore). Natural variability in the quality profile of the +10.8ct stones in any production period or fiscal quarter results in fluctuations in recorded revenue and associated top-ups.

The average price of goods delivered in the first quarter of 2024 remained strong and is directly comparable to the value delivered in the first quarter of 2023. Top-ups in the first quarter continue to be received from goods delivered in prior periods under the November 2022 diamond sales agreement with HB. As a result of these factors, revenue to HB was consistent at 57% of total revenue recognized in the first quarter of 2024 (Q1 2023: 57%). The product mix in Q1 2024 was predominantly from the South Lobe ore body, with some contribution from the Centre Lobe.

The large stone diamond market fundamentals continued to support healthy prices from the multi-year highs observed at the peak in Q1 2022, despite an overall softening of demand in the market.

Clara

During Q1 2024, the sales volume transacted was $4.9 million (Q1 2023: $5.3 million) due to the natural variability in product mix from the Karowe Mine. Prices trended flat during the first quarter of 2024 following a small uptick in pricing in December 2023 with a resumption of purchasing across most size categories.

Quarterly Tender

A total of 88,275 carats were sold in the Q1 2024 tender, generating revenues of $13.0 million or $147 per carat (Q1 2023 tender: $12.9 million from the sale of 77,750 carats or $166 per carat). Following a rebound in the fourth quarter of 2023, prices trended mostly flat across most size categories at tender. Like-for-like, prices were up 4% from December 2023 on all goods less than 10.8 carats, including Clara.

RESULTS OF OPERATIONS – KAROWE MINE

Table 3:

	UNIT	Q1-24	Q4-23	Q3-23	Q2-23	Q1-23
Sales						
Revenues from the sale of Karowe diamonds	US$M	39.5	36.3	56.2	38.6	41.3
Karowe carats sold	Carats	93,560	111,523	111,673	72,717	83,374
Production						
Tonnes mined (ore)	Tonnes	809,999	607,101	869,188	682,636	541,400
Tonnes mined (waste)	Tonnes	386,849	456,880	954,226	907,051	761,295
Tonnes processed	Tonnes	698,870	703,472	724,640	720,345	700,678
Average grade processed(1)	cpht (*)	11.7	14.0	13.6	12.6	12.8
Carats recovered(1)	Carats	81,611	98,177	98,311	90,497	89,640
Costs						
Operating cost per tonne of ore processed(2)	US$	26.00	31.96	28.62	27.97	26.65
Capital Expenditures						
Sustaining capital expenditures	US$M	1.8	8.0	3.2	2.4	0.8
Underground expansion project(3)	US$M	17.9	28.0	20.3	22.5	30.5

(*) carats per hundred tonnes

(1) Average grade processed is from direct milling carats and excludes carats recovered from re-processing historic recovery tailings from previous milling.

(2) Operating cost per tonne of ore processed is a non-IFRS measure. See Table 7.

(3) Excludes qualifying borrowing cost capitalized.

FIRST QUARTER OVERVIEW – OPERATIONS - KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during the three months ended March 31, 2024. As of March 31, 2024, the mine had operated for over three years without a lost time injury. The twelve-month Total Recordable Injury Frequency Rate was 0.3 (Q1 2023: 0.36).

Environment and Social:

- There were no reportable environmental matters during the first quarter of 2024.
- Work continues as part of Lucara Botswana's adoption of the "Towards Sustainable Mining" initiative (an initiative developed by the Mining Association of Canada and adopted by the Botswana Chamber of Mines).
- In Q1 2024, an audit by the Responsible Jewellery Council was completed as part of a 3-year recertification process.
- A double-materiality assessment was completed for the 2023 sustainability report in accordance with Global Reporting Initiative Standards and towards Europe Sustainability Reporting Standards.
- Significant progress was made towards the Corporate Sustainability Reporting Directive ("CSRD"). The Company expects to begin reporting under CSRD in early 2025.

- The development and implementation of an updated tailings framework aligned to the Global International Standard for Tailings Management ("GISTM") continued. Work on a feasibility study, which began in Q4 2023, continued for the Underground Life of Mine tailing facility, with expected completion in 2024.

Production: Ore and waste mined during the first quarter of 2023 totaled 0.8 million tonnes and 0.4 million tonnes respectively. During Q1 2024, tonnes processed were on target at 0.7 million tonnes at an average grade of 11.7 cpht, with a total of 81,611 carats recovered from direct milling. Carats recovered from direct milling ore achieved a 97% recovery based on mill feed. Ore processed was 89% from the South Lobe, 7% from the Centre Lobe, and the remainder from mixed ore.

Diamond Recoveries: A total of 160 Specials were recovered, with three diamonds greater than 100 carats in weight, including one stone greater than 300 carats. Recovered Specials equated to 5.1% by weight of total recovered carats from ore processed during Q1 2024 (Q1 2023 – 4.0%).

Karowe's operating cash cost: Karowe's operating cash cost for Q1 2024 (see "*Use of Non-IFRS Financial Performance Measures*") was $26.00 per tonne of ore processed (Q1 2023: $26.65 per tonne of ore processed), below the 2024 annual forecast of $28.50-$33.50 per tonne processed. The 2% decrease in cost per tonne of ore compared to the prior year processed reflects the benefit of a comparatively stronger U.S. Dollar (+5%) offset by slowing cost inflation. Costs are expected to be lower earlier in the year when compared to the full year operating cost per tonne processed due to the timing of annual labour increases.

Overall performance: Mine performance during the first quarter remained consistent with the strong operational results achieved over the past several years. Recoveries from direct milling ore were on plan at 97%; however, the weight percentage of specials recovered was less than plan. Natural variability in the timing of recovering large high-quality stones from the resource results in fluctuations in recorded revenue. Mining results were on plan during Q1 2024.

SELECT FINANCIAL INFORMATION

Table 4:

In millions of U.S. dollars unless otherwise noted		Three months ended March 31, **2024**	2023
Revenues	$	41.1	42.8
Operating expenses		(20.2)	(18.3)
Adjusted operating earnings(1)		20.9	24.5
Royalty expenses		(4.3)	(5.2)
Administration		(3.2)	(3.4)
Sales and marketing		(0.7)	(0.6)
Adjusted EBITDA(2)		12.7	15.3
Depletion and amortization		(4.5)	(4.8)
Finance expenses		(0.7)	(1.2)
Foreign exchange loss		(3.0)	(2.7)
Gain (loss) on derivative financial instrument		0.5	(1.4)
Loss on extinguishment of debt		(10.5)	-
Deferred income tax expense		(2.4)	(4.2)
Net (loss) income for the period		(7.9)	1.0
(Loss) earnings per share (basic)		0.02	0.00
Operating cash flow per share(3)		0.03	0.03

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

(2) Adjusted EBITDA is a non-IFRS measure defined as earnings before depletion and amortization, finance expenses, foreign exchange, financial instrument fair value adjustments, disposal of assets and taxation.

(3) Operating cash flow per share is a non-IFRS measure. See Non-IFRS Measures.

(4) Numbers may not foot due to rounding.

Revenues and royalties

Total revenue decreased 4%, from $42.8 million in Q1 2023 to $41.1 million in Q1 2024. During the three months ended March 31, 2024, Lucara recognized revenue of $39.5 million from the sale of 93,560 carats from Karowe (including top-up payments of $4.9 million) and generated $1.6 million from the sale of third-party goods on the Clara platform. In comparison, the Company achieved total revenues of $42.8 million in Q1 2023 which included $41.3 million from the sale of 83,374 carats from Karowe, top-up payments of $6.6 million, and $1.5 million in revenue generated from third party goods sold through the Clara platform.

