LUCARA
DIAMOND

Management's Discussion and Analysis

and

Consolidated Financial Statements

Quarter Ended June 30, 2024

LUCARA DIAMOND CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2024

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. ("Lucara" or 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 June 30, 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., 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 and, on the Company's, Annual Information Form ("AIF"). The AIF along with 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 August 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. 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 ("TSX"), the Nasdaq Stockholm Exchange, and the Botswana Stock Exchange under the symbol "LUC".

HIGHLIGHTS – Q2 2024

- The recovery of a 491-carat Type IIa diamond, a 225.6-carat Type IIa diamond, followed by the recovery of a 109-carat Type IIa diamond.
- A total of 76,387 carats of diamonds were sold, generating revenue of $41.3 million during the second quarter of 2024.
- Significant progress was made in shaft sinking in the ventilation and production shafts in Q2 2024 with the critical path ventilation shaft ahead of the July 2023 rebase schedule. At the end of Q2, the production shaft had reached 557 metres below collar ("mbc") or 458 metres above sea level ("masl"). The ventilation shaft was at 550 metres below collar or 460 masl.
- A total of 100,768 carats recovered, including 8,349 carats from processing of historic recovery tailings, at a recovered grade of 12.9 carats per hundred tonnes ("cpht") of direct milled ore. The recovery of 206 Specials (defined as rough diamonds larger than 10.8 carats) equated to 6.9% by weight of the total recovered carats from Q2's ore processed which is in line with the Company's expectation.

- Operational highlights from the Karowe Mine included:
    - Ore and waste mined of 0.7 million tonnes ("Mt") (Q2 2023: 0.7Mt) and 0.2 million tonnes (Q2 2023: 0.9Mt), respectively.
    - 0.7 million tonnes of ore processed (Q2 2023: 0.7Mt).
- Financial highlights for Q2 2024 included:
    - Operating margins of 67% were achieved (Q2 2023: 59%). A strong operating margin continues to be achieved due to robust pricing for the Company's larger stones and cost reduction initiatives assisted by a strong U.S. dollar.
    - Operating cost per tonne processed(1) was $26.32, a decrease of 6% over the Q2 2023 cost per tonne processed of $27.97 and stayed relatively consistent with Q1 2024: $26.00 cost per tonne. The continued impact of inflationary pressures, particularly labour, has been well managed by the operation. A strong US dollar continues to offset a small increase in costs over the comparable period.
    - Adjusted EBITDA(1) was $18.8 million (Q2 2023: $16.5 million), with the increase attributable to the increase in revenue and lower operating expenses.
- During Q2 2024, the Company invested $11.2 million into the Karowe Under Ground Project ("UGP"), excluding capitalized cash borrowing costs:
    - During Q2 2024, the ventilation shaft sank 128 metres and commenced development of the 470-level station (at approx. 550 meters mbc).
    - Production shaft activities included sinking a total of 104 metres, completion of three probe hole covers with no water intersected. A total of 26 metres of lateral development was completed. The required development excavation at the 470-level station was completed.
- Cash position and liquidity as at June 30, 2024:
    - Cash and cash equivalents of $21.9 million.
    - Working capital (current assets less current liabilities excluding held for sale) of $21.7 million.
    - $165.0 million drawn on the $190.0 million Project Facility ("Project Facility") for the Karowe UGP with $25.0 million drawn on the $30.0 million working capital facility ("WCF") and Cost Overrun Reserve Account ("CORA") balance of $37.5 million.

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

DIAMOND MARKET

The long-term outlook for natural diamond prices remains positive due to improving supply and demand dynamics as long term reductions from major producing mines. However, the market for the smaller size stones remains soft as demand is impacted by a weak Asian market and laboratory-grown diamonds. Demand for larger stones over 10.8 carats remains robust, as reflected in the Company's sales. The G7 sanctions on Russian diamonds over one carat, effective March 2024, have caused some trade delays. New regulations require these diamonds to be processed through the Antwerp World Diamond Centre for origin verification. The Company views this as short-term support for diamond prices, as the emphasis on stone provenance increases. Lucara, with its established operations producing exceptional Botswana diamonds, stands to benefit from this heightened focus on origin verification.

Sales of laboratory-grown diamonds increased steadily through 2023 and into 2024 with many smaller retail outlets increasingly adopting these diamonds as a product. In Q2 2024, De Beers announced it will cease creating synthetic diamonds and direct its efforts to sell natural diamonds. This is in conjunction with several major brands confirming that they would not market laboratory-grown diamonds. The overall long-term impact will support the natural diamond market as the Company expects to see bifurcation between the natural and laboratory-grown diamond market in the medium term. The longer-term market fundamentals for natural diamonds remains positive as demand is expected to outstrip future supply, which has been declining globally over the past few years.

DIAMOND SALES

Karowe diamonds are sold through three sales channels: through a diamond sales agreement concluded with HB Antwerp ("HB"), 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 New Diamond Sales Agreement ("NDSA") with HB. 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 using advanced 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 diamond's polished value.

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 polished diamonds sold to an end buyer for less than the initial estimated polished price (after deductions for HB's fee) will result in the difference being refunded to HB.

Top-up payments, net of HB's fees, 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, also taking into account the marketability of the polished outcome.

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.

Sethunya Diamond

Sethunya, a 549ct stone recovered in 2020, distinguished by its considerable size and quality is subject to a separate agreement with HB, in which HB acts as an agent to the sale of the stone to the end customer. Lucara received an advance of future proceeds of $20.0 million from HB that has been classified as deferred revenue, as this advance relates to the future sale of the stone, it will decrease the remaining consideration to be received from the sale. As of June 30, 2024, the Sethunya had not yet been sold and the $20.0 million advance remains recorded as deferred revenue on the Statement of Financial Position.

Quarterly Tenders

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

Clara

Clara Diamond Solutions Limited Partnership, a wholly owned subsidiary of Lucara, has developed a secure web-based digital marketplace which is designed to transact diamonds between 1 and 10 carats, in higher colours and quality.

During the six months ended June 30, 2024, Lucara received an indicative non-binding offer for the purchase of the Company's interest of Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as “Clara”). The Company has concluded that, despite the uncertainty regarding completion of a potential definitive agreement, there is a high probability that its interest in Clara is likely to be sold within the next 12 months. Therefore, under IFRS 5, Clara is classified as held for sale on statement of financial position ended June 30, 2024. Based on the expected sales proceeds on June 30, 2024, the Company has determined that the net book value of Clara is recoverable, and no impairment has been recorded in connection with the reclassification. Further, Clara remained operational during the period ended June 30, 2024, its activities from operations has been reported as discontinued operations on the Company’s statements of operations and cash flows.

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 2040.

An update to the Karowe UGP schedule and budget was announced on July 16, 2023. 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 June 30, 2024, capital expenditures of $336.3 million had been incurred and further capital commitments of $69.7 million had been made.

