

February 21, 2023

NEWS RELEASE

2022 GUIDANCE ACHIEVED ACROSS ALL METRICS. SHAFT SINKING FOR UNDERGROUND EXPANSION CONTINUES

VANCOUVER, February 21, 2023 /CNW/ (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the year and quarter ended December 31, 2022.

FISCAL 2022 HIGHLIGHTS:

- All key operational and financial metrics from the Company’s 2022 Guidance were achieved, including 3.3 million tonnes of ore and 1.5 million tonnes of waste mined, and 2.8 million tonnes of ore processed.
- Revenue for the year ended December 31, 2022 totalled \$212.9 million, including \$9.1 million through Clara.
- A total of 327,028 carats were sold through the Company’s three sales channels, generating revenue of \$165.4 million before top-up payments of \$38.4 million for the year ended December 31, 2022.
- A strong U.S. dollar helped to mitigate increases in input costs, resulting in an operating cash cost of \$27.94 per tonne of ore processed⁽¹⁾ for the year ended December 31, 2022.
- Cash flow of \$96.2 million from operating activities.
- \$35.7 million in sales transacted on Clara, with approximately 40% of sales from third-party goods transacted, reflecting a positive trend towards increased diversification of supply and less reliance on Karowe production.
- \$106 million invested in the Karowe underground expansion project (“UGP”) during 2022 with a total project to-date investment of \$226.1 million. Several significant milestones were achieved in 2022 including:
 - Substantial completion of surface civil works, including headgear erection and winder installs on time and within budget.
 - Main shaft sink activities started in both the ventilation and production shafts to depths below collar of 179 metres and 132 metres, respectively.
 - Commencement of grouting programs in each shaft during December.
 - Completion and energization of the bulk power upgrade consisting of a 29km, 132kV power line and the Letlhakane and Karowe substations.
 - Procurement of underground mobile equipment and the signing of a contract for construction and supply of a bulk air cooler.

(1) See “Non-IFRS Financial Performance Measures”

Eira Thomas, President & CEO commented: “The Karowe diamond mine completed its tenth year of continuous operations and successfully delivered on all of its’ financial and operating metrics, including safety, production, processing, sales and revenues, with costs trending below guidance and continued access to sufficient liquidity in support of our growth plans. For the underground expansion project, we achieved a number of important milestones, including the completion of all pre-sinking activities on schedule and budget, the execution of a main shaft sinking contract, the commencement of main shaft sinking and the completion of a new power line on schedule and budget. Importantly, we commenced our first grouting phase in the production shaft in December which was successfully completed in February 2023, confirming that our planned approach and methodology is effective. The



impact of delays and a slower than anticipated ramp up in shaft sinking cycle times, together with experience gained from our first grouting program will be incorporated into a refreshed schedule and budget which is expected to be completed in the second quarter of 2023. As a final comment, the diamond market remained healthy and stable in 2022, though price softening was observed in the latter half of the year which impacted revenues year over year, achieving the mid-range of guidance. Despite rising global economic uncertainties, our outlook for 2023 and beyond remains optimistic as global supply shortages continue to play out in the market."