Royalties to the Government of Botswana are paid at the rate of 10% of the final gross sales price achieved from the sale of all diamonds, rough or polished.

Adjusted Operating Earnings and Expenses

Adjusted operating earnings for the three months ended March 31, 2024 were $20.9 million (Q1 2023: $24.5 million) after operating expenses of $20.2 million (Q1 2023: 18.3 million). The increase in operating expenses is attributed to the number of carats sold which increased by 12%. Operating expenses are recorded on a per carat basis and recognized as the carat is sold. The timing of the sale of carats can affect when amounts are recognised between inventory and operating expenses. Inventory costs were 2% lower on a per carat basis after accounting for inflationary pressures and a stronger USD (+5%).

Ore tonnes processed totalled 698,870 during Q1 2024 was consistent with the 700,678 tonnes processed in Q1 2023. The recovery of 81,611 carats from direct milled ore in Q1 2024 was 9% lower than the 89,640 carats recovered in Q1 2023. This decrease is attributed to a lower average grade in Q1 2024 of 11.7 cpht (Q1 2023: 12.8 cpht) with a greater proportion of South Lobe ore processed in Q1 2024. South Lobe ore, while lower grade, historically generates a higher average price per carat sold.

Adjusted Operating Earnings is a non-IFRS measure and is reconciled in Table 4: *"Select Financial Information"*.

Depletion and amortization

In Q1 2024, the Company recorded depletion and amortization expense of $4.5 million (Q1 2023: $4.8 million). This non-cash expense decreased 6% from the comparative period. The depletion and amortization expense on assets which are primarily amortized on a unit of production basis will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered. Depletion and amortization expense on assets put into use on the Karowe UGP is capitalized to the project. The foreign exchange rate movement from the strengthening of the USD (+5%) also decreased the expense in Q1 2024.

Derivative financial instrument

A $0.5 million gain on a derivative financial instrument (Q1 2023: loss of $1.4 million) relates to changes in the fair value of the interest rate swap in response to changing market interest rates (*see Note 8 of the condensed interim consolidated financial statements for the three months ended March 31, 2024*). The Company holds its interest rate swaps at fair value and as such, the movement in the fair value within any given period creates an adjustment to the Statement of Operations. As at March 31, 2024, the interest rate swaps were in an asset position, with a fair value of $8.6 million (December 31, 2023: $8.1 million) on the Statements of Financial Position, with $2.5 million classified as a current asset based on the timing of expected settlement.

Loss on extinguishment of debt

A $10.5 million loss was recognized upon the Rebase Amendments of the Company's Project Loan (Q1 2023: nil). Upon the Rebase Amendments, the remaining balance of deferred financing costs and unamortized initial arrangement costs in conjunction with arranging the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment of the Facilities of $10.5 million. Previously, these costs were deferred and capitalized as borrowing costs to the Karowe UGP. The change in the repayment profile and the amounts available under the Project Loan resulted in the write-off of those previously deferred costs.

Net Loss

Net loss for the three months ended March 31, 2024 was $7.9 million (Q1 2023: net income of $1.0 million) with the change from the comparable period predominantly related to the loss on extinguishment of debt of $10.5 million. The recognition of the loss reflects an immediate variability in the Statement of Operations which otherwise would have been capitalized to the Karowe UGP and amortized over the life of the mine.

Adjusted Earnings Before Interest, Tax, Depletion and Amortization (Adjusted EBITDA)

Adjusted EBITDA for the three months ended March 31, 2024 was $12.7 million compared to $15.3 million in Q1 2023. The change in earnings is directly attributable to the change in operating expenses and revenue, after royalties, of $2.7 million.

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

Operating Cash Flow per Share

For the three months ended March 31, 2024, operating cash flow per share was $0.03 (Q1 2023: $0.03). The Company continues to generate a strong operating cash flow per share and generated an operating margin of 51% in Q1 2024 (Q1 2023: 57%).

Operating cash flow per share is a non-IFRS measure and is reconciled in Table 6 below to the most directly comparable measure calculated in accordance with IFRS, which is cash flow from operating activities.

SELECT QUARTERLY FINANCIAL INFORMATION

Table 5: The following table sets out selected consolidated financial information for each of the eight most recent completed quarters:

Three months ended	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22	Jun-22
A. Revenues	41,134	36,542	56,944	41,125	42,760	42,465	49,926	52,348
B. Administration expenses	(3,208)	(6,670)	(6,768)	(4,012)	(3,417)	(5,138)	(4,220)	(4,005)
C. Net (loss) income	(7,940)	(36,685)	10,544	4,996	954	7,103	1,831	12,532
D. (Loss) earnings per share (basic)	(0.02)	(0.07)	0.02	0.01	0.00	0.02	0.00	0.03

Quarterly revenue in the table above was recognized from three separate sales channels: through committed sales of +10.8 carat diamonds to HB, sales on Clara, the Company's secure web based digital sales platform, and, through regular tenders of our smaller stones. Sales of Specials, but more particularly the unique and high value Specials are the primary factor causing variation to the quarterly metrics. While the expected number of specials can be predicted based on the resource model, the quality of the Specials recovered is unknown and can lead to significant variability in the quarterly periods.

Diamond prices improved significantly through late 2021 before peaking in Q1 2022. While softening from the peak, diamond prices remained strong through most of 2022 in response to supply constraints in certain size classes and strong demand, despite ongoing economic and other uncertainties. Lower revenue in 2023 resulted from a combination of weaker prices, lower recoveries of Specials and plant feed (more Centre and North lobe ore in 2023).

Net income achieved in each quarter is most impacted by the revenue earned during that quarter, while the impact of changes in depreciation, fluctuating inventory levels, foreign exchange gains and losses, the gain or loss on derivative financial instruments, and income tax expenses introduce volatility to net income.

NON-IFRS FINANCIAL MEASURES

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

Adjusted EBITDA (see Table 4: "*Select Financial Information*") is the term the Company uses as an approximate measure of the Company's pre-tax operating cash flow and is generally used to measure performance and evaluate trends of individual assets. Adjusted EBITDA comprises earnings before depletion and amortization, finance expenses, foreign exchange, financial instrument fair value adjustments, disposal of assets and taxation.

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

Operating cash flow per share is the term the Company uses to assess its ability to generate cash flow from operations, while also taking into consideration changes in the number of outstanding common shares of the Company. Operating cash flow per share is calculated by taking cash flows from operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of common shares outstanding. The most directly comparable measure calculated in accordance with IFRS is cash flows from operating activities.

Table 6: Operating cash flow per share reconciliation:

Thousands of U.S. dollars except weighted average common shares outstanding and operating cash flow per share

		Three months ended March 31,	
		2024	2023
Cash flows from operating activities	$	(4,159)	20,424
Add: Changes in non-cash working capital		16,462	(6,380)
Total cash flow from operating activities before changes in non-cash working capital		12,303	14,044
Weighted average common shares outstanding		456,645,000	453,900,533
Operating cash flow per share(1)	$	0.03	0.03

(1) Operating cash flow per share for the period is a non-IFRS measure defined as cash flows from operating activities, less changes in non-cash working capital items, divided by the basic weighted average number of common shares outstanding for the period.

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

Table 7: Operating cost per tonne of ore processed reconciliation:

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

		Three months ended March 31,	
		2024	2023
Operating expenses	$	20.2	18.3
Corporate and other segment operating expenses(1)		(1.9)	(1.4)
Net change rough diamond inventory, excluding depletion and amortization		(1.3)	(0.1)
Net change ore stockpile inventory, excluding depletion and amortization		1.2	1.9
Total operating costs for ore processed	$	18.2	18.7
Tonnes processed		698,870	700,678
Operating cost per tonne of ore processed(2)	$	26.00	26.65

(1) Calculated as the difference between Revenue and Loss from Operations of the Corporate and other segment, excluding depletion and amortization. See Note 13 – Segment Information in the condensed interim consolidated financial statements for the three months ended March 31, 2024.