With the 2023 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 Q2 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 June 30, 2024 was 0.56. A total of $11.2 million was spent on the Karowe UGP development in Q2 2024 for following surface infrastructure and ongoing shaft sinking activities:

The ventilation shaft Q2 2024 development:

- Reached 550 metres below collar out of a planned final depth of 731 metres.
- Commenced 470-level station development.

The production shaft Q2 2024 development:

- Reached 557 metres below collar, out of a planned final depth of 765 metres.
- The 470-level station and development excavation at the production shaft was completed.

Related Infrastructure Q2 2024 development:

- Construction of the permanent bulk air coolers at the production shaft continued during Q2 and was completed in July 2024.
- Detailed engineering and fabrication of the permanent people 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. Tenders for this contract are expected to be received in September 2024.
- Mining engineering advanced with a focus on supporting shaft sinking, underground infrastructure engineering and finalizing drilling level plans.

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

Activities planned for the Karowe UGP in Q3 2024 include the following:

- Production shaft sinking to 335-level
- Complete station and commence lateral development at the 470-level for the ventilation shaft
- Procurement of underground equipment, including an additional Load, Haul, Dump vehicle for the production shaft station development. Major components of the underground crusher and dewatering pumps will be delivered to site.
- Continuation of detailed design and engineering of the underground mine infrastructure, drawbells and underground layout.
- Finalise engineering of the permanent people and materials winder.
- Commencement of people and material winder earthworks and civils.

FINANCING

Project Facility and Working Capital Facility

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 (“Rebased Amendments”). 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, construction costs and construction phase operating costs of the Karowe UGP as well as financing costs on the Project Facilities, and a $30.0 million (previously $50.0 million) senior secured working capital facility (the "WCF") which is used for working capital and other corporate purposes. While the total quantum of the Facilities has not changed, the repayment profile was extended in line with the rebase schedule released on July 16, 2023, and the facilities maturity was extended to June 30, 2031. The Project Facility has quarterly repayments commencing on September 30, 2028.

Interest rates

Both the Project Facility and the WCF bear interest at a rate of a USD 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. Thereafter, the margin increases to 7.0% annually for the Project Facility and 7.25% annually for the WCF. Commitment fees for the undrawn portion of the Project Facility and WCF are 35% of the margin per annum.

Cost overrun account balance

In addition, the Rebase Amendments required the Company to place $61.7 million in the CORA as a condition of the Facilities prior to June 30, 2025, with specific provisions of how and when funds may be released from the CORA. At close of the Rebase Amendments, $15.0 million was drawn from the Project Facility and contributed to the CORA. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones (an individual rough diamond which sells for more than $10.0 million) and excess cashflow from operations.

As of June 30, 2024, the Company has drawn $165.0 million from the Project Facility and $25.0 million from the WCF and the CORA balance was $37.5 million. On July 10, 2024, the Company borrowed an additional $15 million from the Project Facility.

Nemesia

Under the terms of the Rebase Amendments, the Company's largest shareholder, Nemesia S.à.r.l. ("Nemesia") provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components, namely: i) an undertaking to support the requirement to fill the CORA 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 as compensation for the financial support.

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. 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. The scheduled issuance of the common shares would take Nemesia's shareholding in the Company above 20% of the issued and outstanding common shares. The requisite approval by the Company's disinterested shareholders of the common shares issuance to Nemesia was obtained at the May 10, 2024 - Annual and General and Special Meeting of Shareholders. On June 17, 2024, the Company and Nemesia entered into a supplemental agreement in terms of which common shares would be issued to Nemesia on a quarterly, instead of a monthly basis. Following regulatory approval, 1,575,000 common shares owing to Nemesia up until the end of Q2 2024 were issued on July 5, 2024.

As at June 30, 2024, the Company was in compliance with all covenants under the Facilities.

INTEREST RATE SWAP

In February 2024, the Company amended a series of interest rate swaps to the expected Project Facility 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 June 30, 2024, the interest rate swaps had a total unrealized fair value of $8.8 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 Q2 2024, the Company recorded a $0.2 million gain (Q2 2023: gain of $1.9 million) on this derivative financial instrument. Movements in the unrealized fair value are recorded through the Statements of Operations.

CLARA'S REVOLVING CREDIT FACILITY

On September 28, 2022, 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"). As of June 30, 2024, $nil million of the facility was drawn and consequently Clara cancelled the facility fully on July 15, 2024.

FINANCIAL HIGHLIGHTS

Table 1	**Three months ended June 30,**		**Six months ended June 30,**	
In millions of U.S. dollars, except carats	**2024**	**2023**	**2024**	**2023**
Revenues	$ 41.3	$ 38.6	$ 80.8	$ 79.9
Operating expenses	(13.7	(13.9)	(32.0)	(30.8)
Net income from continuing operations for the period	11.9	6.1	5.0	7.9
Net loss from discontinued operations for the period	(0.6	(1.1)	(1.5)	(2.0)
Earnings per share from continuing operations (basic and diluted)	$ 0.03	$ 0.01	0.01	0.02
Cash on hand			21.9	26.7
Cost overrun facility (restricted cash)			37.5	18.0
Amounts drawn on WCF			25.0	35.0
Amounts drawn on Project Facility			$ 165.0	$ 90.0
Carats sold	76,387	72,717	169,948	156,091

Q2 2024 Analysis

The Company recognized total Q2 2024 revenues of $41.3 million for 76,387 carats sold. In comparison, the Company achieved total Q2 2023 revenues of $38.6 million for 72,717 carats sold.

For stones less than 10.8 carats, when compared to the second quarter of 2024, the average price was $128 per carat in Q2 2024, a 12% decrease from the average price of $145 per carat in Q2 2023 this was due to a weaker diamond market for the small stones in Q2 2024.

Total operating expenses were slightly lower in Q2 2024 ($13.7 million) compared to Q2 2023 ($13.9 million) predominantly due to inventory movements as operating expenses are recorded on a per carat basis and recognized as the carat is sold. Please see Table 4: *"Select Financial Information"* below for details on the expense line items which had the most significant impact on net income from continuing operations of $11.9 million in the quarter (Q2 2023: net income $6.3 million).

QUARTERLY SALES RESULTS

Table 2

	Three months ended June 30,		Six months ended June 30,	
Revenue is in millions of U.S. dollars	**2024**	**2023**	**2024**	**2023**
Sales Channel				
HB Arrangements	29.5	25.8	52.8	50.4
Tender[(1)]	9.2	9.8	22.2	22.7
Clara	2.6	3.0	5.8	6.8
Total Revenue	41.3	38.6	80.8	79.9

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

HB Arrangements

For the three months ended June 30, 2024, the Company recorded revenue of $29.5 million from the HB arrangements as compared to revenue of $25.8 million on the period ending June 30, 2023. Revenue generated from HB was 71% of total revenue recognized in the second quarter of 2024 (Q2 2023: 67%). The revenue includes "top-up" payment which is payable to the Company for final sales price of the polished diamond sold when it is higher than the initial estimated polished price.

Quarterly Tender & Clara

During Q2 2024, the sales volume transacted by Tender was $9.2 million (Q2 2023: $9.8 million) and by Clara was $2.6 million (Q2 2023: $3.0 million). Both sales channels experienced lower prices compared to Q2 2023 reflecting the weakening of prices in the smaller sized diamond market.

