

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

Management's discussion and analysis ("MD&A") focuses on significant factors that have affected Lucara Diamond Corp. ("Lucara" or the "Company") and its subsidiaries' performance and such factors that may affect its future performance. To better understand the MD&A, it should be read in conjunction with the audited consolidated financial statements of the Company for the year ended December 31, 2024, which are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). All amounts are expressed in U.S. dollars unless otherwise indicated.

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 is available on SEDAR+ at www.sedarplus.ca.

The effective date of this MD&A is February 21, 2025.

ABOUT LUCARA

Lucara is a leading independent producer of large exceptional quality Type IIA diamonds from its 100% owned Karowe Diamond Mine in Botswana ("Karowe"). Karowe has been in production since 2012 and is the focus of the Company's operations and development activities. Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations. Lucara is certified by the Responsible Jewellery Council, complies with the Kimberley Process, and has adopted the IFC Performance Standards and the World Bank Group's Environmental, Health and Safety Guidelines for Mining (2007). Accordingly, the development of the Karowe underground project (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 the communities in which the Company operates.

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

HIGHLIGHTS – FISCAL 2024

- As of December 31, 2024, Karowe had operated for over three years without a lost time injury.
- Recoveries of two exceptional diamonds larger than 1,000 carats: the 2,488 carat¹ Motswedi and the 1,094 carat Seriti diamonds. The Company recovered an additional 1,476 carat non-gem diamond in January 2025.
- A total of 399,215 carats were sold, generating revenue of \$203.9 million including top-up payments as well as payments received for the sale of the Sethunya, a 549 carat Type IIA white gem quality diamond and the Eva Star, a 1,080 carat Type IIA diamond. The Company sold the stones for a combined sum of \$54.0 million and recognized \$44.0 million in revenue net of fees, excluding royalties.
- The recovery of 807 Specials (defined as rough diamonds larger than 10.8 carats) (2023: 602 Specials) equated to 7.6% (2023: 5.3%) by weight of the total recovered carats from ore processed in 2024.
- Significant progress was made in shaft sinking and shaft connection lateral development. During 2024, 702 metres ("m") were sunk consisting of 375 m in the production shaft and 327 m in the ventilation shaft. A total of

¹ The carats reflect the final cleaned weight of the rough stone. The stone was previously reported at 2,492-carats.

464 m of lateral development was completed, connecting the two shafts at the 670-level and 470-level. Each level is equivalent to a metre above sea level.

- At the end of Q4, the production shaft reached 731 metres below surface (“mbs”) out of a planned final depth of 770 mbs. The ventilation shaft reached 671 mbs out of a planned final depth of 722 mbs.
- A total of 94,713 carats were recovered in Q4 2024, including 91,046 carats from direct ore feed from the pit and stockpiles, at a recovered grade of 12.7 carats per hundred tonnes (“cpht”) and an additional 3,667 carats were recovered from processing of historic recovery tailings.
- All key operational and financial metrics from the Company’s 2024 Revised Guidance were achieved.
- On October 4, 2024, the Company sold its interest in Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as “Clara”) including all related intangible assets. The Company received \$3.0 million in cash less working capital adjustments and the return of 10,000,000 Lucara common shares as consideration for the sale.
- Operational highlights from the Karowe Mine included:
 - Ore and waste mined of 3.0 million tonnes (“Mt”) (2023: 2.7 Mt) and 0.9 Mt (2023: 3.1 Mt), respectively.
 - 2.9 Mt of ore processed (2023: 2.8 Mt), setting a new annual production record.
- Financial highlights for 2024 included:
 - Operating margins of 61% were achieved (2023: 58%). Higher operating margins resulted from revenue increasing by 18% while operating expenses increased by 9%.
 - Operating cost per tonne processed was \$27.14 per tonne, a decrease of 5.6% compared to 2023 cost per tonne processed of \$28.75 per tonne due to a lower volume of waste mined in 2024. The continued impact of inflationary pressures, particularly labour, has been well managed by the operation. A strong US dollar continues to offset a small increase in costs over the comparable period. Operating cost per tonne processed is a non-IFRS measure.
- Cash position and liquidity as at December 31, 2024:
 - \$22.8 million of cash and \$27.1 million of working capital (current assets less current liabilities).
 - \$180.0 million drawn on the \$190.0 million Project Facility (“Project Facility”) for the UGP with \$25.0 million drawn on the \$30.0 million Working Capital Facility (“WCF”) and a Cost Overrun Reserve Account (“CORA”) balance of \$49.1 million.