REVIEW FOR THE YEAR ENDED DECEMBER 31, 2022

- Operational highlights from the Karowe Mine for the year ended December 31, 2022 included:
 - Ore and waste mined of 3.3 million tonnes (2021: 3.7) and 1.5 million tonnes (2021: 2.6), respectively.
 - 2.8 million tonnes (2021: 2.8) of ore processed.
 - 335,769 carats recovered (2021: 369,390) at a recovered grade of 12.12 carats per hundred tonnes of direct milled ore (2021: 12.93).
 - 795 Specials (diamonds greater than 10.8 carats) were recovered during 2022, representing 7.2% weight percentage of total carats recovered. A total of 34 diamonds greater than 100 carats were recovered, including 9 diamonds greater than 200 carats.
 - The twelve-month Total Recordable Injury Frequency Rate of 0.40 (2021: 0.1) at the end of Q4 2022 reflects a series of medical treatment cases reported during the third and fourth quarters of 2022.
 - The Karowe Mine has surpassed two years without a lost time injury.
- Financial highlights for the year ended December 31, 2022 included:
 - Revenues of \$212.9 million (2021: \$230.1 million). The sales agreement with HB for Karowe's +10.8 production accounted for 60% (2021: 65%) of total revenues recognized in 2022.
 - Adjusted EBITDA⁽¹⁾ of \$86.7 million decreased from \$102.5 million in 2021, attributed primarily to a decrease in revenues.
 - Net income increased to \$40.4 million (\$0.09 basic earnings per share) from \$23.8 million (\$0.06 basic earnings per share) in 2021.
 - Cash flow of \$96.2 million (2021: \$83.4 million) from operating activities.
- Cash position and liquidity at December 31, 2022:
 - Cash and cash equivalents of \$26.4 million.
 - \$65.0 million drawn from the \$170.0 million project finance facility for the Karowe UGP.
 - \$15.0 million drawn from the \$50.0 million working capital facility.
 - After year-end, the Company drew \$25.0 million from the project finance facility and \$8.0 million from the working capital facility.

(1) See "Non-IFRS Financial Performance Measures"

DIAMOND MARKET

2022 began on a solid trajectory following a banner year for diamond prices in 2021. Prices began to soften in the second half of the year in response to increasing global economic and geopolitical uncertainties and resulted in weaker holiday sales results in the US compared to the previous year. Despite this pull back, the market remained stable and price improvement along with increasing market depth has been observed in early 2023. A cautious economic outlook combined with the uncertainty caused by geopolitical events, including the ongoing conflict in Ukraine and continuing implications of the COVID-19 pandemic (specifically in China where the demand for diamonds has not yet recovered) remain a risk to diamond pricing trends in the short term with demand from



the US a critical driver on prices of both rough and polished diamonds. The longer-term market fundamentals remain unchanged and positive, pointing to strong price growth over the next few years as demand is expected to outstrip future supply.

2023 OUTLOOK

This section of the press release provides management's production and cost estimates for 2023. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. No changes were made to the Company's 2023 Guidance released in December 2022. Diamond revenue guidance does not include revenue related to the sale of exceptional stones (an individual rough diamond which sells for more than \$10 million), or the Sethunya.

Karowe Diamond Mine <i>In millions of U.S. dollars unless otherwise noted</i>	Full Year – 2023
Diamond revenue (millions)	\$200 to \$230
Diamond sales (thousands of carats)	385 to 415
Diamonds recovered (thousands of carats)	395 to 425
Ore tonnes mined (millions)	1.9 to 2.3
Waste tonnes mined (millions)	2.2 to 2.8
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ including waste mined ⁽²⁾ (per tonne processed)	\$32.50 to \$35.50
Botswana general & administrative expenses including marketing costs (per tonne processed)	\$3.50 to \$4.50
Tax rate ⁽³⁾	0%
Average exchange rate – USD/Pula	12.0

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

(2) Includes ore and waste mined cash costs of \$7.00 to \$8.00 (per tonne mined) and processing cash costs of \$12.00 to \$13.00 (per tonne processed).

(3) The Company is subject to a variable tax rate in Botswana based on a profit and revenue ratio which increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). Capital expenditures are deductible when incurred. With planned capital expenditures of up to \$105 million for the UGP, a tax rate of 0% is forecast for 2023. Should capital expenditures vary from plan, the Company could be subject to current tax.

DIAMOND SALES

Karowe diamonds are sold through three separate and distinct sales channels: through the HB sales agreement, on the Clara digital sales platform and through quarterly tenders.

HB SALES AGREEMENT FOR +10.8 CARAT DIAMOND PRODUCTION FROM KAROWE

For the three months ended December 31, 2022, the Company recorded revenue of \$24.1 million from the HB agreement (inclusive of top-up payments of \$3.6 million), as compared to revenue of \$31.2 million in Q4 2021 (inclusive of top-up payments of \$7.9 million). The decrease in revenue in Q4 2022 versus the comparative quarter can be attributed primarily to the number of high value diamonds delivered to HB earlier in 2021 for which the value of top-ups was, as expected, higher. Top-up values will typically increase as the more valuable stones move through production and become available for sale. A lower number of carats was delivered to HB in Q4 2021 (1,895 carats) compared to Q4 2022 (2,812 carats), however, the initial value of the shipments was comparable owing to the value of stones delivered in Q4 2021.