RESULTS OF OPERATIONS – KAROWE MINE

Table 3:

	UNIT	Q2-24	Q1-24	Q4-23	Q3-23	Q2-23
Sales						
Revenues from the sale of Karowe diamonds	US$M	41.3	39.5	36.3	56.2	38.6
Karowe carats sold	Carats	76,387	93,560	111,523	111,673	72,717
Production						
Tonnes mined (ore)	Tonnes	699,846	809,999	607,101	869,188	682,636
Tonnes mined (waste)	Tonnes	245,006	386,849	456,880	954,226	907,051
Tonnes processed	Tonnes	714,301	698,870	703,472	724,640	720,345
Average grade processed(1)	cpht (*)	12.9	11.7	14.0	13.6	12.6
Carats recovered(1)	Carats	92,419	81,611	98,177	98,311	90,497
Costs						
Operating cost per tonne of ore processed(2)	US$	26.32	26.00	31.96	28.62	27.90
Capital Expenditures						
Sustaining capital expenditures	US$M	3.5	1.8	8.0	3.2	2.4
Underground expansion project(3)	US$M	11.2	17.9	28.0	20.3	22.5

(*) Carats per hundred tonnes

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

(2) Operating cost per tonne of ore processed is a non-IFRS measure. See Table 6.

(3) Excludes qualifying borrowing cost capitalized

SECOND QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during the three months ended June 30, 2024. As of June 30, 2024, the mine had operated for over three years without a lost time injury. The rolling twelve-month Total Recordable Injury Frequency Rate for Karowe was 0.28 (Q2 2023: 0.48).

Environment and Social: There were no reportable environmental matters during the second quarter of 2024. Significant progress was made towards the Corporate Sustainability Reporting Directive (“CSRD”). The Company expects to begin reporting under CSRD in the first quarter of 2026. Further, the Company is working on the development and implementation of an updated tailings framework aligned to the Global International Standard for Tailings Management (“GISTM”). 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 second quarter of 2024 totaled 0.7 million tonnes and 0.2 million tonnes respectively. During Q2 2024, tonnes processed were on target at 0.7 million tonnes at an average grade of 12.9 cpht, with a total of 92,419 carats recovered from direct milling. Carats recovered from direct milling ore achieved a 105% recovery based on mill feed. Ore processed was 99% from the South Lobe and 1% from the Centre Lobe.

Diamond Recoveries: A total of 206 Specials were recovered, with eight diamonds greater than 100 carats in weight, including one stone greater than 300 carats. Recovered Specials equated to 6.9% by weight of total recovered carats from ore processed during Q2 2024 (Q2 2023 – 6.6%).

Karowe’s operating cash cost: Karowe’s operating cash cost for Q2 2024 (see “*Use of Non-IFRS Financial Performance Measures*”) was $26.32 per tonne of ore processed (Q2 2023: $27.90 per tonne of ore processed), below the 2024 annual forecast range of between $28.50 and $33.50 per tonne processed. 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 second quarter remained consistent with the strong operational results achieved over the past several years. Mining and Processing results were on plan during Q2 2024.

SELECT FINANCIAL INFORMATION

Table 4:	Three months ended June 30,		Six months ended June 30,	
In millions of U.S. dollars	**2024**	2023	**2024**	2023
Revenues	**41.3**	38.6	**80.8**	79.9
Operating expenses	**(13.7)**	(13.9)	**(32.0)**	(30.8)
Adjusted operating earnings(1)	**27.6**	24.7	**48.8**	49.1
Royalty expenses	**(4.7)**	(4.1)	**(9.0)**	(9.3)
Administration	**(3.4)**	(3.5)	**(6.1)**	(6.5)
Sales and marketing	**(0.7)**	(0.6)	**(1.4)**	(1.2)
Adjusted EBITDA(2)	**18.8**	16.5	**32.3**	32.1
Depletion and amortization	**(3.1)**	(2.8)	**(7.4)**	(7.2)
Finance expenses	**(0.9)**	(0.9)	**(1.5)**	(2.1)
Foreign exchange gain (loss)	**2.6**	(3.2)	**(0.5)**	(5.9)
Gain on derivative financial instrument	**0.2**	1.9	**0.7**	0.5
Loss on extinguishment of debt	**-**	-	**(10.5)**	-
Deferred income tax recovery (expense)	**(5.7)**	(5.2)	**(8.1)**	(9.4)
Net income from continuing operations for the period	**11.9**	6.3	**5.0**	8.0
Continuing operations earnings per share (basic and diluted)	**0.03**	0.01	**0.01**	0.02
Net loss from discontinued operations for the period	**(0.6)**	(1.1)	**(1.5)**	(2.0)
Discontinued operations loss per share (basic and diluted)	**(0.00)**	(0.00)	**(0.00)**	(0.00)

Revenues and royalties

During the three months ended June 30, 2024, revenue increased by 7% compared to Q2 2023, Lucara recognized revenue of $41.3 million from the sale of 76,387 carats from Karowe. In comparison, the Company achieved total revenues of $38.6 million in Q2 2023 selling a total of 72,717 carats from Karowe.

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 Karowe diamonds, rough or polished.

Adjusted Operating Earnings and Expenses

The 12% increase of the Adjusted operating earnings for the three months ended June 30, 2024 when compared to Q2 2023 is directly attributed to the increase in revenue for the period. The increase in operating expenses is attributed to the number of carats sold which increased by 5%. Operating expenses are recorded on a per carat basis and recognized as the carats are sold. The timing of the sale of carats can affect when amounts are recognised between inventory and operating expenses

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

Depletion and amortization

In Q2 2024, the Company recorded a depletion and amortization expense of $3.1 million (Q2 2023: $2.8 million). This non-cash expense increased 11% from the comparative period. The depletion and amortization expense on assets which are primarily amortized on a unit of production basis is mainly affected the volume of carats recovered in any given period and the reserves that are expected to be recovered. The carats recovered during Q2 2024 were 5% higher when compared to Q2 2023. Further the Company's Plant and Equipment's net book value increased as a result of completion of the Fines Residue Deposit and Rockfall mitigation work prior to Q2 2024, thus resulting in higher depletion and amortization expense in Q2 2024.

Derivative financial instrument

A $0.2 million gain on a derivative financial instrument (Q2 2023: gain of $1.9 million) relates to changes in the fair value of the interest rate swap in response to changing market interest rates (*see Note 9 of the condensed interim consolidated financial statements for the three and six months ended June 30, 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 June 30, 2024, the interest rate swaps were in an asset position, with a fair value of $8.8 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.

Net Income from continuing operations for the period

Net income from continuing operations for the three months ended June 30, 2024 was $11.9 million (Q2 2023: $6.3 million) with the change from the comparable period predominantly related to the increase in revenue for the period and foreign exchange gain in Q2.

