



MANAGEMENT'S DISCUSSION AND ANALYSIS March 31, 2026

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 condensed interim consolidated financial statements of the Company for the period ended March 31, 2026 (the "Interim Financial Statements"), which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("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. References to "C\$" are to Canadian dollars.

The technical information related to mineral resources in the MD&A was prepared under the supervision of Dr. Lauren Freeman (Ph.D., Pr. Sci Nat), Lucara's Vice-President, Mineral Resources, and a Qualified Person, as that term is defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("NI 43-101").

Some of the statements in this MD&A are forward-looking statements that are subject to risk factors set out in the cautionary note contained herein and, in the Company's, Annual Information Form ("AIF"). The AIF along with additional information about the Company and its business activities are available on SEDAR+ at www.sedarplus.ca.

The effective date of this MD&A is May 7, 2026.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type IIa diamonds from its 100% owned Karowe diamond mine in north-central Botswana ("Karowe"). Karowe is the only diamond mine in the world to have recovered nine diamonds in excess of 1,000 carats in weight. Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Karowe is transitioning from open pit to underground mining with the development of the Karowe Underground Project (the "UGP"). The UGP is designed to access the highest value portion of the Karowe orebody. Underground development ore from the UGP is scheduled to begin replacing unprocessed run-of-mine stockpiles in H2 2027, with full-scale underground production planned for the first half of 2028.

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. The development of the UGP adheres to the Equator Principles. Lucara is committed to upholding high standards while striving to deliver long-term economic benefits to Botswana and its surrounding communities.

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

HIGHLIGHTS – Q1 2026

- Completed a C\$165.0 million equity financing and issued \$350.0 million of senior secured bonds in Q1 2026, and fully repaid \$220.0 million of project debt, strengthening the Company's capital structure. The bonds include a tap option which allows for an additional \$50.0 million of issuance and an option to establish a revolving credit facility of up to \$50.0 million.
- Updated feasibility study for the underground project indicates total capital cost of \$779.2 million, with \$472.4 million incurred to date. The Company now has sufficient access to capital to advance the UGP through to completion, with first production expected in H1 2028.
- Q1 2026 revenue was \$21.8 million (Q1 2025: \$30.3 million), reflecting a higher proportion of stockpile processing during the period due to unseasonal weather impacting open pit mining. Run-of-mine stockpiles comprise ore previously mined but not yet processed, and are inherently variable in grade and quality, which affected realized recoveries in the quarter. Open pit mining resumed on March 26, 2026 and is expected to conclude later in the year.
- Operating cost of \$24.74 per tonne processed (Q1 2025: \$23.41), an increase of 6% compared to the prior year and remaining within full year guidance. The increase primarily reflects transitional mining activities, including equipment demobilisation costs as well as higher power costs.
- Recovered 100 Specials¹ (Q1 2025: 139), including five stones greater than 100 carats and one exceeding 300 carats.
- Rough diamond inventory includes the 36.92 carat blue Type IIB diamond (recovered from stockpile material) and the 2,488 carat Motswedi diamond expected to contribute to future revenue and cash flow upon sale.
- Despite lower revenue and higher costs in Q1 2026, the Company is maintaining its full year outlook. Revenue guidance remains unchanged at \$100.0 million to \$130.0 million, supported by the planned return to open pit mining, with all other guidance parameters also reaffirmed.

¹ Specials are defined as stones above 10.8 carats.

KAROWE UNDERGROUND PROJECT UPDATE

The UGP is designed to access the highest value portion of the Karowe orebody, with initial planned underground carat production predominantly from the EM/PK(S)² unit. The UGP is expected to extend the mine life to 2038.

On January 30, 2026, the Company announced an update to the UGP schedule and budget (the “Updated Feasibility Study”) ([link to news release](#)). Production from the UGP is anticipated in H1 2028, with a total estimated cost at completion of \$779.2 million (including contingency). As at March 31, 2026, cumulative UGP capital expenditures of \$472.4 million had been incurred. Committed, not yet incurred, UGP costs are \$117.7 million as at March 31, 2026. The Updated Feasibility Study incorporates construction progress, revisions to exchange rates, inclusion of Legacy stone³ values, and costs incurred to date, and updates to hydrogeological and geomechanical models, mine design, method and scheduling. From H1 2026 to H1 2028, the Company will process a combination of ore from open pit operations and run-of-mine stockpiled materials, comprising ore previously mined but not yet processed.

The UGP has progressed well, highlighted by reaching the bottom of the 776 metres (“m”) production shaft and the 729 m ventilation shaft in 2025, significantly de-risking the project as shaft sinking activities were concluded. The UGP has achieved 2,249 lost-time injury free days. The project-to-date Total Recordable Injury Frequency Rate (“TRIFR”) was 0.54, below the project target of 0.90, with a 12-month rolling TRIFR of 0.34.

Total UGP capital expenditures for Q1 2026 were \$19.0 million⁴. Expenditures were primarily directed toward shaft development and equipping, lateral development, and surface infrastructure.

Ventilation Shaft

The ventilation shaft continued advancing development on two primary fronts at the 310-level⁵ and 285-level throughout Q1 2026. During Q1 2026, a total of approximately 491 m of lateral development was advanced across both levels, bringing project-to-date lateral development to 1,245 m as at March 31, 2026, well in advance of the planned stage of development hand-over to the lateral development contractor, reducing execution risk. Construction activities completed at the 285-level during the quarter included pre-assembly and installation of airlock doors and the commencement of the temporary side-loading conveyor arrangement. Water intersections encountered at the 310-level during February were effectively managed through targeted grouting programs, demonstrating the project team’s ability to efficiently anticipate and respond to hydrogeological conditions.

Production Shaft

The production shaft advanced through several significant milestones during Q1 2026. In January, shaft equipping activities progressed with bunton and guide installation, and the 670-level shaft station steel was completed. Through February, surface equipping works commenced, including removal of stage bank steel, bank doors, the banksman cabin, and sub-bank platforms. By the end of March, the production shaft completed shaft barrel equipping with guides and buntions installed to surface level, marking the completion of the equipping phase. This was followed by decommissioning of the sinking setup, including removal of sinking equipment, structural steel, and winder ropes. The headgear changeover commenced in March with the onboarding of steelwork crews and initiation of steel installation on a level-by-level basis.

Lateral Development and Surface Infrastructure

In Q4 2025, the Company executed a lateral development contract covering all underground lateral development from the production shaft to the orebody, including construction of the extraction level, underground crushing chamber, fine ore bins, pump stations, drilling horizons, workshop facilities, and all connecting infrastructure required to advance towards the kimberlite. During Q1 2026, the contractor completed its site visit and kickoff meeting, with onboarding of key personnel and mobilization activities underway as at March 31, 2026.

Surface infrastructure activities progressed during Q1 2026, with civil works for the main surface ventilation fans advancing through earthworks and foundation construction. Procurement and manufacture of long-lead fan components continued throughout the quarter.

² EM/PK(S): Eastern magmatic/pyroclastic kimberlite (south).

³ Legacy stone refers to rough stones sold for a value greater than \$5.0 million.

⁴ Excludes qualifying borrowing cost capitalized.

⁵ Each level is equivalent to a metre above sea level.

Activities planned for the UGP in Q2 2026 include the following:

- Continue with production shaft headgear changeover, including stripping and installation of permanent steel at remaining headgear levels, and advancing bin and chute installation works.
- Advance lateral development at the 310-level, including side-loading conveyor installation and sump completion at the 285-level, and initiation of 470-level development works for ore pass raiseboring.
- Complete civil works and commence installation of main surface ventilation fans.
- Continue with operational readiness including advancing staffing plans, finalizing operating procedures, and preparing for operation and maintenance of permanent infrastructure.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains cautious amid ongoing structural changes in the market. Lab-grown diamond prices have continued to decline through 2026 as production capacity continues to outpace demand. Global natural diamond production is forecasted to decline further, following significant production guidance cuts by the major diamond producers at the lowest supply levels since the late 1980s.

In the near term, larger natural diamonds are showing signs of price resilience, supported by limited global supply and improving demand for the category. However, mid-range and lower-grade stones remain under pricing pressure. Cautious consumer sentiment, driven by macroeconomic uncertainty, the ongoing conflict in the Middle East, and continued substitution by lab-grown diamonds is expected to weigh on pricing in the near to medium term.

DIAMOND SALES

Diamonds from Karowe are sold through three sales channels: through a diamond sales agreement with HB, through quarterly tenders, and on the Clara Diamond Solutions ("Clara") sales platform.

HB

Karowe's large, high value diamonds have historically accounted for approximately 65% to 75% of Lucara's annual revenues. All +10.8 carat gem and near gem diamonds from Karowe are sold to HB. The initial purchase price paid for the rough diamonds is based on an estimated initial polished value with a "top-up" paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The timing of payments varies based on the category of stones being delivered, as determined by the diamond's estimated initial polished value.

The arrangement contains elements of variable consideration as the Company's final consideration is contingent on the price obtained in the future sale of the polished stones by HB. Variable consideration is recognized to the extent that it is highly probable that its inclusion will not result in a significant revenue reversal at the time the uncertainty has subsequently been resolved. Final revenue is determined when the polished diamonds are sold by HB to the end buyer.