At December 31, 2022 a number of higher value and more technically complex stones that take longer to manufacture had not fully completed the manufacturing and sales process. These stones were delivered to HB in 2021 and 2022. As these stones finish the manufacturing process, the Company may record additional revenue in the form of "top-up" payments when these diamonds are sold.



Despite the overall decrease in revenue recognized in Q4 2022, diamond market fundamentals continued to support healthy prices as steady demand and some inventory shortages were reported. Natural variability in the quality profile of the +10.8ct production in any production period or fiscal quarter results in fluctuations in recorded revenue and associated top-ups between periods is expected. During Q4 2022, 8.2% weight percentage of Specials of total carats recovered was consistent with the Karowe resource model. As more North and Centre lobe material is expected to be processed in 2023, while higher grade, the weight percentage of Specials is expected to decrease.

CLARA SALES PLATFORM

Clara, Lucara's 100% owned proprietary, secure, web-based digital sales platform, continues to gain scale and interest. Interest in Clara continues to grow as the benefits of purchasing rough diamonds in an innovative way become evident. Trial sales with a third-party producer continued through Q4 2022, with encouraging results and positive margin earned. Transaction volumes were supplemented with other secondary market supply, which included diamonds purchased by the Company and re-sold through Clara. Karowe goods transacted through Clara represented approximately 60% of the total sales volume transacted during 2022. The Company intends to continue to seek additional supply in 2023, both from third-party producers and the secondary market.

During Q4 2022, the sales volume transacted was \$6.6 million (Q4 2021: \$7.7 million), as fewer sales were held within the period.

QUARTERLY TENDER

The Q4 2022 tender reflected a good performance in rough diamond pricing across all tendered size classes, although lower than what was achieved in the first two quarterly tenders of 2022 and higher than the price achieved in September as concerns of a global economic slowdown became more prominent against a backdrop of high inflation, interest rate increases and uncertainty in supply chains. A total of 76,264 carats were sold in the December 2022 tender, generating revenues of \$12.2 million (Q4 2022 tender: \$19.0 million for 97,211 carats).

KAROWE UNDERGROUND EXPANSION UPDATE

The Karowe UGP is expected to extend the mine life to at least 2040, with initial underground carat production predominantly from the highest value EM/PK(S) unit and is forecast to contribute approximately \$4 billion in additional revenues, using conservative diamond prices. The updated estimated capital cost for the Karowe UGP is \$547 million (including contingency) and reflects expected pricing changes following execution of the main sink contract in Q2 2022. Mine ramp up is expected in 2026 with full production from the Karowe UGP expected in H2 2026. The Company is using a combination of cash flow from operations and project debt for the investment in the Karowe UGP, which is fully financed.

During the three months ended December 31, 2022, a total of \$22.3 million was spent on the Karowe UGP development, primarily in relation to ongoing construction activities and procurement of long lead items, including:

- Main sinking in the production and ventilation shafts:
 - Cover grouting began in the production and ventilation shafts in December 2022 in response to expected water inflows from the sandstones. Planned methodology, which includes the use of chemical grouting, has been effective. Experiences gained from this first grouting event, which was subsequently completed in February in the production shaft and remains ongoing in the ventilation shaft, will inform future anticipated cover grouting events as the shafts progress to depth.
 - Main sinking activities continued to ramp up in Q4, however, equipment and operational challenges continued to negatively impact planned cycle times. Cycle time is the period it takes to complete a series of activities within the sinking process to achieve the next planned vertical advance. Active interventions and mitigations implemented in Q4 including equipment and personnel changes as well as shift and rotation schedule optimization along with the roll-out of a behavioural-based safety training program are helping to resolve these issues.