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

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2024, the Company had cash and cash equivalents of $13.2 million. Cash outflows from operating activities for the three months ended March 31, 2024 was $4.2 million.

Working capital (current assets minus current liabilities) as at March 31, 2024 was a deficit of $0.3 million as compared to a deficit of $16.6 million as at December 31, 2023, an improvement from the Company's liquidity position at the end of 2023. The increase is reflective of the decrease in current liabilities and reclassification from WCF to long-term Project Loan of $20.0 million in conjunction with the Rebase Amendments.

Trade and other receivables (March 31, 2024: $30.8 million; December 31, 2023: $35.0 million) decreased due to the timing of refunds of value-added taxes receivable from Botswana Unified Revenue Service. The receivable balance at March 31, 2024 includes $14.3 million (December 31, 2023: $13.0 million) due from HB and represents rough diamond sales in 2024, as well as the value of diamond sales for which the transaction price was finalized and adjusted in Q1 2024 or top-ups. All amounts receivable from HB are current and received as due following quarter end.

Current liabilities decreased to $78.4 million as of March 31, 2024 from $102.5 million at December 31, 2023. The Company had $26.5 million drawn on its short-term financing facilities (WCF and Clara Facility combined), a decrease of $8.5 million from the $35.0 million drawn at December 31, 2023. At financial close of the Rebase Amendments, an amount of $20.0 million outstanding on the WCF was transferred to the Project Loan, offset by an amount of $10.0 million drawn on the WCF in February 2024. At March 31, 2024, the Company had a $30.0 million WCF, of which $25.0 million was outstanding. Decreases in trade payables and accrued liabilities and the timing of royalty payments contributed to the decrease in current liabilities as of March 31, 2024.

The Company is required to place $61.7 million in the CORA as a condition of the Facilities prior to June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was $37.0 million as at March 31, 2024. The Company plans to fill the required balance with the proceeds from the sale of exceptional stones and excess cashflow from operations. This amount is classified within other non-current assets on the Statement of Financial Position.

Under the terms of the Rebase Amendments to the Project Loan, the Company's largest shareholder, Nemesia, provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the CORA to $61.7 million ($28.1 million at the effectiveness of the Rebase Amendments) by June 30, 2025 and ii) in the event of a funding shortfall, support up to $35.0 million occurring up to the Karowe UGP project completion.

See Note 1 to the condensed interim consolidated financial statements for the three months ended March 31, 2024 for further details of the Company's liquidity position.

Long-term liabilities consist of the Project Loan of $140.0 million (December 31, 2023: $86.5 million), restoration provisions of $13.7 million (December 31, 2023: $13.7 million), deferred income taxes of $112.2 million (December 31, 2023: $112.8 million), debenture (2023 liquidity guarantee) of $15.0 million (December 31, 2023: $15.0 million), and other non-current liabilities of $2.9 million (December 31, 2023: $3.2 million) which consist of leases classified under IFRS 16: *Leases* and a liability for deferred share unit grants.

Financing activities during the quarter consisted of draws from the project financing facility of $30.0 million, draws from the working capital facilities of $11.5 million, contributions of $18.2 million to the CORA balance, and principal payments on leases and withholding taxes on share units totaling $0.5 million.

Total shareholders' equity decreased to $229.8 million from $242.1 million at December 31, 2023. The decrease resulted from a net loss for the three months ended March 31, 2024 of $7.9 million and a decrease in the currency translation adjustment. Other changes to share capital and contributed surplus were related to the issuance of shares to Nemesia for providing the shareholder standby undertaking, share units vesting and share-based compensation recorded during the period.

RELATED PARTY TRANSACTIONS

A description of key management compensation can be found in Note 12 of the condensed interim consolidated financial statements for the three months ended March 31, 2024.

In relation to the acquisition of Clara in February 2018, certain related parties may receive additional shares of Lucara if Clara, now a wholly-owned subsidiary of Lucara, achieves certain levels of revenue generated by sales on the platform (the "Performance Milestones"). The Performance Milestones are detailed in Notes 9 and 19 of the consolidated financial statements for the year ended December 31, 2023. As of March 31, 2024, none of the Performance Milestones had been achieved.

A profit-sharing mechanism also exists, whereby a total of 3.45% of the EBITDA generated by the platform has been assigned to a former director and officer of Lucara and a director of Lucara, both founders of Clara. A further 3.22% of the EBITDA generated by the platform may be distributed to former members of management, at the discretion of Lucara's Compensation Committee, based on the achievement of key performance targets. As at March 31, 2024, no amounts have been paid under this profit sharing mechanism to date.

COMMITMENTS

As at March 31, 2024, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the Karowe UGP amounted to $64.4 million (December 31, 2023 - $77.2 million).

Table 8: Approximate undiscounted timing of Karowe UGP commitments at March 31, 2024:

		2024	2025	2026	2027 and 2028	Total
Underground expansion project	*$ million*	24.3	25.8	11.1	3.2	**64.4**

2024 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2024. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. Diamond revenue guidance does not include revenue related to the sale of exceptional stones (an individual rough diamond which sells for more than $10.0 million), or the Sethunya. No changes have been made to the guidance released in November 2023.

Karowe Mine, Botswana

Table 9: 2024 Diamond Sales, Production and Outlook

Karowe Diamond Mine *In millions of U.S. dollars unless otherwise noted*	**2024** Full Year
Diamond revenue (millions)	$220 to $250
Diamond sales (thousands of carats)	345 to 375
Diamonds recovered (thousands of carats)	345 to 375
Ore tonnes mined (millions)	2.8 to 3.2
Waste tonnes mined (millions)	0.8 to 1.4
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs[(1)] including waste mined (per tonne processed)	$28.50 to $33.50
Underground Project	Up to $100 million
Sustaining capital	Up to $10 million
Average exchange rate – Botswana Pula per United States Dollar	12.5

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

The Company had expected higher diamond recoveries and diamond quality during Q4 2023 and Q1 2024. This reflects the natural variability in the resource production in both recovery and diamond quality and were it to continue, this may impact revenue guidance for 2024. The Company has seen diamond recoveries and quality improve during April 2024.

The Company plans to use its sales channels to maximize revenue and generate consistent cash flow to support the Company's operations and its investment in the Karowe UGP. The Company expects to seek opportunities to sell its higher value Specials through agreements whereby the rough stones are manufactured, giving the Company exposure to polished prices and regular cash flow from the highest value portion of the Karowe production. Quarterly tenders and regular sales through Clara, primarily for stones smaller than 10.8 carats will continue.

In 2024, the Company expects to mine between 3.6 and 4.6 million tonnes, of which ore tonnes mined represent approximately three quarters of total tonnes mined. The assumptions for carats recovered and sold as well as the number of ore tonnes processed are consistent with achieved plant performance in recent years. A portion of the tonnes mined in 2024 will be stockpiled, prior to the end of open pit mining in mid-2025. Stockpiled material is planned to be processed between 2025 to 2027 before the mine transitions to the underground operations. Ore from the underground development is expected to supplement lower grade stockpile material, primarily from the upper benches of the South lobe, during the transition period to the underground mining operations, beginning in 2027.