Quarterly Tenders

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats not sold on the Clara sales platform are sold through quarterly tenders.

Clara

Clara is a third party owned digital rough diamond sales platform that the Company uses to sell individual diamonds between 1 and 10 carats, in higher colours and qualities.

FINANCING

Bond Issuance

On March 27, 2026 (the "Issue Date"), Lucara Capital S.à.r.l., with Lucara as sponsor and guarantor, issued \$350.0 million of senior secured bonds (the "Bonds"). The Bonds carry a fixed coupon of 12.50% per annum, payable quarterly. Principal repayment of \$25.0 million per quarter commences on March 27, 2029, with the remaining balance repayable at maturity, March 27, 2031. The Bond includes a tap option which allows for an additional \$50.0 million to be issued on the same terms ranking equally with the initial issuance, bringing the maximum issuable amount to \$400.0 million. The Bond terms also provide for the option to establish a super senior revolving credit facility (the "RCF") of up to \$50.0 million. The Bonds are secured by a pledge over the shares of the Company's subsidiaries holding the Karowe mine assets. Neither the tap option nor the RCF had been exercised or established as at March 31, 2026.

Bond proceeds of \$350.0 million were deposited into a pledged escrow account (the "Escrow Account") on the Issue Date. The first release of escrow proceeds was used to repay the Facilities (defined below) including Q1 2026 interest, fund the Debt Service Retention Account ("DSRA") and to pay arrangement and bookrunner fees. The remaining escrow balance of \$30.4 million will be released subject to satisfaction of conditions precedent to the second release and is expected to be released in Q2 2026.

The Bond terms include two key financial covenants:

- i.a minimum liquidity requirement whereby the Company must maintain aggregate cash across the Escrow Account, DSRA and project accounts of not less than \$25.0 million until December 31, 2028, increasing to \$45.0 million from January 1, 2029 through to maturity; and
- ii.a DSRA minimum balance of not less than \$21.9 million (representing six months of Bond interest) at any time until January 1, 2029.

As at March 31, 2026, the Company was in compliance with all covenants under the Bond terms.

Project Facility and Working Capital Facility

Prior to March 30, 2026, the Company's wholly-owned subsidiary, Lucara Botswana Proprietary Limited ("Lucara Botswana"), with Lucara as sponsor and guarantor, maintained a senior secured project financing debt package comprising a \$190.0 million Project Facility to fund the development of the UGP and a \$30.0 million Working Capital Facility ("WCF" and together with the Project Facility, the "Facilities"), both of which were fully drawn as at December 31, 2025. On March 30, 2026, the Company used a portion of the Bond proceeds to fully repay the Facilities of \$220.0 million.

Cost Overrun Reserve Account

As a condition of the Facilities, the Company maintained a Cost Overrun Reserve Account ("CORA") with a required balance of \$33.7 million at December 31, 2025. Following the repayment of the Facilities on March 30, 2026, the CORA balance of \$33.7 million was released and is classified as cash and restricted cash at March 31, 2026.

Nemesia Support Guarantee and Debentures

Under the Facilities, Nemesia, the Company's largest shareholder, provided funding support of up to \$63.0 million comprising a \$28.0 million amended limited standby undertaking to support liquidity shortfalls and a \$35.0 million liquidity guarantee to cover cost overruns. The Nemesia funding support arrangements under the Facilities are no longer required following the repayment of the Facilities on March 30, 2026.

During the year ended December 31, 2023, the Company drew \$15.0 million from its liquidity guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "First Debenture"), which matures on August 29, 2029. During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"), which matures on June 30, 2031. Under the terms of the Debentures, the Company is required to issue 7,500 common shares per \$500,000 outstanding, settled quarterly, to Nemesia until the amounts are repaid. As of the date of this MD&A, Nemesia holds 30.95% of Lucara's total issued and outstanding shares.

INTEREST RATE SWAP

In connection with the Facilities, the Company held a portfolio of interest rate swap agreements covering up to \$142.5 million of the Project Facility principal. The swaps were terminated and cash settled concurrently with the repayment of the Facilities, with cash of \$5.2 million received equal to the fair value of the swap portfolio at the termination dates. A mark-to-market gain of \$1.5 million was recognized in the three months ended March 31, 2026.

TABLE 1: FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats sold</i>	Three months ended March 31,	
	2026	2025
Revenues	\$ 21.8	\$ 30.3
Operating expenses	(21.6)	(14.0)
Net loss from operations	(14.6)	(0.1)
Loss per share from operations (basic and diluted)	(0.01)	(0.00)
Cash and restricted cash	244.3	18.7
CORA	-	50.5
Amounts drawn on the WCF	-	30.0
Amounts drawn on Project Facility	-	190.0
Bond payable	\$ 342.9	\$ -
Carats sold	79,744	72,871

For the three months ended March 31, 2026, the Company reported revenue of \$21.8 million from the sale of 79,744 carats, compared to \$30.3 million from the sale of 72,871 carats in Q1 2025. The decrease in revenue reflects a greater proportion of lower-quality and smaller-sized diamonds recovered during the quarter, attributable to the processing of run-of-mine stockpiled material following the temporary suspension of open pit mining due to excessive unseasonal rainfall.

Operating expenses of \$21.6 million were higher compared to \$14.0 million in Q1 2025, primarily reflecting planned transition activities, including preliminary open pit demobilization and run-of-mine stockpile processing as well as increased electricity and fuel costs driven by inflationary and geoeconomic factors. Net loss from operations was \$14.6 million compared to \$0.1 million in Q1 2025, reflecting the lower revenue, foreign exchange losses and higher operating expenses in the period.

The Company ended Q1 2026 with cash and restricted cash of \$244.3 million, compared to \$18.7 million at March 31, 2025. The significant increase in cash and restricted cash reflects the completion of the January 2026 equity financing and the issuance of the Bonds, the proceeds of which were used to repay the outstanding balances on the WCF and Project Facility, and the release of the CORA in connection with the repayment of the Facilities.

Please see Table 4: “*Select Financial Information*” below for details on the expense line items which had the most significant impact on net loss from operations.

TABLE 2: QUARTERLY SALES RESULTS

<i>In millions of U.S. dollars</i>	Three months ended March 31,	
	2026	2025
Sales Channel		
HB	\$ 13.6	\$ 19.3
Tender	7.2	9.3
Clara	1.0	1.7
Total Revenue	\$ 21.8	\$ 30.3

Diamond Sales

For the three months ended March 31, 2026, the Company reported revenue of \$13.6 million from HB, compared to \$19.3 million for the same period in 2025. Revenue from HB accounted for 62% of total revenue recognized in Q1 2026, compared to 64% in Q1 2025. The decline in HB revenue was driven by both a lower volume of carats sold and a lower average price per carat. Revenue from HB includes "top-up" and "top-down" payments, which are made to or from the Company when the final polished diamond sales price differs from the estimated initial polished value. Given the time required to fully monetize a stone through this process, top-up and top-down payments can introduce variability into HB revenue on a quarter-to-quarter basis.

For the three months ended March 31, 2026, tender sales totaled \$7.2 million compared to \$9.3 million in Q1 2025, while Clara sales totaled \$1.0 million compared to \$1.7 million in Q1 2025. Compared to Q1 2025, a higher volume of carats were sold through tender while fewer were sold through Clara. Average prices per carat declined across both channels, with tender prices falling 30% and Clara prices falling 24%, reflecting continued pricing pressure on mid-range and lower-grade stones amid high industry inventory levels, and cautious consumer sentiment.

TABLE 3: RESULTS OF OPERATIONS – KAROWE MINE

		Q1-26	Q4-25	Q3-25	Q2-25	Q1-25
Sales						
Revenues	\$M	21.8	34.5	51.2	43.7	30.3
Carats sold	Carats	79,744	101,842	101,422	77,167	72,871
Production						
Tonnes mined (ore)	Tonnes	6,231	312,148	517,155	721,111	390,539
Tonnes mined (waste)	Tonnes	-	-	5,682	55,221	35,288
Tonnes processed	Tonnes	718,404	705,513	744,753	661,352	676,626
Average grade processed ⁽¹⁾	cpht ⁽¹⁾	10.0	12.2	12.8	12.5	13.4
Carats recovered ⁽¹⁾	Carats	72,061	86,110	95,302	82,555	90,500
Costs						
Operating cost per tonne of ore processed ⁽²⁾	\$	24.74	32.88	25.65	26.76	23.41
Capital Expenditures						
Sustaining	\$M	1.9	4.8	3.0	2.0	0.5
UGP ⁽³⁾	\$M	19.0	20.3	22.7	13.6	19.2

(*) Carats per hundred tonnes

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

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

(3) Excludes qualifying borrowing cost capitalized.

FIRST QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during Q1 2026. The rolling twelve-month TRIFR for the Karowe Mine was 0.32 (Q1 2025: 0.36).

Environment: The Company has a Tailings Management System in line with the requirements of the Global Industry Standard on Tailings Management. During the quarter ended March 31, 2026, there were no reportable spills or instances of noncompliance with environmental regulations.