- The Company intends to assess the impact of the incurred delays against the effectiveness of the operational changes implemented in Q4 2022 combined with recent grouting experiences to refresh estimates around planned sinking rates and overall project schedule and budget, before the end of Q2, 2023.
- The 29 km, 132kV bulk power supply powerline, including the Letlhakane and Karowe substations, was energized and handed over to the Botswana Power Corporation at the end of December 2022.
- The 11kV transmission line to the project site was commissioned in mid-January 2023. This represents a significant milestone for the Karowe UGP as it is now fully powered through grid-supplied electricity. Back-up power will continue to be provided by diesel generators.
- Procurement of shaft station underground mobile equipment progressed with equipment deliveries expected to commence in Q1 2023.
- The underground mine bulk air cooler and shaft cooling tender was awarded.

Activities for the Karowe UGP in Q1 2023 are expected to include the following:

- Sinking and grouting within both the ventilation and production shafts.
- Procurement of underground equipment, including dewatering pumps and underground crush and convey systems.
- Development of a request for proposal for the underground lateral development work.
- Continuation of detailed design and engineering of the underground mine infrastructure and layout.
- Transition of the temporary power supply to a back-up power configuration; and,
- Stage two of the bulk power supply upgrade to connect all mine power requirements to the new Karowe Substation and 132kV power line.

FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats or otherwise noted</i>	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Revenues	\$ 42.5	57.9	\$ 212.9	230.1
Operating expenses	(18.5)	(22.3)	(79.3)	(80.3)
Net income for the period	7.1	1.7	40.4	23.8
Earnings per share (basic and diluted)	0.02	0.00	0.09	0.06
Operating cash flow per share ⁽¹⁾	0.03	0.05	0.19	0.24
Cash on hand	26.4	27.0	26.4	27.0
Amounts drawn on working capital facility	15.0	23.0	15.0	23.0
Amounts drawn on project finance facility	65.0	25.0	65.0	25.0
Karowe Revenue	40.1	56.5	203.8	227.9
Average price per carat sold (\$/carat) ⁽²⁾	450	473	506	536
Carats sold	81,264	102,791	327,028	380,493

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

(2) The Company's revenue is primarily generated from the sale of Karowe diamonds. The average price per carat sold presented in this table relates exclusively to the sale of Karowe diamonds and excludes top-up payments received during the quarter. Also excluded is the value of diamonds purchased from third parties and sold by the Company through Clara. See Table 1 in the Q4 2022 MD&A for additional information.



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QUARTERLY RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q4-22	Q3-22	Q2-22	Q1-22	Q4-21
Sales						
Revenues from the sale of Karowe diamonds	US\$M	40.1	46.5	50.0	67.2	56.5
Karowe carats sold	Carats	81,264	99,301	66,167	80,295	102,791
Average price per carat - excluding top-ups ⁽¹⁾	US\$	450	377	557	690	436
Production						
Tonnes mined (ore)	Tonnes	484,705	920,410	1,091,192	811,947	610,072
Tonnes mined (waste)	Tonnes	199,385	453,860	357,764	482,104	276,263
Tonnes processed	Tonnes	690,946	693,398	719,207	666,488	705,877
Average grade processed ⁽²⁾	cpht ^(*)	12.5	11.4	12.0	12.6	12.8
Carats recovered	Carats	86,655	78,879	86,317	83,917	90,634
Costs						
Operating expense per Karowe carat sold ⁽³⁾	US\$	193	227	221	212	200
Margin (mining operations) per Karowe carat sold	US\$	257	150	336	478	236
Operating cost per tonne of ore processed ⁽⁴⁾	US\$	26.20	29.33	28.78	27.80	29.74
Capital Expenditures						
Sustaining capital expenditures	US\$M	9.9	4.0	4.1	0.8	9.1
Underground expansion project ⁽⁵⁾	US\$M	22.3	23.9	29.1	31.1	21.8

(*) carats per hundred tonnes

(1) Previously presented as \$418 (Q4 2021) per carat.

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

(3) Previously presented as \$224 (Q1 2022) and \$217 (Q4 2021) per carat, respectively, to exclude the operating cost contribution from the corporate and other segment which was marginal in previous periods.