In 2024, capital costs for the Karowe UGP are expected to be up to $100 million and will focus predominantly on shaft sinking activities and station development. Surface works will focus on completing the construction of the bulk air cooler and installation of the cage winder. Tendering the underground development contract along with underground equipment purchases are also included in the 2024 project plan.

Sustaining capital and project expenditures are expected to be up to $10 million with a focus on replacement and refurbishment of key asset components in addition to dewatering activities, and an expansion of the tailings storage facility in accordance with Global Industry Standard on Tailings Management.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At March 31, 2024, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately $5.0 million in net income for the period.

Liquidity risk

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

As a condition of the Facilities Agreement, the Company is required to place $61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at March 31, 2024, the CORA balance was $37.0 million. This amount is classified within other non-current assets.

Further details regarding the Company's liquidity risk are disclosed under the heading "Liquidity and Capital Resources" and in Note 1 to the condensed interim consolidated financial statements for the three months ended March 31, 2024.

Credit risk

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

On September 28, 2023, the Company terminated the sales agreement with HB. The termination increased the credit risk on amounts due from HB and remains higher than previous agreements. A new sales agreement was entered into with HB in February 2024 and governs deliveries of goods since December 2023. Under the terms of the sales agreement with HB, a larger proportion of the Company's goods, by value, were sold through HB to buyers of polished diamonds. The credit risk associated with these sales was concentrated with HB, a single customer, and payment terms were longer (60 to 120 days) than the Company's traditional tender sales and sales held through Clara (5 days). The Company maintained legal title over goods sold to HB until the initial determined estimated polished price was paid and monitored outstanding amounts for collectability. All amounts are current at March 31, 2024. As goods continue through the manufacturing process with HB, further receivable may result as the Company has a contractual right to future top-up payments for stones delivered prior to termination of the sales agreement. The carrying amount of financial assets recorded in the financial statements, net of any allowance for losses, represents the Company's maximum exposure to credit risk.

Interest rate risk

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

The Company mitigates interest rate risk on its Project Loan through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 8 of the condensed interim consolidated financial statements for the three months ended March 31, 2024). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding credit or charge to profit.

As described above in the section "Interest Rate Swaps", in February 2024, the Company amended interest rate swaps contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate of ranging from 2.421% to 2.447% on 75% of its expected borrowings from the Project Loan (approximately $143.0 million). The Company is exposed to interest rate increases through 25% of its expected borrowings from the Project Finance Facility, amounts drawn from its $30.0 million WCF and from its $4.0 million Clara Facility, each of which remain subject to market interest rates (Term SOFR or a replacement benchmark). Higher interest rates decrease the amount of cash flow available for other uses.

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana and margin earned on the sale of rough diamonds sold through Clara. 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 sales arrangements with the HB, the ultimate achieved sales prices of stones larger than 10.8 carats was based on a polished diamond pricing mechanism. This pricing mechanism resulted in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds stabilized in the first quarter of 2024 following decreases in prices in 2023 from the highs observed in early-2022.

To the extent that the supply of rough or polished diamonds exceeds demand, this is likely to result in price deterioration which could have a negative impact on the Company's revenue and ability to generate positive cash flow from operations. The Company is expecting to use excess cash flow from operations, in combination with the Project Loan, to fund the $683 million estimated capital cost for the Karowe UGP.

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 458,923,948 common shares outstanding, 7,978,668 share units, 3,861,702 deferred share units, and 7,582,000 stock options outstanding under its share-based incentive plans.

RISKS AND UNCERTAINTIES

The operations of the Company are speculative due to the high-risk nature of its business which includes the acquisition, financing, exploration, development and operation of diamond properties, the construction of an underground mine at Karowe and the growth of Clara. The material risk factors and uncertainties, which should be considered in assessing the Company's activities, are described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form ("AIF") which is available on SEDAR+ at www.sedarplus.ca. Any one or more of these risks and uncertainties could have a material adverse effect on the Company.

OFF-BALANCE SHEET ARRANGEMENTS

Except for short-term leases with a term of 12 months or less, the Company is not party to any off-balance sheet arrangements.

ANNUAL MEETING INFORMATION

The Company's annual general and special meeting of shareholders will be held on May 10, 2024 in Vancouver, Canada.

CHANGES IN ACCOUNTING POLICIES

During the three months ended March 31, 2024, there were no changes to the accounting policies described in Note 4 of the audited consolidated financial statements.

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods starting January 1, 2024. There are currently no such pronouncements that are expected to have a significant impact on the Company's consolidated financial statements upon adoption.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

INTERNAL FINANCIAL REPORTING AND DISCLOSURE CONTROLS

Disclosure controls and procedures

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

Internal controls over financial reporting

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

Management assesses the effectiveness of the Company's internal control over financial reporting using the Internal Control – Integrated Framework ("2013 Framework") issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

There have been no changes in the Company's internal control over financial reporting during the three months ended March 31, 2024 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

In particular, forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the Company's ability to continue as a going concern, the project schedule and capital costs for the Karowe UGP, the diamond sales, projection and outlook disclosure under "2024 Outlook", the Company's ability to meet its obligations under the Rebase Amendments with its Lenders, the Company's ability to fill the CORA, the impact of supply and demand of rough or polished diamonds, expectations regarding top-up values, estimated capital costs, the timing, scope and cost of additional grouting events at the Karowe UGP, the Company's ability to comply with the terms of the Facilities which are required to construct the Karowe UGP, including future funding requirements to the CORA, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the Karowe UGP, that the estimated timelines to achieve mine ramp up and full production from the Karowe UGP can be achieved, that sufficient stockpiled ore will be available to generate revenue prior to the achievement of commercial production of the Karowe underground mine, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, expectations that the Karowe UGP will extend mine life, forecasts of additional revenues, future production activity, that depletion and amortization expense on assets will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered, the future price and demand for, and supply of, diamonds, expectations regarding the scheduling of activities for the Karowe UGP in 2024, future forecasts of revenue and variable consideration in determining revenue, the impact of the renewed and termination of the HB sales arrangements on the Company's projected revenue and sales channels, the outcome of tax assessments and the likelihood of recoverability of tax payments made, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, interest rates, including expectations regarding the impact of market interest rates on future cash flows and the fair value of derivative financial instructions, currency exchange rates, rates of inflation, success of exploration, credit risk, price risk, requirements for and availability of additional capital, capital expenditures, operating costs, timing of completion of technical reports and studies, production and cost estimates, tax rates, timing of drill programs, government regulation of operations, environmental risks and ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, the profitability of Clara and the Clara Platform, expectations regarding the Clara platform's growth, the expected use of the Clara Facility, and the potential impacts of economic and geopolitical risks, including potential impacts from the ongoing conflict between Russian and Ukraine and between Israel and Hamas, and the resulting indirect economic impacts that strict economic sanctions may have.

Forward-looking information and statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to several known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Certain risks which could impact the Company are discussed under the heading "Risks and Uncertainties" in this MD&A and in the Company's most recent Annual Information Form available at SEDAR+ at www.sedarplus.ca.

The foregoing is not exhaustive of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties, and other factors, including, without limitation, those referred to in this MD&A.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The forward-looking statements contained in this MD&A are based on the beliefs, expectations, and opinions of management as of the date of this MD&A. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements are made as of the date of this MD&A and accordingly are subject to change after such date. Except as required by law, the Company disclaims any obligation to revise any forward-looking information and statements to reflect events or circumstances after the date of such information and statements. All forward-looking information and statements contained or incorporated by reference in this MD&A are qualified by the foregoing cautionary statements.

LUCARA DIAMOND CORP.