Production: Ore processed during Q1 2026 totaled 0.7 million tonnes ("Mt"). Tonnes processed were on target at 0.7 Mt at an average grade of 10.0 cpht, yielding 72,061 carats. Processing volumes were maintained throughout the quarter with ore sourced from run-of-mine stockpiles, including M/PK(S)⁶ and Center Lobe material, during the temporary suspension of open pit mining due to unseasonal rainfall. Processing continued to operate at planned throughput levels demonstrating operational flexibility and production continuity.

Diamond Recoveries: A total of 100 Specials were recovered from direct ore feed during the quarter including five diamonds over 100 carats and one diamond greater than 300 carats. In the comparable 2025 quarter, a total of 139 Specials were recovered. Recovered Specials equated to 4.3% (Q1 2025: 5.6%) of the weight percentage of total recovered carats from ore processed during Q1 2026.

All recovered stones, including the 36.92 carat blue Type IIB diamond and the 2,488 carat Motswedi that remained unsold at the end of the reporting period, are accounted for at cost in inventory and will be recognised in revenue when monetised.

Karowe's operating cost per tonne: Karowe's operating cost per tonne processed for Q1 2026 (see "Non-IFRS Financial Measures") was \$24.74 per tonne of ore processed (Q1 2025: \$23.41 per tonne of ore processed), slightly lower than the 2026 annual forecast of \$27.50 to \$31.00 per tonne processed.

⁶ M/PK(S): Magmatic/Pyroclastic Kimberlite (South)

TABLE 4: SELECT FINANCIAL INFORMATION

<i>In millions of U.S. dollars, except for per share</i>	Three months ended	
	2026	March 31, 2025
Revenues	21.8	30.3
Operating expenses	(21.6)	(14.0)
Adjusted operating earnings⁽¹⁾	0.2	16.3
Royalty expenses	(2.6)	(3.5)
Administration	(3.9)	(3.1)
Sales and marketing	(0.7)	(0.8)
Depletion and amortization	(3.0)	(3.7)
Finance expenses	(0.9)	(0.6)
Foreign exchange (loss) gain	(6.5)	2.9
Gain (loss) on derivative financial instrument	1.5	(2.5)
Current and deferred income tax recovery (expense)	1.5	(5.2)
Net loss from operations	(14.6)	(0.1)
Operations loss per share (basic and diluted)	(0.01)	(0.00)

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

(2) Figures may not add due to rounding.

Revenues and royalties

Revenue for Q1 2026 was \$21.8 million compared to \$30.3 million in Q1 2025. The decrease in revenue reflects a higher proportion of smaller and lower quality diamonds recovered during the quarter compared to the prior year, attributable to the processing of run-of-mine stockpiled material following the temporary suspension of open pit mining due to unseasonal rainfall.

Open pit mining resumed on March 26, 2026. Approximately 0.9 Mt of ore are expected to be processed during the year, predominantly comprising M/PK(S) and EM/PK(S) ore, supplemented by existing run-of-mine stockpiles. Stockpile processing will continue as part of regular operations, with the resulting diamond value profile expected to vary depending on the ore processed, including the mix and quality experienced in Q1 2026.

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. Royalty expenses of \$2.6 million in Q1 2026 compared to \$3.5 million in Q1 2025, consistent with quarterly revenue. The royalty expenses represent approximately 11% - 12% of total revenues, as revenues are presented net of HB's price participation under the sales agreement.

Adjusted operating earnings

Adjusted operating earnings for Q1 2026 totaled \$0.2 million, compared to \$16.3 million in Q1 2025. The decrease was driven by a 28% decline in revenue, combined with a 54% increase in operating expenses to \$21.6 million (Q1 2025: \$14.0 million), primarily reflecting higher operating expenses associated with the processing of run-of-mine stockpiles, an increase in tonnes processed, and higher electricity and fuel costs resulting from geo-economic factors.

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

Foreign Exchange

The \$6.5 million foreign exchange loss (Q1 2025: gain of \$2.9 million) in Q1 2026 primarily relates to fluctuations in the Botswana Pula against the US dollar. As the Company's operating subsidiary, Lucara Botswana, has a Botswana Pula functional currency, there was a significant realized foreign exchange loss on repayment of the Facilities during the quarter.

Derivative financial instrument

A \$1.5 million gain on a derivative financial instrument (Q1 2025: loss of \$2.5 million) relates to changes and settlement in the fair value of the interest rate swap (see Note 9 of the Interim Financial Statements).

Net loss from operations

During the three months ended March 31, 2026, net loss from operations was \$14.6 million, compared to a net loss of \$0.1 million in Q1 2025. The net loss from operations is primarily influenced by revenue and operating expenses, impacting income/loss from mining operations. Fluctuations in foreign exchange rates further impacted net loss from operations.

TABLE 5: SELECT QUARTERLY FINANCIAL INFORMATION

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

Three months ended	Mar-26	Dec-25	Sep-25	Jun-25	Mar-25	Dec-24	Sep-24	Jun-24
A. Revenues	21,784	34,454	51,231	43,666	30,312	78,765	44,300	41,292
B. Administration expenses	(3,935)	(5,718)	(2,898)	(2,691)	(3,140)	(5,155)	(3,590)	(3,366)
C. Net (loss) income from operations	(14,573)	6,351	7,358	12,545	(139)	38,502	155	11,905
D. Earnings (loss) per share from operations (basic)	(0.01)	0.01	0.02	0.03	(0.00)	0.09	0.00	0.03

Quarterly revenue in the table above was recognized from three separate sales channels: through sales of +10.8 carat diamonds to HB, sales on the Clara platform, and sales of all non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which do not meet criteria for sale on Clara, through quarterly tenders. Variation in the quarterly metrics is primarily driven by the sale of Specials and more particularly, from the sale of high value Specials. While the expected number of Specials may be estimated based on the resource model attributes, the quality of the Specials recovered may vary significantly.

Net income (loss) from operations achieved in each quarter is predominately impacted by the revenue earned during that quarter, while the impact of changes in operating expenses, depletion and amortization, fluctuating inventory levels, foreign exchange, gain/losses on derivative financial instruments, and income tax expenses introduce volatility to net income.

Lucara's quarterly financial performances are influenced by a variety of factors, including the foreign exchange loss on repayment of the Facilities in Q1 2026, sale of the Seriti in Q2 2025, the sale of the Sethunya and the Eva Star in Q4 2024, fluctuations in operating expenses, lower income from mining operations in Q3 2024, and increased carat sales in Q2 2024.

Quarter over quarter variances are also influenced by fluctuations in revenue, expenses, royalties, and gains/losses on derivatives, foreign exchange, and deferred taxes throughout the quarters.

NON-IFRS FINANCIAL MEASURES

This MD&A refers to certain financial measures, such as adjusted operating earnings, and operating cost per tonne of ore processed, which are not measures recognized under IFRS Accounting Standards and do not have a standardized meaning prescribed by these standards. 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 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 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 divided by tonnes of ore processed for the period.

This ratio provides the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization and demobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS Accounting Standards 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 March 31,	2026	2025
Operating expenses	21.60	13.95
Net change in rough diamond inventory, excluding depletion and amortization	0.37	3.01
Net change in ore stockpile inventory, excluding depletion and amortization	(4.20)	(1.12)
Total operating costs for ore processed	17.77	15.84
Tonnes processed	718,404	676,626
Operating cost per tonne of ore processed⁽¹⁾	24.74	23.41

⁽¹⁾ Operating cost per tonne processed for the period is a non-IFRS measure defined as the sum of operating expenses, and the net changes in rough diamond inventories and ore stockpiles divided by the tonnes of ore processed for the period.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2026, the Company had cash and restricted cash of \$244.3 million (December 31, 2025: \$31.9 million). The significant increase in cash and restricted cash reflects the completion of the January 2026 equity financing and the Bond issuance, the proceeds of which were used to repay the outstanding balances on the Facilities in full. As at March 31, 2026, there were no amounts outstanding on the WCF or Project Facility.

Cash used in operating activities for the three months ended March 31, 2026 was \$8.6 million, compared to cash generated of \$4.7 million in the comparable period. The decrease in cash generated from operating activities is a result of the decrease in revenue and increased operating expenses as well as higher realized foreign exchange loss on derecognition of the Facilities.

Working capital (current assets minus current liabilities) was \$313.9 million as at March 31, 2026, compared to \$33.6 million as at December 31, 2025. Receivables and other as at March 31, 2026 was \$22.8 million (December 31, 2025: \$22.0 million). The receivable balance includes \$9.9 million due from HB representing rough diamond sales in Q1 2026, as well as the value of diamond sales for which the transaction price was finalized and adjusted during the period. All amounts receivable from HB are current and expected to be received within twelve months following the period end.

Current liabilities as at March 31, 2026 were \$30.6 million (December 31, 2025: \$71.0 million). The decrease in current liabilities is due to the repayment of the WCF as well as a decrease in trade payables and accrued liabilities. Long-term liabilities consist of the Bonds of \$342.9 million, restoration provisions of \$21.1 million, deferred income taxes of \$120.4 million, due to related party debenture of \$43.0 million, and other non-current liabilities of \$3.3 million.