(4) Operating cost per tonne of ore processed is a non-IFRS measure. See "Use of Non-IFRS Performance Measures" below.

(5) Excludes qualifying borrowing cost capitalized in each quarter since Q4 2021.

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Wednesday, February 22, 2023 at 7:00am Pacific, 10:00am Eastern, 3:00pm UK, 4:00pm CET.

To join the conference call without operator assistance, you may register and enter your phone number at <https://event.mymeetingroom.com/Public/ClickToJoin/ZW5jPW92VGJmMTVyM05HanZYeFVVVjBPcXRzaHI1NW5jVGVoEtGUTJ0WFZJNjVmaUR6bDhWTmdndz09> to receive an instant automated call back.

Conference ID:

9120717 / Lucara Diamond

Dial-In Numbers:

Toll-Free Participant Dial-In North America	(+1) 888 204 4368
UK Toll free	0800 358 6377
Local Vancouver	(+1) 604 449 6082
Local Toronto	(+1) 647 794 4605



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Webcast:

To view the live webcast presentation, please log on using this direct link: <https://app.webinar.net/b9gawOPn86p>

The presentation slideshow will also be available in PDF format for download from the Lucara website ([Link to presentation](#)).

Conference Replay:

A replay of the telephone conference will be available two hours after the completion of the call until March 1, 2023.

Replay number (Toll Free North America)

(+1) 888 203 1112

Replay number (Local)

(+1) 647 436 0148

The pass code for the replay is: 9120717#.

On behalf of the Board,

Eira Thomas

President and Chief Executive Officer

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ABOUT LUCARA

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

The information is information that Lucara is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. This information was submitted for publication, through the agency of the contact person set out above, on February 21, 2023 at 2:00pm Pacific Time.



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NON-IFRS FINANCIAL PERFORMANCE MEASURES

This news release refers to certain financial measures, such as adjusted EBITDA, adjusted operating earnings, operating cash flow per share, operating margin per carat sold and operating cost per tonne of ore processed, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position. Please refer to the Company's MD&A for the year ended December 31, 2022 for an explanation of non-IFRS measures used.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein and elsewhere constitute forward-looking statements as defined in applicable securities laws. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be accurate and such forward-looking information included herein should not be unduly relied upon.

In particular, forward-looking information and forward-looking statements in this news release may include, but are not limited to, information or statements with respect to the equity and project debt financings, the intended use of proceeds, the Company's ability to comply with the terms of the facilities which are required to construct the Karowe UGP, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the Karowe UGP, the potential impacts of COVID-19, economic and geopolitical risks, including potential impacts from the Russian military invasion of Ukraine, expectations regarding longer-term market fundamentals and price growth, the disclosure under "2023 Outlook", expectations regarding top-up payments, processing expectations, expectations that the Karowe UGP will extend mine life, forecasts of additional revenues, estimated capital costs, production and cost estimates, tax rates, expectations regarding the activities for the Karowe UGP in Q1 2023, that the estimated timelines to achieve mine ramp up and full production from the Karowe UGP can be achieved, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, future production activity, the future price and demand for, and supply of, diamonds, future forecasts of revenue and variable consideration in determining revenue, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, currency exchange rates, success of exploration, requirements for and availability of additional capital, capital expenditures, operating costs, the completion of transactions the profitability of Clara and the Clara Platform, and the scaling of the digital platform for the sale of rough diamonds owned by Clara, the Company's intent to continue to seek additional supply, both from third-party producers and the secondary market, the benefits to the Company of diamond supply agreements with HB and the ability to generate better prices from the sale of the Company's +10.8 carat production as a polished stone.

There can be no assurance that such forward looking statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "COVID-19 Global Pandemic, Economic and Geopolitical Risks" in the Company's most recent MD&A and under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form, both available at <http://www.sedar.com>, as well as changes in general business



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and economic conditions, the ability to continue as a going concern, changes in interest and foreign currency rates, changes in inflation, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel, impacts of potential disruptions to supply chains, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), and unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.