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

		March 31, 2024		December 31, 2023
ASSETS				
Current assets				
Cash and cash equivalents	$	13,176	$	13,337
Receivables and other (Note 3)		30,809		35,050
Derivative financial instrument (Note 8)		2,529		3,010
Inventories (Note 4)		31,554		34,534
		78,068		85,931
Inventories (Note 4)		38,875		38,719
Plant and equipment (Note 5)		120,365		124,983
Mineral properties and related construction assets (Note 6)		300,722		287,245
Intangible assets (Note 7)		5,976		6,211
Deferred financing fees (Note 8)		-		4,122
Derivative financial instrument (Note 8)		6,041		5,097
Cost overrun account (Note 1)		37,033		18,574
Other non-current assets		4,922		4,921
TOTAL ASSETS	$	592,002	$	575,803
LIABILITIES				
Current liabilities				
Trade payables and accrued liabilities	$	28,421	$	42,580
Deferred revenue		20,000		20,000
Credit facilities (Note 8)		26,456		35,000
Tax and royalties payable		2,085		3,444
Lease liabilities		1,445		1,472
		78,407		102,496
Credit facilities (Note 8)		140,000		86,515
Due to related party (Note 8)		15,000		15,000
Restoration provisions		13,683		13,738
Deferred income taxes		112,209		112,763
Other non-current liabilities		2,904		3,160
TOTAL LIABILITIES		362,203		333,672
EQUITY				
Share capital, unlimited common shares, no par value (Note 9)		350,868		349,718
Contributed surplus		8,654		9,371
Deficit		(21,642)		(13,702)
Accumulated other comprehensive loss		(108,081)		(103,256)
TOTAL EQUITY		229,799		242,131
TOTAL LIABILITIES AND EQUITY	$	592,002	$	575,803

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

Commitments – Note 15

Approved on Behalf of the Board of Directors:

"Marie Inkster"
Director

"Catherine McLeod-Seltzer"
Director

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

	Three months ended March 31, 2024	2023
Revenues	$ 41,134	$ 42,760
Cost of goods sold		
Operating expenses	20,220	18,285
Royalty expenses (Note 6)	4,328	5,187
Depletion and amortization	4,512	4,758
	29,060	28,230
Income from mining operations	12,074	14,530
Other expenses		
Administration (Note 11)	3,208	3,417
Sales and marketing	689	618
Finance expenses	663	1,202
(Gain) loss on derivative instrument (Note 8)	(463)	1,426
Foreign exchange loss	3,030	2,708
Loss on extinguishment of debt (Note 8)	10,535	–
	17,662	9,371
Net (loss) income before tax	(5,588)	5,159
Income tax expense		
Current income tax	38	–
Deferred income tax	2,314	4,205
	2,352	4,205
Net (loss) income for the period	$ (7,940)	$ 954
Earnings (loss) per common share		
Basic	$ (0.02)	$ 0.00
Diluted	$ (0.02)	$ 0.00
Weighted average common shares outstanding		
Basic	456,645,000	453,900,533
Diluted	456,645,000	463,731,361

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

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

	Three months ended March 31, 2024	2023
Net (loss) income for the period	$ (7,940)	$ 954
Other comprehensive (loss) income		
Items that will not be reclassified to net income		
Change in fair value of marketable securities	115	133
Items that may be subsequently reclassified to net income		
Currency translation adjustment	(4,940)	(4,889)
	(4,825)	(4,756)
Comprehensive loss for the period	$ (12,765)	$ (3,802)

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

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

	Three months ended March 31, 2024	2023
Cash flows from (used in):		
Operating activities		
Net (loss) income for the period	$ (7,940)	$ 954
Items not affecting cash:		
Depletion and amortization	4,671	4,513
Unrealized foreign exchange loss	4,338	1,689
Share-based compensation	99	618
Loss on extinguishment of debt	9,727	–
Unrealized (gain) loss on derivative financial instruments	(463)	1,426
Deferred income taxes	2,314	4,205
Finance (income) costs	(443)	639
	12,303	14,044
Net changes in working capital:		
Receivables and other	1,717	7,599
Inventories	615	(3,506)
Trade payables, deferred revenue, and other current liabilities	(17,513)	982
Tax and royalties payable	(1,281)	1,305
	(4,159)	20,424
Financing activities		
Drawdown on working capital facilities, net	11,456	9,514
Drawdown on project loan, net	30,000	25,000
Withholding tax on share units vested	(67)	(268)
Lease payments	(393)	(382)
Funds allocated to cost overrun account	(18,150)	(18,000)
	22,846	15,864
Investing activities		
Investment in plant and equipment	(1,758)	(1,041)
Mineral property expenditure	(16,980)	(30,311)
Development of intangible assets	(14)	(13)
	(18,752)	(31,365)
Effect of exchange rate change on cash and cash equivalents	(96)	(148)
(Decrease) increase in cash and cash equivalents	(161)	4,775
Cash and cash equivalents, beginning of the period	13,337	26,418
Cash and cash equivalents, end of the period (1)	$ 13,176	$ 31,193
Supplemental information – investing activities		
Interest paid	(5,097)	(3,049)
Taxes paid	(38)	–
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties (2)	4,732	1,893

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

(2) Included within accounts payable and accrued liabilities at each period end are additions to property, plant and equipment and mineral properties, acquired on normal course payment terms, of $12.8 million at March 31, 2024 ($8.2 million at December 31, 2023).

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

LUCARA DIAMOND CORP.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited – in thousands of U.S. Dollars, unless otherwise indicated)

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2024	456,177,393	$ 349,718	$ 9,371	$ (13,702)	$ (103,256)	$ 242,131
Net loss for the period	–	–	–	(7,940)	–	(7,940)
Other comprehensive loss	–	–	–	–	(4,825)	(4,825)
Total comprehensive loss	–	–	–	(7,940)	(4,825)	(12,765)
Shares issued for shareholder standby undertaking	1,900,000	553	–	–	–	553
Share-based compensation	–	–	(53)	–	–	(53)
Shares issued from share units vested	846,555	597	(597)	–	–	–
Withholding tax for share units vested	–	–	(67)	–	–	(67)
Balance, March 31, 2024	**458,923,948**	**$ 350,868**	**$ 8,654**	**$ (21,642)**	**$ (108,081)**	**$ 229,799**
Balance, January 1, 2023	453,566,923	$ 348,083	$ 10,129	$ 6,489	$ (94,640)	$ 270,061
Net income for the period	–	–	–	954	–	954
Other comprehensive loss	–	–	–	–	(4,756)	(4,756)
Total comprehensive loss	–	–	–	954	(4,756)	(3,802)
Share-based compensation	–	–	420	–	–	420
Shares issued from share units vested	1,011,950	728	(728)	–	–	–
Withholding tax for share units vested	–	–	(268)	–	–	(268)
Balance, March 31, 2023	**454,578,873**	**$ 348,811**	**$ 9,553**	**$ 7,443**	**$ (99,396)**	**$ 266,411**

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

1. NATURE OF OPERATIONS AND LIQUIDITY

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

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

During Q1 2024, the Company incurred a net loss of $7.9 million and used cash of $4.2 million from operating activities. As at March 31, 2024, the Company had cash and cash equivalents of $13.2 million, a working capital deficit (current assets less current liabilities) of $0.3 million and had drawn $25.0 million from its $30.0 million working capital facility.

In July 2023, the Company provided an update to the schedule and budget for the Karowe Underground Expansion project (the "UGP"). The estimated duration of the construction period increased, extending the anticipated commencement of production from the underground from the second half of 2026 to the first half of 2028. The revised forecast of costs at completion is $683.0 million, an increase of 25% from the prior estimate in May 2022. Committed, not yet incurred, costs under the UGP are $64.4 million at March 31, 2024 (Note 15).