Financing activities during the three months ended March 31, 2026 consisted of proceeds from share issuances, proceeds from the issuance of the Bonds, repayment of the Facilities in full, withdrawals from the CORA, settlement of the interest rate swaps and principal payments on leases.

RELATED PARTY TRANSACTIONS

The Company enters into related party transactions that are in the normal course of business and does so on an arm's length basis.

Key management compensation

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

TABLE 7: RELATED PARTY TRANSACTIONS*In thousands of U.S. dollars*

Three months ended March 31,	2026	2025
Salaries and wages	\$ 803	\$ 676
Short term benefits	16	11
Share based compensation	496	58
	\$ 1,315	\$ 745

Other related party transactions

As part of the January 2026 equity financing, Nemesia purchased 337,740,974 common shares, for gross proceeds of \$38.9 million. The common shares issued under the January 2026 equity financing are subject to a hold period under applicable securities laws, which expires on May 29, 2026. During the three months ended March 31, 2026, 1,935,000 common shares (Q1 2025: 675,000 common shares) with a fair value of \$0.3 million (Q1 2025: \$0.2 million) were issued to Nemesia as consideration for payment of interest on the Debentures.

As part of the Bond issuance, Nemesia was allocated \$30.0 million of the total \$350.0 million issued. By virtue of its shareholding in the Company exceeding 20%, Nemesia is considered a related party of the Company.

During the three months ended March 31, 2026, the Company incurred \$0.1 million (Q1 2025: \$0.1 million), primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At March 31, 2026, included in trade payables and accrued liabilities is \$0.8 million (December 31, 2025: \$0.5 million) for related services.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

A description of commitments can be found in Note 19 of the Interim Financial Statements.

The Company has the following contractual obligations and capital commitments as at March 31, 2026:

TABLE 8: CONTRACTUAL OBLIGATIONS AND CAPITAL COMMITMENTS

<i>In millions of U.S. dollars</i>	Payments due by period⁽¹⁾			Total
	< 1 year	1 – 5 years	Thereafter	
Bonds payable	-	350.0	-	350.0
Due to related party	-	15.0	28.0	43.0
Restoration provisions	-	-	41.1	41.1
Lease liabilities	0.7	1.2	-	1.9
Capital commitments	69.2	48.5	-	117.7
	\$ 69.9	\$ 414.7	\$ 69.1	\$ 553.7

⁽¹⁾ Reported on an undiscounted basis, before inflation.

2026 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2026. These are forward-looking statements and subject to the cautionary note regarding the risks associated with such statements.

Karowe Mine, Botswana

TABLE 9: 2026 DIAMOND SALES, PRODUCTION AND OUTLOOK

Karowe Diamond Mine	2026
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$100 to \$130
Diamond sales (thousands of carats)	340 to 360
Diamonds recovered (thousands of carats)	340 to 360
Ore tonnes mined (millions)	Up to 0.6
Waste tonnes mined (millions)	Up to 0.2
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ (per tonne processed)	\$27.50 to \$31.00
UGP capital expenditure	Up to \$110 million
Sustaining capital expenditure	Up to \$11.5 million
Average exchange rate – Botswana Pula per United States Dollar	14.0

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

The table above reflects the natural variability in the resource, including both recovered grade and diamond quality, which may influence the revenue guidance for 2026. In 2026, the Company expects to process 2.6 to 2.9 million tonnes of ore primarily from run-of-mine stockpiled materials. The assumptions for carats recovered and sold as well as tonnes of ore processed are consistent with achieved plant performance in recent years. Run-of-mine stockpiled material (North, Centre, South Lobe) and life-of-mine stockpiles will provide mill feed until H2 2027 when UGP development ore is scheduled to start replacing stockpiles with high-grade ore from the UGP. Full scale underground production is planned for H1 2028.

In 2026, capital costs for the UGP are expected to be up to \$110.0 million. Expenditures in 2026 will focus predominantly on shaft equipping, and advancing lateral development. Surface works will focus on the removal of stage and ropes, headgear change over, and main ventilation fan installation.

Sustaining capital is expected to be up to \$11.5 million with a focus on the replacement and refurbishment of key asset components and tailings advancement.

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. Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$7.0 million in net income/loss for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income/loss for the period.

Liquidity risk

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

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at March 31, 2026, \$0.9 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$46.3 million is due beyond twelve months.

Credit risk

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

A large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through the Clara platform (five days). The Company maintains legal title over goods shipped to HB until the estimated initial polished value is paid and continues to monitor outstanding amounts for collectability. The carrying amount of financial assets recorded in the Interim 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 or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Bonds carry a fixed coupon rate of 12.50% per annum and accordingly the Company is not exposed to interest rate risk on its bonds payable. The Company's exposure to interest rate risk arises from interest earned on its cash and restricted cash balances, which are held in variable rate accounts, including interest earned on the DSRA.

Price risk

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

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

OUTSTANDING SHARE DATA

As at the date of this MD&A, the Company had 1,491,017,183 common shares outstanding, 11,896,986 share units, 5,619,358 deferred share units, and 7,545,547 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, development and operation of natural diamond mining properties and the construction of the UGP. 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 AIF and in the table "*Feasibility Study Risks Register: Main Project Risks*" in the 2025 Feasibility Study Technical Report which are 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.

SUBSEQUENT EVENTS

There were no events subsequent to March 31, 2026.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements are described in Note 3 of the consolidated financial statements for the year ended December 31, 2025.

Management has identified uncertain tax positions as an area of judgement and estimation uncertainty. Lucara Botswana received an assessment from the Botswana Unified Revenue Service ("BURS") for the fiscal years 2016 to 2020 related to the tax deductibility of certain expenditures associated with the Company's operations in Botswana.

On February 24, 2026, the Company received a response to its objections from BURS in relation to the above tax assessments which allowed the tax deductibility of certain of the previously challenged expenditures. As a result, the Company reversed its previously recorded provision which included \$2.6 million against VAT receivables and a valuation allowance against certain losses of \$1.3 million. BURS maintained its position on two remaining matters, along with a related penalty. On April 22, 2026, the Company filed an appeal for the remaining disallowed expenditures and believes that its tax positions are valid. The ultimate outcome of an appeal of the remaining positions is uncertain and may have implications for the tax treatment of similar transactions in periods subsequent to those currently under assessment.

CHANGES IN ACCOUNTING POLICIES

The accounting policies applied in the Company's interim financial statements for the three months ended March 31, 2026 are the same as those applied in the Company's consolidated financial statements for the year ended December 31, 2025, except for the following:

Bonds Payable

Bonds payable are recognized initially at fair value, net of any transaction costs incurred. Bonds payable are subsequently carried at amortized cost using the effective interest rate method.

In May 2024, the IASB issued Amendments to the *Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7*. The amendments are effective for periods beginning on or after January 1, 2026, and adoption of these amendments did not have a material effect on our financial statements.

In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure in Financial Statements* which replaces IAS 1, *Presentation of Financial Statements*. The standard is effective for reporting periods beginning on or after January 1, 2027, including for interim financial statements. The Company is currently assessing the effect of this new standard on its financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the Interim 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 Interim 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 Interim Financial Statements and this 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.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures. As of March 31, 2026, the CEO and CFO have each concluded that the Company's disclosure controls and procedures, as defined in NI 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

There have been no changes in the Company's disclosure controls and procedures during the three months ended March 31, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's financial reporting.

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 Accounting Standards. Management is also responsible for the design of the Company's internal controls 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 Accounting Standards. However, due to inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud.

The Company's internal controls over financial reporting include policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and disposition of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with IFRS Accounting Standards and that receipts and expenditures are being made only in accordance with authorization of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on the financial statements.

Management, including the CEO and CFO, has evaluated the effectiveness of the design and operation of the Company's internal controls over financial reporting. As of March 31, 2026, the CEO and CFO have each concluded that the Company's internal controls over financial reporting, as defined in NI 52-109 – *Certification of Disclosure in Issuer's Annual and Interim Filings*, are effective to achieve the purpose for which they have been designed.

Because of their inherent limitations, internal controls over financial reporting can provide only reasonable assurance and may not prevent or detect misstatements. Furthermore, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A contain “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.

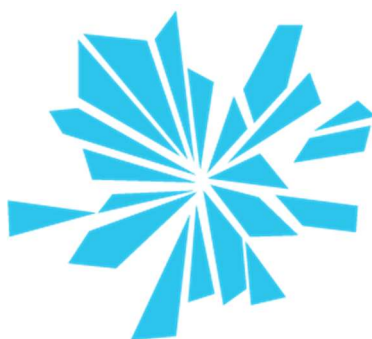
Forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the project schedule and capital costs for the UGP, diamond sales projections and outlook disclosure under “2026 Outlook”, the Company’s ability to meet its obligations under the Bond terms, future price stability, supply and demand of rough or polished diamonds, estimated capital costs, the focus of future expenditures, future forecasts of revenue and variable consideration in determining revenue, the outcome of tax assessments and the likelihood of recoverability of tax payments made, activities planned for the UGP, including to finalize production shaft equipping and headframe modifications, advance lateral development, and continue operational readiness, estimation of mineral resources including the determination of the boundary between South Lobe M/PK(S) and EM/PK(S) domains due to the significant grade difference between these two domains, cost and timing of the development of deposits and estimated future production, currency exchange rates, rates of inflation, 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 compliance obligations, limitations on insurance coverage, and geopolitical and economic risks affecting the Company’s operational viability including sanctions, trade restrictions and tariffs, the impact of the growing supply of laboratory grown diamonds on the demand for and pricing of the Company’s natural diamond production, and the risk that continued expansion in laboratory grown diamond production and shifts in consumer preferences could further adversely impact revenues achievable by the Company, the ability of HB to perform its obligations, including making timely payments to the Company, and the concentration of credit risk associated with HB representing a significant proportion of the Company’s total revenue, that carat production and revenues from the processing of run-of-mine ore stockpiles will be sufficient to support the Company’s operations and liquidity requirements during the period prior to the achievement of commercial production from the UGP, and the ability of key contractors, including the lateral development contractor, to perform their obligations under their respective agreements in the manner and timeframe contracted for, and the risk that any failure or delay in contractor performance could result in material delays to the UGP and increased project costs.