Net Loss from discontinued operations for the period

Net loss from discontinued operations for the three months ended June 30, 2024, was $0.6 million (Q2 2023: net loss of $1.1 million, as re-presented under IFRS 5). This net loss is related to the Clara online diamond sales platform. Lucara has concluded that Clara represents a separate major sales channel that it developed over the past 6 years and is expecting to dispose of within twelve months hence the discontinued operations and asset held for sale disclosure in accordance with IFRS.

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

Adjusted EBITDA for the three months ended June 30, 2024, was $18.8 million compared to $16.5 million in Q2 2023. The change is directly attributable to the increase in net revenue.

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

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	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23	Dec-22	Sep-22
A. Revenues	41,292	39,519	36,269	56,277	38,563	41,291	40,124	46,488
B. Administration expenses	(3,366)	(2,703)	(6,405)	(5,084)	(3,539)	(2,916)	(5,198)	(3,824)
C. Net (loss) income from continuing operations	11,905	(6,950)	(24,194)	11,678	6,111	1,812	7,884	2,505
D. (Loss) earnings per share (basic)	0.03	(0.02)	(0.05)	0.03	0.01	0.00	0.02	0.01

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, and, sales of all non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which do not meet characteristics for sale on Clara through regular tenders. 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 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 6: 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 June 30,		**Six months ended June 30,**	
	2024	**2023**	**2024**	**2023**
Operating expenses	$ 13.7	$ 13.9	$ 32.0	$ 30.8
Net change rough diamond inventory, excl: depletion and amortization	4.9	3.5	3.5	3.3
Net change ore stockpile inventory, excl depletion and amortization	0.3	2.7	1.5	4.6
Total operating costs for ore processed	$ 18.9	$ 20.1	$ 37.0	$ 38.7
Tonnes processed	714,301	720,345	1,413,171	1,421,023
Operating cost per tonne of ore processed[(1)]	**$ 26.32**	**$ 27.90**	**$ 26.18**	**$ 27.23**

[(1)] 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 June 30, 2024, the Company had cash and cash equivalents of $21.9 million. Cash generated from continuing operating activities for the three months ended June 30, 2024 was $3.9 million.

Working capital (current assets minus current liabilities excluding assets and liabilities held for sale) as at June 30, 2024 was a surplus of $21.7 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 relative to December is reflective of the decrease in current liabilities and reclassification from WCF to long-term Project Facility of $20.0 million in conjunction with the Rebase Amendments.

Trade and other receivables on June 30, 2024 was $32.9 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 on June 30, 2024 includes $19.0 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 Q2 2024. All amounts receivable from HB are current and received as due within twelve months following the quarter end.

Current liabilities decreased to $74.7 million as of June 30, 2024 from $102.5 million at December 31, 2023. The Company transferred $10.0 million from WCF to the Project Facility as part of the Rebase amendments. Decreases in trade payables and accrued liabilities and the timing of royalty payments further contributed to the decrease in current liabilities as of June 30, 2024.

Long-term liabilities consist of the Project Facility of $165.0 million (December 31, 2023: $86.5 million), restoration provisions of $14.2 million (December 31, 2023: $13.7 million), deferred income taxes of $120.0 million (December 31, 2023: $112.8 million), due to related party debenture of $15.0 million (December 31, 2023: $15.0 million), and other non-current liabilities of $4.4 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 $25.0 million, repayment of Clara's working capital facilities of $1.5 million and principal payments on leases.

RELATED PARTY TRANSACTIONS

A description of key management compensation can be found in Note 13 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2024.

COMMITMENTS

A description of commitments can be found in Note 16 of the condensed interim consolidated financial statements for the three and six months ended June 30, 2024.

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 8: 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*".

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 had expected higher diamond recoveries and diamond quality during Q4 2023 and Q1 2024 and has seen diamond recoveries and quality improve in the second quarter of 2024.

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 people and materials winder building. Tendering the underground lateral 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 (”GISTM”).

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 June 30, 2024, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately $5.6 million in net income for the period.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due in the future. 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 additional liquidity sources.

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 June 30, 2024, the CORA balance was $37.5 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 and six months ended June 30, 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 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.

A larger proportion of the Company’s goods, by value, are sold through HB under the NDSA to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company’s traditional tender sales and sales held through Clara (5 days). The Company maintains legal title over goods sold to HB until the initial determined estimated polished price is paid and continuously monitors outstanding amounts for collectability. All amounts are current on June 30, 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 Facility through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate as described above in the section "Interest Rate Swaps" (see Note 8 of the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 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.

Price risk

The Company derives its income from the sale of rough diamonds mined in Botswana through three sales channels: through the HB diamond sales agreement, through quarterly tenders and on the margin earned on the sale of rough diamonds sold through the Clara digital sales platform. 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 are 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.

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 Facility, 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 460,498,948 common shares outstanding, 7,782,668 share units, 3,003,362 deferred share units, and 7,046,000 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 and the construction of an underground mine at Karowe. 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

The Company is not party to any off-balance sheet arrangements.

CHANGES IN ACCOUNTING POLICIES

During the three and six months ended June 30, 2024, there were no changes to the accounting policies described in Note 2 of the unaudited condensed interim consolidated financial statements.

Certain pronouncements have been issued by the International Accounting Standards Board ("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 unaudited condensed interim consolidated financial statements upon adoption.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the unaudited condensed interim 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 unaudited condensed interim 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 President and 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 June 30, 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 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, 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, credit risk, price risk, requirements for and availability of additional capital, capital expenditures, operating costs, 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 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 due to a variety of risks, uncertainties, and other factors, including, without limitation, those referred to in this MD&A. The foregoing is not exhaustive of the factors that may affect any of our 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.

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. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements contained in this MD&A 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)

		June 30, 2024		December 31, 2023
Current assets				
Cash and cash equivalents	$	21,925	$	13,337
Receivables and other (Note 3)		32,938		35,050
Derivative financial instrument (Note 9)		2,515		3,010
Inventories (Note 4)		38,645		34,534
Assets held for sale (Note 8)		6,415		-
		102,438		85,931
Inventories (Note 4)		39,650		38,719
Plant and equipment (Note 6)		123,080		124,983
Mineral properties and related construction assets (Note 7)		320,214		287,245
Intangible assets (Note 8)		-		6,211
Deferred financing fees (Note 9)		-		4,122
Derivative financial instrument (Note 9)		6,247		5,097
Cost overrun account (Note 1)		37,462		18,574
Other non-current assets		4,679		4,921
TOTAL ASSETS	$	633,770	$	575,803
Current liabilities				
Trade payables and accrued liabilities	$	26,305	$	42,580
Deferred revenue		20,000		20,000
Credit facilities (Note 9)		25,000		35,000
Tax and royalties payable		1,725		3,444
Lease liabilities		1,295		1,472
Liabilities associated with assets held for sale (Note 8)		372		–
		74,697		102,496
Credit facilities (Note 9)		165,000		86,515
Due to related party (Note 9)		15,000		15,000
Restoration provisions		14,221		13,738
Deferred income taxes		119,992		112,763
Other non-current liabilities		4,449		3,160
TOTAL LIABILITIES		393,359		333,672
Equity				
Share capital, unlimited common shares, no par value (Note 10)		350,868		349,718
Contributed surplus		8,928		9,371
Deficit		(10,287)		(13,702)
Accumulated other comprehensive loss		(109,098)		(103,256)
TOTAL EQUITY		240,411		242,131
TOTAL LIABILITIES AND EQUITY	$	633,770	$	575,803

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

Commitments – Note 16

Approved on Behalf of the Board of Directors:

"Ian Gibbs"
Director

"David Dicaire"
Director

LUCARA DIAMOND CORP.