The Company's debt package consisted of two facilities (the "Facilities"), a project finance facility of $170.0 million to fund the development of an underground expansion at the Karowe Mine (the "Project Loan"), of which $90.0 million had been drawn at December 31, 2023, and a $50.0 million senior secured working capital facility (the "WCF"). On January 9, 2024, the Company completed an agreement with its lenders to modify the repayment schedule, adjust the Facilities to include a project finance facility of $190.0 million and $30.0 million working capital facility, extend the maturity date of its WCF to June 30, 2031, and certain other terms (the "Rebase Amendments").

Prior to June 30, 2025, the Company is required to place $61.7 million in a cost overrun account (the "CORA") as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was $37.0 million as at March 31, 2024. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and cashflow from operations.

Under the terms of the Project Loan, the Company's largest shareholder, Nemesia S.a.r.l. ("Nemesia") provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fund the CORA to $61.7 million by June 30, 2025 and ii) in the event of a funding shortfall, support up to $35.0 million occurring up to project completion.

Following the completion of the Rebase Amendments, the Company expects to be able to meet its obligations as they become due in the normal course of business for at least the next twelve months from March 31, 2024.

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

(i) Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with IFRS Accounting Standards applicable to the preparation of interim financial statements, under International Accounting Standard 34, Interim Financial Reporting. The condensed interim consolidated financial statements do not contain all of the information required for annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements as at December 31, 2023.

These financial statements were approved by the Board of Directors for issue on May 9, 2024.

(ii) Adoption of new accounting standards and accounting developments

The accounting policies adopted in the preparation of the condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2023 and with the following additions.

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

The Company adopted the IASB published amendments to IFRS 16 – Leases at January 1, 2023. The narrow-scope amendments affect how a seller-lessee accounts for a sale and leaseback after the date of the transaction, predominately where some or all the lease payments are variable lease payments that do not depend on an index or a rate. The Company has concluded that the adoption of the amendments had no significant impact on its interim condensed consolidated financial statements.

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

3. RECEIVABLES AND OTHER

		March 31, 2024		**December 31, 2023**
Trade	$	15,218	$	12,981
Value-added and income taxes		8,216		13,927
Prepayments		6,656		8,012
Other		719		130
	$	**30,809**	$	**35,050**

Trade receivables at March 31, 2024 were $15.2 million (December 31, 2023 – $13.0 million) due from HB. The amounts receivable relate to the timing difference between revenue recognized under the sales agreement and the receipt of payment.

Revenue from diamond sales during the three months ended March 31, 2024 includes $23.3 million (March 31, 2023: $24.6 million) sold to HB.

Value-added and income taxes receivable include $5.0 million at March 31, 2024 which has been remitted to tax authorities, through the withholding of value-added tax refunds, to dispute an income tax assessment in Botswana.

4. INVENTORIES

		March 31, 2024		**December 31, 2023**
Rough diamonds	$	16,792	$	19,217
Ore stockpile		2,046		2,038
Parts and supplies		12,716		13,279
Total current inventories	**$**	**31,554**	$	**34,534**
Non-current inventories – ore stockpile	**$**	**38,875**	$	**38,719**

Inventory expensed during the three months ended March 31, 2024 totaled $20.2 million (three months ended March 31, 2023 – $18.3 million). There were no inventory write-downs during the three months ended March 31, 2024 and 2023.

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

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

5. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Furniture and office equipment	Vehicles	Right of use assets	Total
Balance, January 1, 2023	**$ 19,140**	**$ 200,766**	**$ 14,992**	**$ 4,207**	**$ 6,899**	**$ 246,004**
Additions	12,993	–	–	–	1,292	14,285
Reclassification	(12,073)	30,151	1,740	863	23,752	44,433
Disposals and other	(943)	(109)	(9)	(89)	(184)	(1,334)
Translation differences	(903)	(9,352)	(700)	(201)	(443)	(11,599)
Balance, December 31, 2023	**$ 18,214**	**$ 221,456**	**$ 16,023**	**$ 4,780**	**$ 31,316**	**$ 291,789**
Additions	1,761	–	–	–	–	1,761
Reclassification (Note 6)	–	–	2	–	–	2
Translation differences	(475)	(5,587)	(405)	(121)	(792)	(7,380)
Balance, March 31, 2024	**$ 19,500**	**$ 215,869**	**$ 15,620**	**$ 4,659**	**$ 30,524**	**$ 286,172**
Accumulated amortization						
Balance, January 1, 2023	**$ –**	**$ 140,097**	**$ 10,573**	**$ 2,692**	**$ 4,403**	**$ 157,765**
Depletion and amortization	–	7,166	2,465	235	1,205	11,071
Reclassification	–	4,056	148	412	985	5,601
Disposals and other	–	(39)	(6)	(88)	(184)	(317)
Translation differences	–	(6,474)	(499)	(129)	(212)	(7,314)
Balance, December 31, 2023	**$ –**	**$ 144,806**	**$ 12,681**	**$ 3,122**	**$ 6,197**	**$ 166,806**
Depletion and amortization	–	1,424	460	74	304	2,262
Reclassification (Note 6)	–	552	19	104	298	973
Translation differences	–	(3,668)	(324)	(80)	(162)	(4,234)
Balance, March 31, 2024	**$ –**	**$ 143,114**	**$ 12,836**	**$ 3,220**	**$ 6,637**	**$ 165,807**
Net book value						
As at December 31, 2023	**$ 18,214**	**$ 76,650**	**$ 3,342**	**$ 1,658**	**$ 25,119**	**$ 124,983**
As at March 31, 2024	**$ 19,500**	**$ 72,755**	**$ 2,784**	**$ 1,439**	**$ 23,887**	**$ 120,365**

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

6. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS

Cost	Capitalized production stripping asset	Karowe Mine	Karowe Underground Construction	Total
Balance, January 1, 2023	**$ 60,705**	**$ 36,852**	**$ 224,860**	**$ 322,417**
Additions	–	–	92,128	92,128
Borrowing cost capitalized	–	–	9,285	9,285
Adjustment to restoration asset	–	(472)	–	(472)
Reclassification	–	–	(38,832)	(38,832)
Translation differences	(2,847)	(1,726)	(10,864)	(15,437)
Balance, December 31, 2023	**$ 57,858**	**$ 34,654**	**$ 276,577**	**$ 369,089**
Additions	–	–	17,922	17,922
Borrowing cost capitalized	–	–	3,787	3,787
Reclassification	–	–	971	971
Translation differences	(1,463)	(881)	(7,240)	(9,584)
Balance, March 31, 2024	**$ 56,395**	**$ 33,773**	**$ 292,017**	**$ 382,185**
Accumulated depletion				
Balance, January 1, 2023	**$ 46,647**	**$ 31,640**	**–**	**$ 78,287**
Depletion	5,851	1,415	–	7,266
Translation differences	(2,218)	(1,491)	–	(3,709)
Balance, December 31, 2023	**$ 50,280**	**$ 31,564**	**–**	**$ 81,844**
Depletion	1,408	295	–	1,703
Translation differences	(1,283)	(801)	–	(2,084)
Balance, March 31, 2024	**$ 50,405**	**$ 31,058**	**–**	**$ 81,463**
Net book value				
As at December 31, 2023	**$ 7,578**	**$ 3,090**	**$ 276,577**	**$ 287,245**
As at March 31, 2024	**$ 5,990**	**$ 2,715**	**$ 292,017**	**$ 300,722**

Karowe Mine

A royalty of 10% of the gross sales value of diamonds produced from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the three months ended March 31, 2024, the Company incurred a royalty expense of $4.3 million (three months ended March 31, 2023: $5.2 million).