While these factors and assumptions are considered reasonable by the Company as at the date of this MD&A in light of management’s experience and perception of current conditions and expected developments, these statements are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking information and undue reliance should not be placed on such information. Such factors include, but are not limited to: the timing, scope and cost of additional grouting events at the UGP, the Company’s ability to comply with the terms and covenants of the Bonds, the consequences of any defaults under the Bonds including the potential enforcement of security granted to bondholders over the assets of the Company and its subsidiaries, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the UGP, credit risk, price risk, that the estimated timelines to achieve mine ramp up and full production from the UGP can be achieved, that sufficient run-of-mine stockpiled ore of sufficient grade and value will be available to generate revenue prior to the achievement of commercial production from the UGP, 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 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 UGP.

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 AIF 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

Condensed Interim Consolidated Financial Statements
Three Months Ended March 31, 2026
(Unaudited)

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

	March 31, 2026	December 31, 2025
ASSETS		
Current assets		
Cash and restricted cash (Note 5)	\$ 244,298	\$ 31,920
Bond receipts in escrow (Note 10)	30,446	-
Receivables and other (Note 6)	22,799	22,009
Derivative financial instrument (Note 9)	-	1,142
Inventories (Note 7)	46,951	49,510
	344,494	104,581
Inventories (Note 7)	17,503	22,368
Mineral properties, plant and equipment (Note 8)	592,028	597,166
Derivative financial instrument (Note 9)	-	2,565
Cost overrun reserve account (Note 9)	-	33,720
Other non-current assets (Notes 6 and 11)	11,737	12,310
TOTAL ASSETS	\$ 965,762	\$ 772,710
LIABILITIES		
Current liabilities		
Trade payables and accrued liabilities	\$ 28,630	\$ 38,158
Working capital facility (Note 9)	-	30,000
Tax and royalties payable	1,044	1,888
Lease liabilities	917	970
	30,591	71,016
Bonds payable (Note 10)	342,933	-
Project facility (Note 9)	-	190,000
Due to related party (Note 9)	43,000	43,000
Restoration provisions (Note 11)	21,141	21,622
Deferred income taxes	120,364	127,753
Other non-current liabilities	3,316	2,894
TOTAL LIABILITIES	561,345	456,285
EQUITY		
Share capital, unlimited common shares, no par value (Note 12)	468,191	349,410
Contributed surplus	10,418	10,330
Retained earnings	36,659	51,232
Accumulated other comprehensive loss	(110,851)	(94,547)
TOTAL EQUITY	404,417	316,425
TOTAL LIABILITIES AND EQUITY	\$ 965,762	\$ 772,710

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

Commitments – Note 19

"Ian Gibbs"
Director

"Melissa Harmon"
Director

LUCARA DIAMOND CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS****FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited - in thousands of U.S. Dollars, except for share and per share amounts)**

		Three months ended March 31,	
		2026	2025
Revenues (Note 14)	\$	21,784	\$ 30,312
Cost of goods sold			
Operating expenses		21,639	13,951
Royalty expenses (Note 14)		2,601	3,478
Depletion and amortization		3,003	3,699
		27,243	21,128
Income (loss) from mining operations		(5,459)	9,184
Other expenses			
Administration (Note 15)		3,935	3,140
Sales and marketing		739	818
Finance expenses		905	587
Loss (gain) on derivative instrument (Note 9)		(1,471)	2,464
Foreign exchange loss (gain)		6,493	(2,898)
		10,601	4,111
Net income (loss) before tax		(16,060)	5,073
Income tax expense (recovery)			
Deferred income tax		(1,487)	5,212
		(1,487)	5,212
Net loss for the period	\$	(14,573)	\$ (139)
Loss per common share			
Basic and diluted	\$	(0.01)	\$ (0.00)
Weighted average common shares outstanding (millions)			
Basic and diluted		1,156.3	452.0

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

LUCARA DIAMOND CORP.**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited - in thousands of U.S. Dollars)**

	Three months ended March 31,	
	2026	2025
Net loss for the period	\$ (14,573)	\$ (139)
Other comprehensive (loss) income		
<i>Items that will not be reclassified to net income</i>		
Change in fair value of marketable securities	-	(124)
<i>Items that may be subsequently reclassified to net income</i>		
Currency translation adjustment	(16,304)	6,014
	(16,304)	5,890
Comprehensive income (loss) for the period	\$ (30,877)	\$ 5,751

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

LUCARA DIAMOND CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025 (Unaudited - in thousands of U.S. Dollars)

	Three months ended March 31,	
	2026	2025
Operating activities		
Net loss for the period from operations	\$ (14,573)	\$ (139)
Items not affecting cash:		
Depletion and amortization	3,171	3,373
Unrealized foreign exchange loss (gain)	68	(5,724)
Share-based compensation	518	77
Unrealized loss (gain) on derivative instrument	(1,471)	2,464
Deferred income tax expense (recovery)	(1,487)	5,212
Finance expenses	907	587
	(12,867)	5,850
Net changes in working capital:		
Receivables and other	(1,859)	7,186
Inventories	4,334	(1,840)
Trade payables and accrued liabilities	2,578	(792)
Tax and royalties payable	(780)	(5,688)
Net cash (used in) provided by operating activities	(8,594)	4,716
Financing activities		
Proceeds from bond issuance, net	313,541	-
(Repayment) drawdown of project facility	(190,000)	10,000
(Repayment) drawdown of working capital facility	(30,000)	5,000
Proceeds from equity financing, net	118,241	-
Withdrawal (funding) of cost overrun reserve account	33,720	(1,346)
Derivative settlement	5,178	-
Lease payments	(471)	(468)
Net cash provided by financing activities	250,209	13,186
Investing activities		
Investment in mineral properties, plant and equipment	(28,827)	(22,178)
Net cash used in investing activities	(28,827)	(22,178)
Effect of exchange rate change on cash and restricted cash	(410)	167
Increase (decrease) in cash and restricted cash	212,378	(4,109)
Cash and restricted cash, beginning of the period	31,920	22,788
Cash and restricted cash, end of the period	\$ 244,298	\$ 18,679
Supplemental information		
Interest paid	\$ (5,988)	\$ (6,203)
Taxes paid	-	-
Changes in trade payables and accrued liabilities related to mineral properties, plant and equipment ⁽¹⁾	(2,264)	933
Changes in other non-current liabilities related to mineral properties, plant and equipment	-	655
Depletion and amortization included in inventories	64	646

⁽¹⁾ Included within accounts payable and accrued liabilities at each period end are additions to plant and equipment and mineral properties, acquired on normal course payment terms, of \$5.5 million at March 31, 2026 (December 31, 2025: \$8.8 million).

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

LUCARA DIAMOND CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(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, 2025	451,848,948	\$ 348,401	\$ 9,513	\$ 26,202	\$ (112,387)	\$ 271,729
Net loss for the period	-	-	-	(139)	-	(139)
Other comprehensive income	-	-	-	-	5,890	5,890
Total comprehensive income	-	-	-	(139)	5,890	5,751
Shares issued for debenture	675,000	173	-	-	-	173
Shares issued for share units vested	411,332	177	(177)	-	-	-
Share-based compensation	-	-	10	-	-	10
Balance, March 31, 2025	452,935,280	\$ 348,751	\$ 9,346	\$ 26,063	\$ (106,497)	\$ 277,663
Balance, January 1, 2026	457,299,184	\$ 349,410	\$ 10,330	\$ 51,232	\$ (94,547)	\$ 316,425
Net loss for the period	-	-	-	(14,573)	-	(14,573)
Other comprehensive loss	-	-	-	-	(16,304)	(16,304)
Total comprehensive loss	-	-	-	(14,573)	(16,304)	(30,877)
Shares issued for equity financing, net	1,031,250,000	118,241	-	-	-	118,241
Shares issued for debentures	1,935,000	333	-	-	-	333
Shares issued for share units vested	532,999	207	(207)	-	-	-
Share-based compensation	-	-	295	-	-	295
Balance, March 31, 2026	1,491,017,183	\$ 468,191	\$ 10,418	\$ 36,659	\$ (110,851)	\$ 404,417

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

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

1. NATURE OF OPERATIONS

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

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

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES

Basis of presentation

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and which the Canadian Accounting Standards Board has approved for incorporation into Part 1 of the CPA Canada Handbook - Accounting, including IAS 34 *Interim Financial Reporting*. The condensed interim consolidated financial statements do not contain all of the information required for annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2025.