DIAMOND MARKET

The long-term outlook for natural diamond prices remains cautiously optimistic despite current challenges. While the influx of Angolan rough diamonds and the subdued demand for polished diamonds, especially from China, have led to price corrections, particularly in smaller sizes, the industry sentiment suggests that the market may have reached its bottom during Q4 2024. A gradual recovery is expected to be driven by increasing demand for larger diamonds due to reduced production, and the overall long-term demand for natural diamonds.

While the diamond market is navigating a period of adjustment, it presents opportunities for strategic adaptation and growth. Indian diamond manufacturers are actively responding to evolving demand dynamics, exploring new markets and product segments, while prices of laboratory-grown diamonds have continued to decrease in 2024 with production outweighing demand for these products. Although De Beers and Alrosa's recent price adjustments have not yet spurred a significant uptick in demand, they demonstrate a commitment to market responsiveness and price stability. As the industry moves into 2025, buyers are exercising prudent inventory management while holding firm on polished prices, which could lead to a healthier and more sustainable market in the long run.

DIAMOND SALES

Karowe diamonds are sold through three sales channels: through a diamond sales agreement with HB Trading BV ("HB"), through quarterly tenders, and on the Clara sales platform.

HB Sales

Karowe's large, high value diamonds have historically accounted for approximately 60% to 70% of Lucara's annual revenues. In February 2024, Lucara entered into a New Diamond Sales Agreement ("NDSA") with HB, effective retroactively from December 1, 2023. Under this sales agreement, all +10.8 carat gem and near gem diamonds from the Karowe Mine of qualities that could directly enter the manufacturing stream are sold to HB. The initial purchase price paid for the rough diamonds are based on an estimated initial polished value with a true up paid to the Company if the actual achieved polished sales price exceeds the initial price paid, or a repayment if the actual achieved polished sales price is below the initial price paid. The 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 which are not sold on the Clara sales platform are sold as rough diamonds through quarterly tenders.

Clara

Clara is a digital sales platform which is designed to transact single diamonds between 1 and 10 carats, in higher colours and quality. On October 4, 2024, the Company sold this non-core asset, resulting in its classification as discontinued operations for the year ended December 31, 2024. Consideration included \$3.0 million in cash less working capital adjustments, the return of 10,000,000 Lucara common shares (valued at \$3.3 million) and cancellation of a 13,400,000 Lucara common shares issuance obligation related to sales performance metrics and change of control.

KAROWE UNDERGROUND PROJECT UPDATE

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

An update to the UGP schedule and budget was announced on July 16, 2023. The anticipated commencement of production from the underground is H1 2028. The revised forecast of costs at completion is \$683.4 million (including contingency). As at December 31, 2024, capital expenditures of \$347.9 million had been incurred and further capital commitments of \$79.2 million had been made.

With the 2023 update to the UGP schedule and budget, the Karowe Mine production and cash flow models were updated for the revised project schedule and cost estimate. Open pit mining is expected to continue until the end of 2025 and to provide mill feed during this time. Stockpiled material (North, Centre, South Lobe) from working stockpiles and life-of-mine stockpiles should provide uninterrupted mill feed until 2027 when UGP development ore is scheduled to start offsetting stockpiles with high-grade ore from the underground development. Full scale underground production is planned for H1 2028. The long-term outlook for diamond prices, combined with the potential for exceptional stone recoveries and the continued performance of the open pit could mitigate the modelled impact on project cash flows due to the changes in schedule. The Company continues to explore opportunities to further mitigate the modelled impact.

During 2024, the UGP achieved a twelve-month rolling Total Recordable Injury Frequency Rate of 0.57. The UGP to date Total Recordable Injury Frequency Rate up to December 31, 2024 was 0.54.

A total of \$64.7 million was spent on the UGP development in 2024 for the following surface infrastructure and ongoing shaft sinking activities:

The ventilation shaft 2024 development:

- Reached 671 mbs out of a planned final depth of 722 mbs.
- Completed 470-level³ station development.

The production shaft 2024 development:

- Reached 731 mbs out of a planned final depth of 770 mbs.