Reclassifications relate to Plant and Equipment put into use during the periods and depreciation on Plant and Equipment in use on the Karowe Underground Construction asset.

Total borrowing costs of $19.9 million (December 31, 2023 – $16.7 million) during the period of construction relating to the Karowe Underground Construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized initial arrangement costs related to the project finance facility prior to the Rebase Amendments.

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

7. INTANGIBLE ASSETS

Cost		
Balance, January 1, 2023	$	22,511
Impairment of intangible asset		(11,200)
Development expenditures		112
Translation differences		499
Balance, December 31, 2023	$	11,922
Development expenditures		14
Translation differences		(255)
Balance, March 31, 2024	**$**	**11,681**
Accumulated amortization		
Balance, January 1, 2023	$	4,287
Amortization		1,306
Translation differences		118
Balance, December 31, 2023	$	5,711
Amortization		117
Translation differences		(123)
Balance, March 31, 2024	**$**	**5,705**
Net book value		
As at December 31, 2023	**$**	**6,211**
As at March 31, 2024	**$**	**5,976**

In 2018, the Company acquired the Clara platform, a secure, digital sales platform for rough diamonds. The consideration paid was allocated to intangible assets which will continue to be amortized over the remaining estimated useful economic life of approximately 13 years as at March 31, 2024.

Impairment

At December 31, 2023, the Company identified an impairment indicator due to a change in the way the Company values the Clara platform and performed an impairment test. As a result of an impairment indicator being identified, the recoverable amount of the Clara platform was estimated and compared against its carrying value. An impairment of $11.2 million was recorded.

The recoverable amount of the Clara CGU is based on the fair value less cost of disposal (“FVLCD”) expected to be derived from the platform. The determination of FVLCD requires use of Level 1 valuation inputs.

As part of the purchase, contingent consideration was agreed to and will be recognized as additional purchase consideration for the intangible asset, if the obliging events occur. The contingent consideration consists of a profit-sharing allocation: cash payments based on 3.45% of the annual Earnings Before Interest, Tax, Depletion and Amortization (“EBITDA”) generated by the sales platform and a pre-existing 13.3% annual EBITDA performance based contingent payments payable to the founders of the technology, to a maximum of $20.9 million per year for 10 years and additional Lucara share payments to a combined maximum of 13.4 million shares if certain revenue triggers are reached beginning at $200 million of cumulative revenue to $1.6 billion of cumulative revenue. As of March 31, 2024, no contingent consideration has been recorded.

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

8. CREDIT FACILITIES

		March 31, 2024		December 31, 2023
Current				
Working capital facility	$	25,000	$	35,000
Revolving credit facility		1,456		-
Deferred financing fees	$	-	$	-
Non-current				
Project finance facility, net of fees	$	140,000	$	86,515
Deferred financing fees	$	-	$	4,122

Senior secured project facility

On January 9, 2024, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, amended its senior secured project financing debt package of $220 million that was originally entered into in 2021. The Facilities consist of the Project Loan of $190 million (previously $170 million) to fund the development of an underground expansion at the Karowe Mine and a $30 million (previously $50 million) senior secured WCF. The debt package is with a syndicate of five mandated lead arrangers (the "Lenders"): African Export-Import Bank (Afreximbank), Africa Finance Corp., ING, Natixis, and Société Générale, London Branch.

The amendments modified the repayment schedule, extended the maturity date of its WCF to June 30, 2031, and certain other terms (the "Rebase Amendments"). At financial close of the Rebase Amendments, an amount of $20.0 million outstanding on the WCF was transferred to the Project Loan.

The Project Loan may be used to fund the development, construction costs and construction phase operating costs of the underground expansion project as well as financing costs on the Facilities. The Project Loan matures on June 30, 2031, with quarterly repayments commencing on September 30, 2028. As at March 31, 2024, $140.0 million of the $190.0 million facility was drawn. The Project Loan bears interest at a rate of Term SOFR plus margin of 6.5% annually until the project completion date, 6.0% annually from Project completion to June 30, 2029, and 7.0% annually thereafter, with commitment fees for the undrawn portion of the facility of 35.0% of the margin on the average daily available commitment.

The WCF may be used for working capital and other corporate purposes. As at March 31, 2024, $25.0 million of the $30.0 million facility was drawn. The facility bears interest at a rate of Term SOFR plus a margin of 6.5% annually until the project completion date, 6.25% from project completion to June 30, 2029, 7.25% thereafter, and commitment fees for the undrawn portion of the facility of 35.0% of the margin on the average daily available commitment. The facility matures on June 30, 2031.

Upon the Rebase Amendments, the remaining balance of deferred financing costs and unamortized initial arrangement costs in conjunction with arranging the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment of the Facilities of $10.5 million. As at March 31, 2024, the Company was in compliance with all covenants under the Facilities.

Interest rate swap agreements

On December 14, 2021, under the terms of the Project Finance 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 new rebase agreement signed on January 9, 2024, a new interest rate swap agreement was signed on February 15, 2024 which covers the principal amount available up to $143.0 million. Structured around the expected Project Loan drawdown schedule, the Company receives interest at the rate equivalent to the three-month USD Term SOFR and pays interest at a fixed

8. CREDIT FACILITIES (continued)

rate ranging from 2.421% to 2.447% on a quarterly basis. The final interest rate swap matures on September 26, 2030.

As at March 31, 2024, the interest rate swaps had a total unrealized fair value of $8.6 million (December 31, 2023: $8.1 million), of which $2.5 million has been classified as a current asset. The fair value of the interest rate swap is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

Due to related party - debenture

In November 2023, the Company provided notice under a liquidity support guarantee of up to $15.0 million provided by Nemesia and issued a corresponding unsecured debenture (the "Debenture"). Subject to the receipt of all required regulatory approvals, for each $500,000 outstanding under the Debenture, the Company is required to issue, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. Amounts owed for the period from December 2023 – March 2024 are outstanding. Following the annual general and special meeting of the Company in May 2024, it is expected that common shares owed as interest will be issued. The Debenture matures August 29, 2029.

Clara revolving credit facility

On September 28, 2022, the Company's wholly-owned subsidiary, Clara, with Lucara Diamond Corp. as guarantor, entered into a revolving credit facility agreement of $4.0 million with FirstRand Bank Limited, acting through its Rand Merchant Bank Division (the "Clara Facility") which matures on September 28, 2024. The Clara Facility is used for inventory and working capital purposes. As at March 31, 2024, $1.5 (December 31, 2023: $nil) of the facility was drawn. The facility bears interest at SOFR plus a margin of 6.0%.

9. SHARE CAPITAL

On January 9, 2024, under the Rebase Amendments (Note 8), Nemesia provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the CORA to $61.7 million by June 30, 2025 and ii) in the event of a funding shortfall, support up to $35.0 million occurring prior to project completion. An amount of 1,900,000 common shares ($0.6 million) were paid as consideration in January 2024. A further 600,000 common shares will be issuable should the undertaking be called upon. For each $500,000 drawn down under the standby undertaking, the Company will be required to issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid.