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

These condensed interim consolidated financial statements were approved by the Board of Directors for issue on May 7, 2026.

The following entities are included in these condensed interim consolidated financial statements:

	Country of incorporation	Ordinary shares held	
		March 31, 2026	December 31, 2025
Lucara Botswana Proprietary Limited	Botswana	100%	100%
Wati Ventures Proprietary Limited	Botswana	100%	100%
Debwat Exploration Proprietary Limited	Botswana	100%	100%
Lucara Management Services Limited	United Kingdom	100%	100%
African Diamonds Limited	United Kingdom	100%	100%
Lucara Diamond Holdings Inc.	Mauritius	100%	100%
Boteti Diamond Holdings Inc.	Mauritius	100%	100%
Lucara Capital S.à.r.l.	Luxembourg	100%	-

The Company has pledged the shares held in Lucara Botswana Proprietary Limited, through the various intermediate holding companies, to secure the \$350.0 million of senior secured bonds issued on March 27, 2026 (the "Bonds") (Note 10). The Company is not allowed to pledge the shares held as security for other borrowings.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

2. BASIS OF PREPARATION AND CHANGES TO ACCOUNTING POLICIES (CONTINUED)

Adoption of new accounting standards and accounting developments

Amendments to IFRS 9 and IFRS 7 – Amendments to the Classification and Measurement of Financial Instruments

In May 2024, the IASB issued Amendments to the *Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7*. These amendments updated classification and measurement requirements in IFRS 9 *Financial Instruments* and related disclosure requirements in IFRS 7 *Financial Instruments: Disclosures*. The IASB clarified the recognition and derecognition date of certain financial assets and liabilities, and amended the requirements related to settling financial liabilities using an electronic payment system and added disclosure requirements for financial instruments with contingent features. The amendments are effective for periods beginning on or after January 1, 2026, and adoption of these amendments did not have a material effect on our condensed interim consolidated financial statements.

New standards and interpretations not yet adopted

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements* which sets out presentation and base disclosure requirements for financial statements. The changes, which mostly affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing and financing. Further, operating expenses are presented directly on the face of the income statement – classified either by nature, by function or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature. IFRS 18 also provides enhanced guidance for aggregation and disaggregation of information in the financial statements, introduces new disclosure requirements for management-defined performance measures and eliminates classification options for interest and dividends in the statement of cash flows.

The Company is continuing to assess the effect of this standard on its financial statements. The standard is expected to result in changes to the presentation of our consolidated statements of operations, by requiring all income and expenses to be classified into the three main categories of operating, investing and financing. IFRS 18 will not impact the recognition and measurement of items in the financial statements. The standard is effective for annual periods beginning on or after January 1, 2027.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Areas of judgement and estimates that have the most significant effect on the amounts recognized in these condensed interim consolidated financial statements are disclosed in Note 3 of the Company's consolidated financial statements for the year ended December 31, 2025. There were no changes in significant accounting judgements and estimates during the three months ended March 31, 2026.

4. SUMMARY OF MATERIAL ACCOUNTING POLICIES

The accounting policies followed in these condensed interim consolidated financial statements are consistent with those disclosed in Note 4 of the Company's consolidated financial statements for the year ended December 31, 2025. There were no changes in material accounting policies during the three months ended March 31, 2026 except for the following:

Bonds Payable

Bonds payable are recognized initially at fair value, net of any transaction costs incurred. Bonds payable are subsequently carried at amortized cost using the effective interest rate method.

LUCARA DIAMOND CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

5. CASH AND RESTRICTED CASH

		March 31, 2026		December 31, 2025
Cash	\$	156,798	\$	31,920
Restricted cash		87,500		-
Total cash and restricted cash	\$	244,298	\$	31,920

Restricted cash represents the Debt Service Retention Account (the "DSRA"), funded with \$87.5 million from the first escrow release pursuant to the Bond terms. The DSRA balance is contractually restricted to Bond interest payments (Note 10).

6. RECEIVABLES AND OTHER

		March 31, 2026		December 31, 2025
Trade receivables	\$	9,935	\$	9,478
Value-added taxes ("VAT")		3,785		4,604
Prepayments		8,636		7,462
Other		443		465
Total current receivables and other	\$	22,799	\$	22,009
Non-current VAT receivables	\$	6,663	\$	6,988

Trade receivables at March 31, 2026 were \$9.9 million (December 31, 2025: \$9.5 million) due from HB Trading BV ("HB").

VAT receivables include \$6.7 million at March 31, 2026 (December 31, 2025: \$7.0 million) relating to an income tax assessment dispute in Botswana. The VAT receivables under dispute are classified as non-current at March 31, 2026 and are included in other non-current assets on the condensed interim consolidated statements of financial position.

7. INVENTORIES

		March 31, 2026		December 31, 2025
Rough diamonds	\$	18,142	\$	18,584
Ore stockpiles		15,648		16,655
Parts and supplies		13,161		14,271
Total current inventories	\$	46,951	\$	49,510
Non-current inventories – ore stockpiles	\$	17,503	\$	22,368

Inventory expensed during the three months ended March 31, 2026 totaled \$21.6 million (2025: \$14.0 million). There were no inventory write-downs during the three months ended March 31, 2026 and 2025.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT

Cost	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2025	\$ 91,813	\$ 347,913	\$ 3,799	\$ 279,323	\$ 722,848
Additions	-	75,768	8,942	1,347	86,057
Borrowing cost capitalized	-	19,032	-	-	19,032
Adjustment to restoration provision	667	-	-	-	667
Disposals	-	-	-	(333)	(333)
Reclassifications	-	2,113	(6,846)	4,733	-
Translation differences	5,690	24,556	301	18,088	48,635
Balance, December 31, 2025	\$ 98,170	\$ 469,382	\$ 6,196	\$ 303,158	\$ 876,906
Additions	-	18,958	1,922	-	20,880
Borrowing cost capitalized	-	5,683	-	-	5,683
Disposals	-	-	-	(4)	(4)
Reclassifications	-	1,005	(21)	(984)	-
Translation differences	(4,569)	(22,598)	(345)	(14,625)	(42,137)
Balance, March 31, 2026	\$ 93,601	\$ 472,430	\$ 7,752	\$ 287,545	\$ 861,328
Accumulated depletion and amortization	Karowe Mine development costs and capitalized stripping	Karowe Underground Construction	Construction in progress	Plant and equipment	Total
Balance, January 1, 2025	\$ 85,519	\$ -	\$ -	\$ 163,602	\$ 249,121
Depletion and amortization	4,170	-	-	10,171	14,341
Disposals	-	-	-	(264)	(264)
Translation differences	5,415	-	-	11,127	16,542
Balance, December 31, 2025	\$ 95,104	\$ -	\$ -	\$ 184,636	\$ 279,740
Depletion and amortization	598	-	-	2,653	3,251
Disposals	-	-	-	(3)	(3)
Translation differences	(4,444)	-	-	(9,244)	(13,688)
Balance, March 31, 2026	\$ 91,258	\$ -	\$ -	\$ 178,042	\$ 269,300
Net book value					
As at December 31, 2025	\$ 3,066	\$ 469,382	\$ 6,196	\$ 118,522	\$ 597,166
As at March 31, 2026	\$ 2,343	\$ 472,430	\$ 7,752	\$ 109,503	\$ 592,028

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

Borrowing costs of \$58.8 million (December 31, 2025: \$53.1 million) relating to the Karowe underground construction asset have been capitalized to date. Capitalized borrowing costs include interest and amortized transaction costs related to the Company's senior secured project financing facilities, which were repaid in March 2026 (Note 9), and the outstanding Bonds (Note 10).

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

8. MINERAL PROPERTIES, PLANT AND EQUIPMENT (CONTINUED)

The Company has an ongoing impairment indicator for its mineral properties and plant and equipment, as the Company's market capitalization at March 31, 2026 was lower than the carrying amount of its net assets. An impairment assessment was conducted and no impairment was recorded since the fair value less cost of disposal (FVLCD) of the Karowe CGU exceeded its carrying amount. Impairment assessments incorporate estimates of recoverable reserves and resources, which rely on assumptions including production volumes, mining and processing recoveries, operating and capital costs, and long-term diamond prices. Determining the FVLCD involves Level 2 and Level 3 inputs and key assumptions include estimated long-term diamond prices including exceptional stones, production volumes including the recoveries of exceptional stones, operating and capital cost estimates from the Feasibility Study Technical Report and a real discount rate of 7.0%.