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

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Revenues (Note 5)	$ 41,292	$ 38,563	$ 80,811	$ 79,854
Cost of goods sold				
Operating expenses	13,672	13,913	32,016	30,798
Royalty expenses (Note 5)	4,713	4,075	9,041	9,262
Depletion and amortization	3,066	2,840	7,411	7,227
	21,451	20,828	48,468	47,287
Income from mining operations	19,841	17,735	32,343	32,567
Other expenses				
Administration (Note 12)	3,366	3,539	6,069	6,479
Sales and marketing	679	621	1,368	1,239
Finance expenses	850	948	1,462	2,143
Gain on derivative instrument (Note 9)	(191)	(1,928)	(654)	(502)
Foreign exchange loss (gain)	(2,525)	3,233	505	5,869
Loss on extinguishment of debt (Note 9)	–	–	10,529	–
	2,179	6,413	19,279	15,228
Net income from continuing operations before tax	17,662	11,322	13,064	17,339
Income tax expense				
Current income tax	8	10	46	10
Deferred income tax	5,749	5,201	8,063	9,406
	5,757	5,211	8,109	9,416
Net income from continuing operations	11,905	6,111	4,955	7,923
Net loss from discontinued operations (Note 8)	(551)	(1,115)	(1,540)	(1,973)
Net income for the period	$ 11,354	$ 4,996	$ 3,415	$ 5,950
Earnings per common share from continuing operations				
Basic	$ 0.03	$ 0.01	$ 0.01	$ 0.02
Diluted	$ 0.03	$ 0.01	$ 0.01	$ 0.02
Loss per common share from discontinuing operations				
Basic and diluted	$ (0.00)	$ (0.00)	$ (0.00)	$ (0.00)
Weighted average common shares outstanding (millions)				
Basic	458.9	454.6	458.5	454.2
Diluted	470.3	465.8	468.6	464.8

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

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

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Net income for the period	$ 11,354	$ 4,996	$ 3,415	$ 5,950
Other comprehensive (loss) income				
Items that will not be reclassified to net income				
Change in fair value of marketable securities	(304)	(118)	(189)	15
Items that may be subsequently reclassified to net income				
Currency translation adjustment	(713)	(4,894)	(5,653)	(9,783)
	(1,017)	(5,012)	(5,842)	(9,768)
Comprehensive income (loss) for the period	$ 10,337	$ (16)	$ (2,427)	$ (3,818)
Total comprehensive income (loss) attributable to shareholders of the Company from:				
Continuing operations	10,888	1,099	(887)	(1,845)
Discontinued operations	(551)	(1,115)	(1,540)	(1,973)
	$ 10,337	$ (16)	$ (2,427)	$ (3,818)

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 June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Operating activities				
Net income for the period from continuing operations	$ 11,905	$ 6,111	$ 4,955	$ 7,923
Items not affecting cash:				
Depletion and amortization	3,229	2,918	7,737	7,106
Unrealized foreign exchange loss (gain)	(4,408)	3,873	(69)	5,260
Share-based compensation (recovery)	(328)	420	(229)	1,038
Loss on extinguishment of debt	-	-	9,727	-
Unrealized gain on derivative instruments	(191)	(1,928)	(654)	(502)
Deferred income taxes	5,749	5,201	8,063	9,406
Finance (income) costs	183	830	(260)	1,469
	16,139	17,425	29,270	31,700
Net changes in working capital:				
Receivables and other	(1,614)	(8,969)	103	(1,370)
Inventories	(5,909)	(5,681)	(5,294)	(9,187)
Trade payables, deferred revenue, and other current liabilities	(4,324)	9,244	(21,836)	10,226
Tax and royalties payable	(393)	(1,685)	(1,674)	(380)
Net cash provided by continuing operating activities	3,899	10,334	569	30,989
Net cash used in discontinued operating activities	(1,175)	(787)	(2,003)	(1,320)
	2,724	9,547	(1,434)	29,669
Financing activities				
Drawdown (repayment) on working capital facilities, net	(1,456)	11,721	10,000	21,235
Drawdown on Project Facility	25,000	–	55,000	25,000
Withholding tax on share units vested	–	–	(67)	(268)
Lease payments	(431)	(400)	(824)	(782)
Funds allocated to cost overrun account	–	–	(18,150)	(18,000)
Net cash provided by continuing financing activities	23,113	11,321	45,959	27,185
Investing activities				
Investment in plant and equipment	(2,669)	(2,407)	(4,427)	(3,448)
Mineral property expenditure	(14,827)	(22,503)	(31,807)	(52,814)
Net cash used in continuing investing activities	(17,496)	(24,910)	(36,234)	(56,262)
Net cash used in discontinuing investing activities	(19)	(11)	(33)	(24)
	(17,515)	(24,921)	(36,267)	(56,286)
Effect of exchange rate change on cash and cash equivalents	78	(478)	(18)	(324)
Increase in cash and cash equivalents	8,400	(4,531)	8,240	244
Cash and cash equivalents related to assets held for sale	348	-	348	-
Cash and cash equivalents, beginning of the period	13,177	31,193	13,337	26,418
Cash and cash equivalents, end of the period (1)	$ 21,925	$ 26,662	$ 21,925	$ 26,662
Supplemental information – investing activities				
Interest paid	(5,263)	(3,386)	(10,360)	(6,434)
Taxes paid	(8)	(23)	(46)	(34)
Changes in trade payables and accrued liabilities related to plant and equipment and mineral properties(2)	583	3,727	(5,315)	(1,835)

(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 $13.5 million at June 30, 2024 ($8.2 million at December 31, 2023).