Related infrastructure 2024 development:

- Completed the construction and pre-commissioning of the permanent bulk air coolers at the production shaft in July 2024.
- Construction and fabrication of the permanent man and materials winder continued during the year, representing the last major component for the permanent winders.
- Commenced the adjudication and review of underground lateral development tender documents.
- Advanced mining engineering with a focus on supporting shaft sinking, underground infrastructure engineering, finalizing drilling level plans, and placed shaft steelwork orders in October 2024.

Activities planned for the UGP in Q1 2025 include the following:

- Production and ventilation shaft sinking to final depth of 770 mbs and 722 mbs, respectively.
 - Ventilation shaft – expect to sink to 355-level and commence station mining excavation, including top of fine ore bins, expect to commence sinking activities to 310-level.
 - Production shaft – plan to sink to 285-level and complete 285-level skip loading station.
- Continue winder building structure and construction of winder driver's cabin.
- Continue evaporation pond earthworks and civils and updated water model.
- Procurement of underground equipment, including an additional Load, Haul, Dump vehicle for the production shaft station 285-level development. Major components of the underground crusher and dewatering pumps are expected to be delivered to site.

³ Each level is equivalent to a metre above sea level.

FINANCING

Project Facility and Working Capital Facility

On January 9, 2024, the Company's wholly owned subsidiary, Lucara Botswana, with Lucara Diamond Corp. as the sponsor and the guarantor, amended its debt package that was originally entered into in 2021 ("Rebased Amendments"). The senior secured project financing debt package of \$220.0 million (the "Facilities") consists of a project finance facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development, construction costs and construction phase operating costs (the "Project Facility") of the UGP as well as financing costs on the Facilities, and a \$30.0 million (\$50.0 million prior to amendment) senior secured working capital facility (the "WCF") which is used for working capital and other corporate purposes. While the total quantum of the Facilities did not change, the repayment profile was extended in line with the rebase schedule released on July 16, 2023, and the Facilities maturity was extended to June 30, 2031. The Project Facility has quarterly repayments commencing on September 30, 2028. As of the date of this MD&A, the Facilities are fully drawn.

Interest rates

Both the Project Facility and the WCF bear interest at a rate of a USD Term Secured Overnight Financing Rate ("SOFR") plus a margin of 6.5% annually until the UGP project completion date, and 6.0% annually from the UGP project completion date to June 30, 2029. Thereafter, the margin increases to 7.0% annually for the Project Facility and 7.25% annually for the WCF. Commitment fees for the undrawn portion of the Project Facility and WCF are 35% of the margin per annum.

CORA

In addition, the Rebase Amendments required the Company to place \$61.7 million in the CORA as a condition of the Facilities prior to June 30, 2025, with specific provisions of how and when funds may be released from the CORA. The Company is required to fund the remaining balance with the proceeds net of fees and royalties from the sale of exceptional stones recovered after August 2023 (defined as an individual rough diamond which sells for more than \$10.0 million) and excess cashflow from operations.

As of December 31, 2024, the Company has drawn \$180.0 million from the Project Facility and \$25.0 million from the WCF and funded \$49.1 million into the CORA.

Nemesia

Under the terms of the Rebase Amendments, the Company's largest shareholder, Nemesia S.à.r.l. ("Nemesia") provided a limited standby undertaking of up to \$63.0 million. The limited standby undertaking consists of two components, namely: i) a \$28.0 million component for the undertaking to support the requirement to fill the CORA to \$61.7 million by June 30, 2025 and; ii) a \$35.0 million component for a funding shortfall guarantee in support of the UGP completion.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to \$15.0 million in aggregate in the event the Company's cash balance decreased below \$10.0 million. In November 2023, the Company drew \$15.0 million from Nemesia's liquidity support guarantee and issued a corresponding unsecured debenture (the "Debenture"). For each \$500,000 drawn down under the Debenture, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. As the scheduled issuance of the common shares would take Nemesia's shareholding in the Company above 20%, the requisite approval by the Company's disinterested shareholders of the common shares issuance to Nemesia was obtained at the May 10, 2024 - Annual and General and Special Meeting. On June 17, 2024, the Company and Nemesia entered into a supplemental agreement to amend the frequency of common share issuances to Nemesia from a monthly to a quarterly basis. As of the published date of this MD&A, Nemesia holds 25.9% of Lucara's total issued and outstanding shares.