9. CREDIT FACILITIES

The movement in credit facilities is comprised of the following:

		Project Facility		Working Capital Facility	Total
Balance, December 31, 2024	\$	(180,000)	\$	(25,000)	\$ (205,000)
Drawdown		(10,000)		(5,000)	(15,000)
Balance, December 31, 2025	\$	(190,000)	\$	(30,000)	\$ (220,000)
Repayment		190,000		30,000	220,000
Balance, March 31, 2026	\$	-	\$	-	\$ -

Senior Secured Facilities

Prior to March 30, 2026, the Company's wholly-owned subsidiary, Lucara Botswana, with Lucara as sponsor and guarantor, maintained a senior secured project financing debt package (the "Facilities") comprising a Project Facility of \$190.0 million to fund the development of the UGP and a \$30.0 million senior secured working capital facility. Both facilities were fully drawn as at December 31, 2025. The Facilities were fully repaid on March 30, 2026 using proceeds from the Bond issuance (Note 10), at which point the Facilities were extinguished with no gain or loss arising on derecognition.

Under the Facilities, Nemesia S.à.r.l. ("Nemesia"), the Company's largest shareholder, provided funding support of up to \$63.0 million comprising a \$28.0 million amended limited standby undertaking to support liquidity shortfalls and a \$35.0 million liquidity guarantee to cover cost overruns. During the year ended December 31, 2025, the Company drew the full \$28.0 million available under the amended limited standby undertaking, which was issued as an unsecured debenture. The Nemesia funding support arrangements of up to \$63.0 million under the Facilities are no longer available following the repayment of the Facilities on March 30, 2026.

Cost Overrun Reserve Account ("CORA")

As a condition of the Facilities, the Company maintained a CORA with a required balance of \$33.7 million at December 31, 2025. Following the repayment of the Facilities on March 30, 2026, the CORA balance of \$33.7 million was released and is included in financing activities in the condensed interim consolidated statement of cash flows.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

9. CREDIT FACILITIES (CONTINUED)

Interest rate swap agreements

In connection with the Facilities, the Company held a portfolio of interest rate swap agreements covering up to \$142.5 million of the Project Facility principal, under which the Company received three-month USD Term SOFR and paid fixed rates ranging from 2.447% to 2.577% per annum. The swaps were terminated and cash settled concurrently with the repayment of the Facilities, with cash of \$5.2 million received equal to the swap portfolio fair value at the termination dates. A mark-to-market gain of \$1.5 million was recognized in the three months ended March 31, 2026. As at December 31, 2025, the swap portfolio fair value was \$3.7 million.

Due to related party – debentures

During the year ended December 31, 2023, the Company drew \$15.0 million from its liquidity guarantee provided by Nemesia and issued a corresponding unsecured debenture (the "First Debenture"), which matures on August 29, 2029. During the year ended December 31, 2025, the Company drew \$28.0 million under the amended limited standby undertaking provided by Nemesia and issued a second unsecured debenture (the "Second Debenture" and together with the First Debenture, the "Debentures"), which matures on June 30, 2031. Under the terms of the Debentures, the Company is required to issue 7,500 common shares per \$500,000 outstanding, settled quarterly, to Nemesia until the amounts are repaid (Note 12).

10. BONDS PAYABLE

On March 27, 2026 (the "Issue Date"), the Company's wholly-owned subsidiary, Lucara Capital S.à.r.l., with Lucara as sponsor and guarantor, issued \$350.0 million of senior secured bonds, maturing on March 27, 2031 (the "Bonds"). The Bonds carry a fixed coupon of 12.50% per annum, payable quarterly. Principal repayment of \$25.0 million per quarter commences on March 27, 2029, with the remaining balance repayable at maturity. The Bond includes a tap option which allows for an additional \$50.0 million to be issued on the same terms ranking equally with the initial issuance, bringing the maximum issue amount to \$400.0 million. The Bond terms also provide for the option to establish a super senior revolving credit facility of up to \$50.0 million. The Bonds are secured by a pledge over the shares of the Company's subsidiaries holding the Karowe Mine assets. Neither the tap option nor the revolving credit facility had been exercised or established as at March 31, 2026.

The Bonds are classified as a financial liability at amortized cost. Transaction costs of \$7.1 million, comprising arrangement and bookrunner fees and legal and other professional fees directly attributable to the issuance, were deducted from the gross proceeds on initial recognition. As the Bonds are a specific borrowing raised solely to finance the construction of the UGP, borrowing costs on the Bonds are capitalized to the UGP from the Issue Date. During the three months ended March 31, 2026, borrowing costs of \$0.5 million were capitalized to the Karowe underground construction asset (Note 8). The capitalization rate applied is the effective interest rate on the Bonds of approximately 13.12% per annum. The Bonds include prepayment and redemption options which have been assessed as an embedded derivative, the fair value of which is recorded as a reduction of the carrying amount of the Bonds. The embedded derivative is separated from the host contract and designated at fair value through profit or loss. As at March 31, 2026, the fair value of the prepayment and redemption options were nil.

Pursuant to the Bond terms, gross proceeds from the Bond issuance were deposited into a pledged escrow account (the "Escrow Account") on the Issue Date, with releases subject to satisfaction of conditions precedent and the prior written consent of the Bond Trustee. The Bond terms also require the Company to fund the DSRA with an amount equal to 24 months of interest on the bonds. The DSRA was funded with \$87.5 million from the first escrow release. The DSRA is restricted to interest payments on the Bonds.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

10. BONDS PAYABLE (CONTINUED)

Bond proceeds of \$350.0 million were deposited into an Escrow Account on the Issue Date. The first release of escrow proceeds was used to repay the Facilities and fund the DSRA. The remaining escrow balance of \$30.4 million will be released subject to satisfaction of conditions precedent to the second release.

The Bond terms include two key financial covenants:

- i. a minimum liquidity requirement whereby the Company must maintain aggregate cash across the Escrow Account, DSRA and project accounts of not less than \$25.0 million until December 31, 2028, increasing to \$45.0 million from January 1, 2029 through to maturity; and
- ii. a DSRA minimum balance of not less than \$21.9 million (representing six months of Bond interest) until January 1, 2029.

As at March 31, 2026, the Company was in compliance with all covenants under the Bond terms.

The schedule of undiscounted bond obligations is as follows:

Period subsequent to Bond issuance	1 year	2 years	3 years	4 years	5 years	Total
Interest payments	\$ 43,750	\$ 43,750	\$ 43,750	\$ 35,938	\$ 23,438	\$ 190,626
Principal repayments	-	-	25,000	100,000	225,000	350,000
Total	\$ 43,750	\$ 43,750	\$ 68,750	\$ 135,938	\$ 248,438	\$ 540,626

11. RESTORATION PROVISIONS

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

The Company has applied a pre-tax discount rate of 10.2% at March 31, 2026 (December 31, 2025: 10.2%) and an annual inflation rate of 4.5% at March 31, 2026 (December 31, 2025: 4.5%). The estimated liability for reclamation and remediation costs on an undiscounted basis is approximately \$41.1 million (December 31, 2025: \$43.1 million). The Company expects these liabilities to be settled between 2026 and 2040.

Balance, January 1, 2025	\$	17,640
Changes to rates and estimates		667
Accretion		2,136
Translation differences		1,179
Balance, December 31, 2025	\$	21,622
Accretion		542
Translation differences		(1,023)
Balance, March 31, 2026	\$	21,141

The Company has deposited \$5.1 million (December 31, 2025: \$5.3 million) as security for a mine rehabilitation guarantee provided to the Botswana Department of Mines. The restricted deposit matures in August 2026 and is included in other non-current assets on the condensed interim consolidated statements of financial position.

LUCARA DIAMOND CORP.

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025

(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)

12. SHARE CAPITAL

During the three months ended March 31, 2025, 675,000 common shares (\$0.2 million) were issued to Nemesia as consideration for payment of interest on the First Debenture (Note 9).

During the three months ended March 31, 2026, 1,935,000 common shares (\$0.3 million) were issued to Nemesia as consideration for payment of interest on the Debentures (Note 9).

On January 29, 2026, the Company closed a private placement and issued 1,031,250,000 common shares at a price of C\$0.16 (Canadian dollars) per common share for aggregate gross proceeds of C\$165.0 million or \$120.5 million (the “2026 Equity Financing”). Share issuance costs related to the 2026 Equity Financing totaled \$2.3 million, and included professional fees, regulatory fees, and 5% finders’ fees payable in cash on approximately \$37.3 million of the gross proceeds from the 2026 Equity Financing. The common shares issued under the 2026 Equity Financing are subject to a hold period under applicable securities laws, which expires on May 29, 2026.

As part of the 2026 Equity Financing, Nemesia purchased 337,740,974 common shares, pursuant to the terms outlined above, for gross proceeds of \$38.9 million. By virtue of its shareholding in the Company exceeding 20%, Nemesia is considered a related party of the Company.