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

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

	Number of shares issued and outstanding	Share capital	Contributed surplus	Retained earnings (deficit)	Accumulated other comprehensive loss	Total
Balance, January 1, 2024	456,177,393	$ 349,718	$ 9,371	$ (13,702)	$ (103,256)	$ 242,131
Net income for the period	–	–	–	3,415	–	3,415
Other comprehensive loss	–	–	–	–	(5,842)	(5,842)
Total comprehensive income (loss)	–	–	–	3,415	(5 842)	(2,427)
Shares issued for shareholder standby undertaking	1,900,000	553	–	–	–	553
Share-based compensation	–	–	221	–	–	221
Shares issued from share units vested	846,555	597	(597)	–	–	–
Withholding tax for share units vested	–	–	(67)	–	–	(67)
Balance, June 30, 2024	**458,923,948**	**$ 350,868**	**$ 8,928**	**$ (10,287)**	**$ (109,098)**	**$ 240,411**
Balance, January 1, 2023	453,566,923	$ 348,083	$ 10,129	$ 6,489	$ (94,640)	$ 270,061
Net income for the period	–	–	–	5,950	–	5,950
Other comprehensive loss	–	–	–	–	(9,768)	(9,768)
Total comprehensive income (loss)	–	–	–	5,950	(9,768)	(3,818)
Share-based compensation	–	–	793	–	–	793
Shares issued from share units vested	1,011,950	728	(728)	–	–	–
Withholding tax for share units vested	–	–	(268)	–	–	(268)
Balance, June 30, 2023	**454,578,873**	**$ 348,811**	**$ 9,926**	**$ 12,439**	**$ (104,408)**	**$ 266,768**

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. As at June 30, 2024, the Company holds a 100% interest in the Karowe Mine located in Botswana and a 100% interest in Clara Diamond Solutions Limited Partnership ("Clara"). Clara operates a secure, digital diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies which is held for sale at June 30, 2024 (note 8).

The Company's common shares are listed on the TSX, NASDAQ Stockholm and Botswana Stock Exchanges. The Company was continued into the Province of British Columbia under the Business Corporations Act (British Columbia) in August 2004 and its head office is located at Suite 2800, 1055 Dunsmuir Street, Vancouver, British Columbia, V7X 1L2, Canada.

During the six months ended June 30, 2024, the Company recognized a net income from continuing operations of $5.0 million and generated cash of $0.6 million from operating activities from continuing operations. As at June 30, 2024, the Company had cash and cash equivalents of $22.3 million, working capital (current assets less current liabilities excluding assets and liabilities held for sale) of $21.7 million and had drawn $55.0 million from its project facility and $10.0 million from its working capital facility.

The Company's schedule and budget for the Karowe Underground Expansion Project (the "UGP") anticipates commencement of underground production in the first half of 2028 with a completion cost forecast of $683.0 million. Committed, not yet incurred, costs under the UGP are $69.7 million at June 30, 2024 (Note 15).

On January 9, 2024, the Company completed an agreement with its lenders to modify the debt package (the "Facilities") for the UGP. The agreement includes increasing the project finance facility from $170.0 million to $190.0 million (the "Project Facility"), reducing the senior secured working capital facility (the "WCF"), extending the maturity date of the WCF to June 30, 2031, and amend certain other terms (the "Rebase Amendments"). The WCF requires the Company to fully paid down for 5 successive business days at least once every 12 months.

Prior to June 30, 2025, the Company is required to place $61.7 million in a cost overrun account (the "CORA") as a condition of the Facilities. The Facilities Agreement includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was $37.5 million as at June 30, 2024. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and cashflow from operations.

Under the terms of the Project Facility, the Company's largest shareholder, Nemesia S.à.r.l. ("Nemesia") provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fund the CORA to $61.7 million by June 30, 2025 (which decreases over time as the Company contributes funds; June 30, 2024 -$25.0 million) 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 June 30, 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 August 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.

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

Amendments to IFRS 9 and IFRS 7

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

IFRS 18

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

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

3. RECEIVABLES AND OTHER

		June 30, 2024		December 31, 2023
Trade receivables	$	19,016	$	12,981
Value-added and income taxes receivable		8,164		13,927
Prepayments		5,647		8,012
Other		111		130
	$	**32,938**	$	**35,050**

Trade receivables at June 30, 2024 were $19.0 million (December 31, 2023 – $13.0 million) due from HB Antwerp ("HB").

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

4. INVENTORIES

		June 30, 2024		December 31, 2023
Rough diamonds	$	22,806	$	19,217
Ore stockpile		2,294		2,038
Parts and supplies		13,545		13,279
Total current inventories	**$**	**38,645**	$	**34,534**
Non-current inventories – ore stockpile	**$**	**39,650**	$	**38,719**

Inventory expensed during the six months ended June 30, 2024, totaled $32.0 million (six months ended June 30, 2023: $30.8 million). There were no inventory write-downs during the six months ended June 30, 2024, and in 2023.

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

5. REVENUE

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

	Three months ended June 30,				Six months ended June 30,			
		2024		2023		2024		2023
Sales Channels								
HB Arrangement	$	29,540	$	25,796	$	52,826	$	50,379
Clara		2,545		2,980		5,807		6,783
Tender		9,207		9,788		22,178		22,692
Total Revenue	$	**41,292**	$	**38,563**	$	**80,811**	$	**79,854**

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 six months ended June 30, 2024, the Company incurred a royalty expense of $9.0 million (six months ended June 30, 2023: $9.3 million).

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

6. PLANT AND EQUIPMENT

Cost	Construction in progress	Mine and plant facilities	Furniture, office equipment and community facilities	Vehicles	Right of use assets	Total
Balance, January 1, 2023	**$ 19,140**	**$ 200,766**	**$ 14,992**	**$ 4,207**	**$ 6,899**	**$ 246,004**
Additions	12,993	–	–	–	1,292	14,285
Reclassification (Note 7)	(12,073)	30,151	1,740	863	23,752	44,433
Disposals and other	(943)	(109)	(9)	(89)	(184)	(1,334)
Translation differences	(903)	(9,352)	(700)	(201)	(443)	(11,599)
Balance, December 31, 2023	**$ 18,214**	**$ 221,456**	**$ 16,023**	**$ 4,780**	**$ 31,316**	**$ 291,789**
Additions	4,429	–	–	–	739	5,168
Reclassification (Note 7)	(9,992)	2,640	8,175	–	–	823
Translation differences	(201)	(1,840)	(56)	(39)	(262)	(2,398)
Balance, June 30, 2024	**$ 12,450**	**$ 222,256**	**$ 24,142**	**$ 4,741**	**$ 31,793**	**$ 295,382**
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 (Note 7)	–	4,056	148	412	985	5,601
Disposals and other	–	(39)	(6)	(88)	(184)	(317)
Translation differences	–	(6,474)	(499)	(129)	(212)	(7,314)
Balance, December 31, 2023	**$ –**	**$ 144,806**	**$ 12,681**	**$ 3,122**	**$ 6,197**	**$ 166,806**
Depletion and amortization	–	3,000	1,094	147	633	4,874
Reclassification (Note 7)	–	1,131	36	208	597	1,972
Translation differences	–	(1,192)	(96)	(22)	(40)	(1,350)
Balance, June 30, 2024	**$ –**	**$ 147,745**	**$ 13,715**	**$ 3,455**	**$ 7,387**	**$ 172,302**
Net book value						
As at December 31, 2023	**$ 18,214**	**$ 76,650**	**$ 3,342**	**$ 1,658**	**$ 25,119**	**$ 124,983**
As at June 30, 2024	**$ 12,450**	**$ 74,511**	**$ 10,427**	**$ 1,286**	**$ 24,406**	**$ 123,080**

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

7. MINERAL PROPERTIES AND RELATED CONSTRUCTION ASSETS

Cost	Production stripping asset	Karowe Mine	Karowe Underground Construction	Total
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 (Note 6)	–	–	(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	–	–	29,075	29,075
Borrowing cost capitalized	–	–	8,044	8,044
Reclassification (Note 6)	–	–	1,147	1,147
Translation differences	(468)	(347)	(1,868)	(2,683)
Balance, June 30, 2024	**$ 57,390**	**$ 34,307**	**$ 312,975**	**$ 404,672**
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	2,675	570	–	3,245
Translation differences	(381)	(250)	–	(631)
Balance, June 30, 2024	**$ 52,574**	**$ 31,884**	**–**	**$ 84,458**
Net book value				
As at December 31, 2023	**$ 7,578**	**$ 3,090**	**$ 276,577**	**$ 287,245**
As at June 30, 2024	**$ 4,816**	**$ 2,423**	**$ 312,975**	**$ 320,214**

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 $24.7 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 facilities prior to the Rebase Amendments.