10. SHARE BASED COMPENSATION

a. Stock options

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

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

10. SHARE BASED COMPENSATION (continued)

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

	Number of shares issuable pursuant to stock options	Weighted average exercise price per share (CA$)
Balance at January 1, 2023	6,414,000	$ 0.89
Granted	2,412,000	0.57
Expired	(1,134,000)	1.64
Forfeited	(1,148,000)	0.65
Balance at December 31, 2023	**6,544,000**	**$ 0.68**
Granted	2,625,000	0.36
Expired	(1,173,000)	0.77
Forfeited	(414,000)	0.67
Balance at March 31, 2024	**7,582,000**	**$ 0.56**

Options granted to acquire common shares outstanding at March 31, 2024 are as follows:

	Outstanding Options			Exercisable Options		
Range of exercise prices CA$	Number of options outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price (CA$)	Number of options exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price (CA$)
$0.36 - $0.60	4,440,000	4.50	0.45	396,000	3.91	0.57
$0.61 - $0.79	3,142,000	1.44	0.72	2,746,999	1.37	0.73
	7,582,000	**3.24**	**$ 0.56**	**3,142,999**	**1.69**	**$ 0.71**

During the three months ended March 31, 2024, an amount of $0.1 million (2023 – $0.1 million) was charged to operations in recognition of share-based compensation expense, based on the vesting schedule for the options granted.

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

	2024	2023
Assumptions:		
Risk-free interest rate *(%)*	3.84	2.99
Expected life *(years)*	3.42	4.54
Expected volatility *(%)*	45.54	49.81
Expected dividend	Nil	Nil
Results:		
Weighted average fair value of options granted *(per option)*	CA$0.13	CA$0.25

b. Restricted and performance share units

The Company has a share unit ("SU") plan that provides for the issuance of SUs as a long-term incentive for certain members of the management team. SUs typically vest between three and five years from the date of grant and certain share units include performance metrics, some of which provide for annual vesting. Each SU entitles the holder to receive one common share and the cumulative dividend equivalent SU earned during the SU's vesting period. The value of each SU at the vesting date is equal to the closing value of one Lucara common share plus the cumulative dividend equivalent which was earned over the vesting period.

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

10. SHARE BASED COMPENSATION (continued)

For the three months ended March 31, 2024, the Company recognized a share-based payment charge of $(0.1) million (2023 – $0.3 million) for the SUs granted and forfeitures recognized during the period.

	Number of share units	Estimated fair value at date of grant (CA$)
Balance at January 1, 2023	7,056,000	$ 0.71
Granted	3,337,000	0.57
Redeemed	(2,876,001)	0.74
Cancelled	(3,902,999)	0.62
Balance at December 31, 2023	**3,614,000**	**$ 0.65**
Granted	6,567,000	0.36
Redeemed	(1,075,000)	0.75
Cancelled	(1,127,332)	0.61
Balance at March 31, 2024	**7,978,668**	**$ 0.40**

c. Deferred share units ('DSUs')

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

For the three months ended March 31, 2024, the Company recognized a share-based payment charge of $0.2 million (2023 – $0.2 million) related to the DSUs granted.

	Number of DSUs	Estimated fair value (CA$)	
Balance at January 1, 2023	**2,116,103**	**$**	**0.50**
Granted	1,056,053	$	0.47
Balance at December 31, 2023	**3,172,156**	**$**	**0.49**
Granted	689,546	$	0.35
Balance at March 31, 2024	**3,861,702**	**$**	**0.47**

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

11. ADMINISTRATION

	Three months ended March 31,			
		2024		**2023**
Salaries and benefits	$	1,575	$	668
Professional fees		422		751
Insurance, office, and general		373		486
Promotion		75		412
Stock exchange, transfer agent, shareholder communication		158		141
Travel		157		203
Share-based compensation (Note 10)		99		618
Depreciation		160		51
Sustainability and donations		189		87
	$	**3,208**	$	**3,417**

12. RELATED PARTY TRANSACTIONS

a) Key management compensation

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

	Three months ended March 31,			
		2024		**2023**
Salaries and wages	$	505	$	283
Short term benefits		18		18
Share based compensation		66		438
	$	**589**	$	**739**

b) Clara acquisition

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

Pursuant to the profit sharing described in Note 0, a total of 3.45% of the EBITDA generated by the platform has been assigned to a former and a current director of Lucara, each of whom was a founder of Clara. A further 3.22% of the EBITDA generated by the platform may be distributed to a member and former member of management, at the discretion of Lucara's Compensation Committee, based on the achievement of key performance targets. As at March 31, 2024, no amounts have been paid under this profit sharing mechanism to date.

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

13. SEGMENT INFORMATION

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

Three months ended March 31, 2024	Karowe Mine	Corporate and other	Total
Revenues	$ 39,519	$ 1,615	$ 41,134
Income (loss) from operations	12,546	(472)	12,074
Finance expenses	(796)	133	(663)
Gain on derivative financial instrument	463	–	463
Foreign exchange (loss) gain	(3,189)	159	(3,030)
Administrative and other	(2,497)	(11,935)	(14,432)
Taxes	(2,315)	(37)	(2,352)
Net income (loss) for the period	**$ 4,212**	**$ (12,152)**	**$ (7,940)**
Capital expenditures	**$ 18,738**	**$ 14**	**$ 18,752**
Total assets	**$ 581,400**	**$ 10,602**	**$ 592,002**

Three months ended March 31, 2023	Karowe Mine	Corporate and other	Total
Revenues	$ 41,291	$ 1,468	$ 42,760
Income (loss) from operations	14,880	(350)	14,530
Finance expenses	(1,144)	(58)	(1,202)
Gain on derivative financial instrument	(1,426)	–	(1,426)
Foreign exchange loss	(2,631)	(77)	(2,708)
Administrative and other	(1,854)	(2,181)	(4,035)
Taxes	(4,205)	-	(4,205)
Net income (loss) for the period	**$ 3,620**	**$ (2,666)**	**$ 954**
Capital expenditures	**$ 31,352**	**$ 13**	**$ 31,365**
Total assets	**$ 503,375**	**$ 26,794**	**$ 530,169**

Depletion and amortization expense for Karowe Mine and Corporate and other during the three months ended March 31, 2024 totaled $4.3 million and $0.2 million, respectively (2023 – $4.4 million and $0.4 million).

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) Measurement categories and fair values

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

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

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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

b) *Fair value hierarchy*

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

		March 31, 2024		December 31, 2023
Level 1: Fair value through other comprehensive income – Investments	$	926	$	811
Level 2: Derivative financial instruments	$	8,570		8,107
Level 3: N/A				

c) *Financial risk management*

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

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At March 31, 2024, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately $5.0 million in net income for the period.

Liquidity risk

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

As a condition of the Facilities Agreement, the Company is required to place $61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at March 31, 2024, the CORA balance was $37.0 million.

Further details regarding the Company's liquidity risk are disclosed in Note 1 and 8.

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

Credit risk

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

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

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

Interest rate risk

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

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

In February 2024, the Company amended interest rate swaps contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.421% to 2.447% on 75% of its expected borrowings from the Project Loan (approximately $143.0 million). The Company is exposed to interest rate increases through 25% of its expected borrowings from the Project Finance Facility, amounts drawn from its $30.0 million WCF and from its $4.0 million Clara Facility, each of which remain subject to market interest rates (Term SOFR or a replacement benchmark). Higher interest rates decrease the amount of cash flow available for other uses.

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana and margin earned on the sale of rough diamonds sold through Clara. 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 supply agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds stabilized in the first quarter of 2024 following decreases in prices in 2023 from the highs observed in early-2022.

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

14. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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

15. COMMITMENTS

As at March 31, 2024, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the underground expansion project amounted to $64.4 million (December 31, 2023 - $115.5 million). The following table summarizes the approximate timing of the commitments (undiscounted) at March 31, 2024:

		2024	**2025**	**2026**	**2027 and 2028**	**Total**
Underground expansion project	$ million	24.3	25.8	11.1	3.2	**64.4**