13. SHARE BASED COMPENSATION

a. Stock options

The Company’s stock option plan (the “Option Plan”) was approved by the Company’s shareholders initially on May 13, 2015, with amendments approved on May 14, 2025. The Option Plan provides the Board of Directors with discretion to determine the vesting period for each stock option grant. Options historically vest in thirds over a three-year period beginning on the first anniversary of the date of grant and expire four years from the date of grant. Options granted from 2024 onwards 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 (C\$)
Balance at January 1, 2025	6,163,000	\$ 0.55
Granted	4,176,325	0.40
Expired	(819,000)	0.79
Forfeited	(975,778)	0.63
Balance at December 31, 2025	8,544,547	\$ 0.45
Expired	(999,000)	0.66
Balance at March 31, 2026	7,545,547	\$ 0.42

LUCARA DIAMOND CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

13. SHARE BASED COMPENSATION (CONTINUED)

a. Stock options (continued)

As of March 31, 2026, the following stock options remain outstanding:

Range of exercise prices (C\$)	Number of options outstanding	Outstanding Options		Number of options exercisable	Exercisable Options	
		Weighted average remaining contractual life (years)	Weighted average exercise price (C\$)		Weighted average remaining contractual life (years)	Weighted average exercise price (C\$)
\$0.32 - \$0.43	6,140,547	3.59	0.39	2,688,507	3.43	0.38
\$0.44 - \$0.66	1,405,000	2.19	0.56	1,248,333	2.02	0.57
	7,545,547	3.33	\$ 0.42	3,936,840	2.98	\$ 0.44

During the three months ended March 31, 2026, the Company recognized \$0.1 million (2025: \$0.1 million) in share-based compensation based on the vesting of options.

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

	2026	2025
Assumptions:		
Risk-free interest rate (%)	-	2.58
Expected life (years)	-	3.35
Expected volatility (%)	-	49.82
Expected dividend (\$)	-	Nil
Results:		
Weighted average fair value of options granted (<i>per option</i>)	-	C\$0.17

b. Restricted and performance share units

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

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

During the three months ended March 31, 2026, the Company recognized an expense of \$0.2 million (2025: \$0.1 million recovery) in share-based compensation for the SUs granted.

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FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

13. SHARE BASED COMPENSATION (CONTINUED)

b. Restricted and performance share units (continued)

	Number of share units	Estimated fair value at date of grant (C\$)
Balance at January 1, 2025	8,034,668	\$ 0.40
Granted	5,634,384	0.39
Redeemed	(411,332)	0.56
Forfeited	(554,403)	0.54
Balance at December 31, 2025	12,703,317	\$ 0.38
Redeemed	(532,999)	0.53
Forfeited	(273,332)	0.57
Balance at March 31, 2026	11,896,986	\$ 0.37

c. Deferred share units (“DSUs”)

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

During the three months ended March 31, 2026, the Company recognized a share-based compensation expense of \$0.2 million (2025: \$0.1 million) related to the revaluation of DSUs.

	Number of DSUs	Estimated fair value (C\$)
Balance at January 1, 2025	3,647,626	\$ 0.42
Granted	2,835,723	0.26
Redeemed	(1,378,517)	0.23
Balance at December 31, 2025	5,104,832	\$ 0.20
Granted	514,526	0.24
Balance at March 31, 2026	5,619,358	\$ 0.24

LUCARA DIAMOND CORP.**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025****(Unaudited – all amounts expressed in thousands of U.S. Dollars, unless otherwise indicated)**

14. REVENUES

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

Three months ended March 31,	2026	2025
<i>Sales Channels</i>		
HB	13,592	19,286
Clara	964	1,732
Tender	7,228	9,294
	\$ 21,784	\$ 30,312

A royalty of 10% of the gross sales value of diamonds sold from Karowe is payable to the government of Botswana, regardless of whether the diamond is sold as rough or polished. During the three months ended March 31, 2026, the Company incurred a royalty expense of \$2.6 million (2025: \$3.5 million).

15. ADMINISTRATION

Three months ended March 31,	2026	2025
Salaries and benefits	\$ 1,397	\$ 1,436
Professional fees	1,058	512
Insurance, office and general	98	360
Promotion	20	111
Stock exchange, transfer agent and shareholder communication	92	139
Travel	482	50
Share-based compensation (Note 12)	518	77
Depreciation	168	177
Sustainability and donations	102	278
	\$ 3,935	\$ 3,140

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16. RELATED PARTY TRANSACTIONS

Key management compensation

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

The remuneration of key management personnel was as follows:

Three months ended March 31,	2026	2025
Salaries and wages	\$ 803	\$ 676
Short term benefits	16	11
Share-based compensation	496	58
	\$ 1,315	\$ 745

Other related party transactions

During the three months ended March 31, 2026, the Company incurred \$0.1 million (2025: \$0.1 million), primarily relating to office rental and related services provided by companies associated with the Company's significant shareholder and director. At March 31, 2026, included in trade payables and accrued liabilities is \$0.8 million (December 31, 2025: \$0.5 million) for related services.

During the three months ended March 31, 2026, the Company had related party transactions with Nemesia in connection with the Bonds and 2026 Equity Financing, as described in these condensed interim consolidated financial statements (Notes 9, 10 and 12).

17. SEGMENT INFORMATION

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

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

Three months ended March 31, 2026			
	Karowe Mine	Corporate	Total
Revenues	\$ 21,784	\$ -	\$ 21,784
Operating expenses	(21,639)	-	(21,639)
Royalty expenses	(2,601)	-	(2,601)
Depletion and amortization	(3,003)	-	(3,003)
Loss from mining operations	(5,459)	-	(5,459)
Finance expenses	(770)	(135)	(905)
Gain on derivative financial instrument	1,471	-	1,471
Foreign exchange gain (loss)	(7,971)	1,478	(6,493)
Administrative and other	(1,750)	(2,924)	(4,674)
Income tax	1,487	-	1,487
Net loss for the period from operations	\$ (12,992)	\$ (1,581)	\$ (14,573)
Capital expenditures	\$ 28,827	\$ -	\$ 28,827
Total assets	\$ 780,835	\$ 184,927	\$ 965,762

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17. SEGMENT INFORMATION (CONTINUED)

Three months ended March 31, 2025			
	Karowe Mine	Corporate	Total
Revenues	\$ 30,312	\$ -	\$ 30,312
Operating expenses	(13,951)	-	(13,951)
Royalty expenses	(3,478)	-	(3,478)
Depletion and amortization	(3,699)	-	(3,699)
Income from mining operations	9,184	-	9,184
Finance expenses	(405)	(182)	(587)
Loss on derivative financial instrument	(2,464)	-	(2,464)
Foreign exchange gain	2,896	2	2,898
Administrative and other	(2,292)	(1,666)	(3,958)
Income tax	(5,212)	-	(5,212)
Net income (loss) for the period from operations	\$ 1,707	\$ (1,846)	\$ (139)
Capital expenditures	\$ 22,178	\$ -	\$ 22,178
Total assets	\$ 680,922	\$ 4,002	\$ 684,924

Depletion and amortization expense for Karowe Mine and Corporate during the three months ended March 31, 2026 totaled \$3.1 million and \$0.1 million, respectively (2025: \$3.7 million and \$0.1 million).

During the three months ended March 31, 2026, diamonds sold to HB generated 62% (2025: 64%) of the Company's revenue. The Company attributes revenue from external customers based on the location where the sales originated. During the three months ended March 31, 2026 and 2025, the Company generated 100% of revenue from sales originating in Botswana.

18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT**a) Measurement categories and fair values**

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

The Company's financial instruments include cash and restricted cash and trade receivables, which are categorized as financial assets at amortized cost, and trade and royalties payable and lease liabilities, which are categorized as financial liabilities at amortized cost. The fair value of these financial instruments approximates their carrying values due to the short-term nature of these instruments. Bonds payable and due to related parties are interest-bearing and are recorded at fair value upon inception. These are subsequently measured at amortized cost.

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18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)*b) Fair value hierarchy*

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

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

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

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

	March 31, 2026	December 31, 2025
Level 2: Derivative financial instruments	\$ -	\$ 3,707

c) Financial risk management

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

Currency risk

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

Although the Company does not enter into derivative financial instruments to manage its exposure, the Company tries to manage this risk by maintaining most of its cash in U.S. dollars. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$7.0 million in net income/loss for the period. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.6 million in net income/loss for the period.

Liquidity risk

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

Trade payable and accrued liabilities are predominately due within 30 to 60 days. Tax and royalties payable are predominately due within 15 days. As at March 31, 2026, \$0.9 million of the Company's contractual maturities related to amounts due to related parties and lease liabilities are due within twelve months, and \$46.3 million is due beyond twelve months.

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18. FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT (CONTINUED)

c) *Financial risk management (continued)*

Credit risk

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Bonds carry a fixed coupon rate of 12.50% per annum and accordingly the Company is not exposed to interest rate risk on its bonds payable. The Company's exposure to interest rate risk arises from interest earned on its cash and restricted cash balances, which are held in variable rate accounts, including interest earned on the DSRA.

Price risk

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

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19. COMMITMENTS

As at March 31, 2026, purchase orders and contracts resulting in commitments for future minimum payments for services to be provided related to the UGP amounted to \$117.7 million (December 31, 2025: \$82.3 million). The following table summarizes the approximate timing of the commitments (undiscounted) at March 31, 2026:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	Total
UGP commitments	\$ 69.2	42.5	6.0	-	-	\$ 117.7

As at March 31, 2026, minimum payments in relation to lease commitments amount to \$1.9 million (December 31, 2025: \$2.5 million). The following table summarizes the approximate timing of the undiscounted minimum lease payments at March 31, 2026:

<i>In millions of dollars</i>	2026	2027	2028	2029	2030	Total
Minimum lease payments	\$ 0.7	0.8	0.3	0.1	-	\$ 1.9