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

8. ASSET HELD FOR SALE AND DISCONTINUED OPERATIONS

During the six months ended June 30, 2024, the Company received an indicative non-binding offer for the purchase of the Company's interest of Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as “Clara”). The Company has concluded that, despite the uncertainty regarding completion of a potential definitive agreement, there is a high probability that its interest in Clara is likely to be sold within the next 12 months and, as a result, has classified the group as held for sale as at June 30, 2024. Based on the estimated sales proceeds at June 30, 2024, the Company has determined that the net book value of Clara is recoverable, and no impairment has been recorded in connection with the reclassification.

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

		Total
Cash and cash equivalents	$	348
Inventories		46
Prepaids		71
Plant and equipment		128
Intangible assets (Patents & Intellectual properties)		5,822
Total assets held for sale	**$**	**6,415**
Trade payables and accrued liabilities	$	244
Lease liabilities		128
Total liabilities associated with assets held for sale	**$**	**372**

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

		Three months ended June 30,				Six months ended June 30,		
		2024		2023		2024		2023
Revenue[(1)]	$	28	$	2,562	$	1,644	$	4,031
Cost of sales[(1)]		290		3,118		2,333		4,889
Gross margin		**(262)**		**(556)**		**(689)**		**(858)**
Other Expenses		(289)		(559)		(851)		(1,115)
Net loss from discontinued operations	$	**(551)**	$	**(1,115)**	$	**(1,540)**	$	**(1,973)**

[(1)]Lucara expects to continue to utilizes Clara’s platform for the sale of its Clara qualifying Lucara stones after the disposition of Clara, thus the revenue and cost of sales related to Lucara’s diamonds has been retained as part of continuing operations (See Note 5).

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

Further, there is a profit-sharing mechanism related to Clara, whereby a total of 3.45% of the EBITDA generated by the Clara platform has been assigned to two former directors of Lucara, both founders of Clara. A further 3.22% of Clara’s 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 June 30, 2024, no amounts have paid under this profit-sharing mechanism as there has not been EBITDA generated by the platform.

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

9. CREDIT FACILITIES

		June 30, 2024		December 31, 2023
Current				
Working capital facility	$	25,000	$	35,000
Revolving credit facility		-		-
Deferred financing fees	$	-	$	-
Non-current				
Project Facility, net of fees	$	165,000	$	86,515
Due to related party		15,000		15,000
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 Facility 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 the WCF to June 30, 2031, and amended certain other terms (the "Rebase Amendments"). At the financial close of the Rebase Amendments, $20.0 million that was outstanding on the WCF was transferred to the Project Facility.

The Project Facility may be used to fund the development, construction costs and construction phase operating costs of the Karowe underground expansion project as well as financing costs on the Facilities during construction. The Project Facility matures on June 30, 2031, with quarterly repayments commencing on September 30, 2028. As at June 30, 2024, $165.0 million of the $190.0 million facility was drawn. The Project Facility bears interest at a rate of Term Secured Overnight Financing Rate ("SOFR") plus margin of 6.5% annually until the project completion date, 6.0% annually from project completion to June 30, 2029, and 7.0% annually thereafter, with commitment fees for the undrawn portion of the facility of 35.0% of the margin on the average daily available commitment.

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

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

On July 10, 2024, the Company borrowed an additional $15 million from the Project Facility.

9. CREDIT FACILITIES (continued)

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

As at June 30, 2024, the interest rate swaps had a total unrealized fair value of $8.8 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 drew $15.0 million from its liquidity support guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "Debenture"). Subject to the receipt of all required regulatory approvals, for each $500,000 outstanding under the Debenture, the Company is required to issue, 7,500 common shares per month at the prevailing market price to Nemesia until the amounts borrowed are repaid. Amounts owed from December 2023 – June 2024 have been accrued. Shares for those amounts were issued effective July 5, 2024 (Note 10). 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 June 30, 2024, $nil (December 31, 2023: $nil) of the facility was drawn. The facility bears interest at SOFR plus a margin of 6.0%. Effective July 2024, the Clara revolving credit facility has been fully released and cancelled.

10. SHARE CAPITAL

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

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

An amount of 1,900,000 common shares ($0.6 million) was paid as consideration in January 2024. A further 600,000 common shares will be issued if the undertaking is activated. For each $500,000 drawn down under the standby undertaking, the Company will issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid. As at June 30, 2024, the Company has accrued $0.4 million of financing fee related to the standby undertaking.

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

11. SHARE BASED COMPENSATION

a. Stock options

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

	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	(950,000)	0.64
Balance at June 30, 2024	**7,046,000**	**$ 0.55**

Options granted to acquire common shares outstanding at June 30, 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	4,224,000	4.26	0.45	396,000	3.66	0.57
$0.61 - $0.79	2,822,000	1.20	0.72	2,463,999	1.13	0.73
	7,046,000	**3.04**	**$ 0.56**	**2,859,999**	**1.49**	**$ 0.71**

During the six months ended June 30, 2024, an amount of $0.1 million (2023 – $0.2 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

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

11. SHARE BASED COMPENSATION (continued)

b. Restricted and performance share units

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

For the six months ended June 30, 2024, the Company recognized a share-based payment charge of $0.1 million (2023 – $0.6 million) for the SUs granted.

	Number of share units	Estimated fair value at date of grant (CA$)
Balance at January 1, 2023	7,056,000	$ 0.71
Granted	3,337,000	0.57
Redeemed	(2,876,001)	0.74
Cancelled	(3,902,999)	0.62
Balance at December 31, 2023	**3,614,000**	**$ 0.65**
Granted	6,567,000	0.36
Redeemed	(1,075,000)	0.75
Cancelled	(1,323,332)	0.59
Balance at June 30, 2024	**7,782,668**	**$ 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. Amendments providing for the issuance of up to 4,500,000 DSUs to eligible directors were approved on May 12, 2023. Directors can elect to receive up to 100% of their quarterly fees earned in DSUs. DSUs vest immediately and are paid out upon retirement from the Board of Directors of the Company. Each DSU entitles the holder to receive one common share and the cumulative dividend equivalent DSU earned prior to the payout date. The value of each DSU at the grant date is equal to the closing value of one Lucara common share. The DSUs are cash-settled share-based compensation and are recorded as a liability. Upon payout, the director can elect to receive the value in cash or common shares of the Company.

For the six months ended June 30, 2024, the Company recognized a share-based payment recovery of $0.4 million for marking to market of the DSU outstanding (2023 – $0.2 million expense) 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	945,058	$	0.33
Redeemed	(1,113,852)	$	0.33
Balance at June 30, 2024	**3,003,362**	**$**	**0.33**

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

12. ADMINISTRATION

	Three months ended June 30, 2024	Three months ended June 30, 2023	Six months ended June 30, 2024	Six months ended June 30, 2023
Salaries and benefits	$ 1,285	$ 1,103	$ 2,400	$ 1,327
Professional fees	1,316	819	1,740	1,575
Insurance, office, and general	315	276	655	748
Promotion	54	224	129	637
Stock exchange, transfer agent, shareholder communication	70	82	228	223
Travel	120	123	262	301
Share-based compensation (Note 10)	(328)	420	(229)	1,038
Depreciation	167	22	326	74
Sustainability and donations	367	470	558	556
	$ 3,366	$ 3,539	$ 6,069	$ 6,479

13. RELATED PARTY TRANSACTIONS

Key management compensation

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

	2024	2023
Salaries and wages	$ 1,105	$ 639
Short term benefits	24	21
Share based compensation	(22)	762
	$ 1,107	$ 1,422

Other related party transactions

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

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

14. SEGMENT INFORMATION

The Company's primary business activity is the operation of an open-pit diamond mine in Botswana. The Company has two operating segments: Karowe Mine and Corporate and other. Clara was previously accounted for in the Corporate and other operating segment which has been included under discontinued operations.

Three months ended June 30, 2024

	Karowe Mine	Corporate	Total
Revenues	$ 41,292	$ –	$ 41,292
Income from operations	19,841	–	19,841
Finance expenses	(850)	–	(850)
Gain on derivative financial instrument	191	–	191
Foreign exchange gain	2,395	130	2,525
Administrative and other	(2,198)	(1,847)	(4,045)
Taxes	(5,757)	–	(5,757)
Net income (loss) from continuing operations	**$ 13,622**	**$ (1,717)**	**$ 11,905**
Capital expenditures	**$ 17,496**	**$ –**	**$ 17,496**

Three months ended June 30, 2023

	Karowe Mine	Corporate	Total
Revenues	$ 38,563	$ –	$ 38,563
Income (loss) from operations	17,735	–	17,735
Finance expenses	(948)	–	(948)
Gain on derivative financial instrument	1,928	–	1,928
Foreign exchange loss	(2,941)	(292)	(3,233)
Administrative and other	(1,928)	(2,232)	(4,160)
Taxes	(5,211)	–	(5,211)
Net income (loss) from continuing operations	**$ 8,635**	**$ (2,524)**	**$ 6,111**
Capital expenditures	**$ 24,910**	**$ –**	**$ 24,910**

Depletion and amortization expense for Karowe Mine and Corporate during the three months ended June 30, 2024 totaled $3.0 million and $0.1 million, respectively (2023 – $2.8 million and $0.1 million).

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

14. SEGMENT INFORMATION (continued)

Six months ended June 30, 2024

	Karowe Mine	Corporate	Total
Revenues	$ 80,811	$ –	$ 80,811
Income from operations	32,343	–	32,343
Finance expenses	(1,462)	–	(1,462)
Gain on derivative financial instrument	654	–	654
Foreign exchange loss	(800)	295	(505)
Loss on Extinguishment	(10,529)	–	(10,529)
Administrative and other	(4,303)	(3,134)	(7,437)
Taxes	(8,072)	(37)	(8,109)
Net income (loss) from continuing operations	**$ 7,831**	**$ (2,876)**	**$ 4,955**
Capital expenditures	**$ 36,234**	**$ –**	**$ 36,234**
Total assets	**$ 623,272**	**$ 10,498**	**$ 633,770**

Six months ended June 30, 2023

	Karowe Mine	Corporate	Total
Revenues	$ 79,854	$ –	$ 79,854
Income (loss) from operations	32,567	–	32,567
Finance expenses	(2,143)	–	(2,143)
Gain on derivative financial instrument	502	–	502
Foreign exchange loss	(5,572)	(297)	(5,869)
Administrative and other	(3,781)	(3,937)	(7,718)
Taxes	(9,416)	–	(9,416)
Net income (loss) from continuing operations	**$ 12,157**	**$ (4,234)**	**$ 7,923**
Capital expenditures	**$ 56,262**	**$ –**	**$ 56,262**
Total assets	**$ 524,271**	**$ 25,174**	**$ 549,445**

Depletion and amortization expense for Karowe Mine and Corporate and other during the six months ended June 30, 2024 totaled $7.3 million and $0.1 million, respectively (2023 – $7.2 million and $0.1 million).

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

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

a) *Measurement categories and fair values*

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

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

b) *Fair value hierarchy*

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

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

		June 30, 2024		December 31, 2023
Level 1: Fair value through other comprehensive income – Investments	$	622	$	811
Level 2: Derivative financial instruments	$	8,762	$	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 June 30, 2024, the Company was exposed to currency risk relating to U.S. dollar cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately $5.6 million in net income for the period.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. To manage liquidity risk, regular cash flow forecasting is performed in the operating entities of the Company and aggregated in the head office to understand what level of capital is required. Rolling forecasts of the Company's liquidity requirements are prepared and monitored to assess whether there is sufficient cash available to meet the Company's short and 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.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

As a condition of the Facilities Agreement, the Company is required to place $61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at June 30, 2024, the CORA balance was $37.5 million.

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

Credit risk

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

On September 28, 2023, the Company terminated the old sales agreement with HB. The termination increased the credit risk on amounts due from HB. A new sales agreement was entered into with HB in February 2024 and governs deliveries of goods since December 2023. Under the new sales agreement terms, a large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's traditional tender sales and sales held through Clara (5 days). The Company maintains 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 cash flow interest rate risk on its Project Facility through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate (see Note 8). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding 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 Facility (approximately $143.0 million). The Company is exposed to cash flow interest rate increases through 25% of its expected borrowings from the Project 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.

15. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (continued)

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 agreement with HB, the ultimate achieved sales prices of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than through its traditional tender process for rough diamonds. The pricing of both polished and rough diamonds stabilized in the first half of 2024 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 and negatively impact the Company's revenue and ability to generate positive cash flow from operations.

16. COMMITMENTS

As at June 30, 2024, purchase orders and contracts that give rise to commitments for future minimum payments for services to be provided related to the UGP amounted to $69.7 million (December 31, 2023 - $115.5 million). The following table summarizes the approximate timing of the commitments (undiscounted) at June 30, 2024:

In millions of dollars	**2024**	**2025**	**2026**	**2027 & 2028**	**Total**
Underground expansion project	25.7	29.7	11.9	2.4	**69.7**