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

INTEREST RATE SWAP

In February and September 2024, the Company amended a series of interest rate swaps to the expected Project Facility drawdown schedule under the Rebase Amendments. The total interest rate swaps were amended to amounts up to \$142.5 million and the maturity was amended to September 26, 2030. The Company receives interest at the rate equivalent to the three-month USD Term SOFR plus a credit adjustment spread and pays interest at a fixed rate of between 2.447% and 2.577% on a quarterly basis.

As at December 31, 2024, the interest rate swaps had a total unrealized fair value of \$8.4 million (December 31, 2023: \$8.1 million), of which \$2.1 million has been classified as a current asset in the Statement of Financial Position. During 2024, the Company recorded a \$0.3 million gain (2023: loss of \$1.7 million) on this derivative financial instrument. Movements in the unrealized fair value are recorded through the Statements of Operations.

TABLE 1: FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats sold</i>	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Revenues	78.8	36.3	203.9	172.4
Operating expenses	(24.4)	(21.9)	(79.6)	(73.2)
Net income (loss) from continuing operations	38.5	(24.6)	43.6	(5.0)
Net income (loss) from discontinued operations	(1.5)	(12.1)	(3.7)	(15.2)
Earnings (loss) per share from continuing operations (basic)	0.09	(0.05)	0.10	(0.01)
Earnings (loss) per share from continuing operations (diluted)	0.08	(0.05)	0.09	(0.01)
Cash			22.8	13.3
CORA			49.1	18.6
Amounts drawn on WCF			25.0	35.0
Amounts drawn on Project Facility			180.0	90.0
Carats sold	112,615	111,523	399,215	379,287

The Company reported total 2024 revenues of \$203.9 million from the sale of 399,215 carats. In comparison, total 2023 revenues were \$172.4 million from the sale of 379,287 carats. In Q4 2024, the Company sold the Sethunya, a 549 carat Type IIA white gem-quality diamond, and the Eva Star, a 1,080 carat Type IIA diamond for a combined sum of \$54.0 million and recognized \$44.0 million in revenue net of fees, excluding royalties.

Net income from continuing operations for 2024 was \$43.6 million, compared to a net loss of \$5.0 million in 2023. The increase in net income from continuing operations for 2024 is primarily attributable to higher revenues due to the sale of the Sethunya and the Eva Star, lower administration and finance expenses, and lower tax expenses. The 2023 net loss was driven by a decline in net revenue, changes in tax positions, and adjustments to the fair value of derivative financial instruments. Net loss from discontinued operations was \$3.7 million in 2024, compared to \$15.2 million in 2023. The higher net loss from discontinued operations in 2023 was primarily due to the \$11.2 million impairment of Clara and higher operating costs.

Total operating expenses were slightly higher in 2024 (\$79.6 million) compared to 2023 (\$73.2 million) predominantly due to higher processing costs associated with inventory movements as operating expenses are recorded on a per carat basis and recognized as the carat is sold. Please see Table 4: "Select Financial Information" below for details on the expense line items which had the most significant impact on net income from continuing operations.

TABLE 2: QUARTERLY SALES RESULTS

<i>Revenue is in millions of U.S. dollars</i>	Three months ended December 31,		Year ended December 31,	
	2024	2023	2024	2023
Sales Channel				
HB	\$ 62.1	\$ 17.4	\$ 142.8	\$ 106.2
Tender ⁽¹⁾	13.2	16.9	50.0	53.7
Clara	3.5	2.0	11.1	12.5
Total Revenue	\$ 78.8	\$ 36.3	\$ 203.9	\$ 172.4

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

HB

For the three months ended December 31, 2024, the Company reported revenue of \$62.1 million from HB, compared to \$17.4 million for the same period in 2023. Revenue from HB accounted for 79% of total revenue recognized in Q4 2024, up from 48% in Q4 2023. This revenue includes “top-up” and “top-down” payments, which are made to the Company when the final polished diamond sales price differs from the estimated initial polished value. HB revenue increased in Q4 2024 due to the sale of the Sethunya and the Eva Star and throughout the year due to a higher volume of carats sold. In Q4 2024, the Company sold the Sethunya, a 549 carat Type IIA diamond recovered in 2020, and the Eva Star, a 1,080 carat Type IIA white-gem quality diamond recovered in 2023, recognizing \$44.0 million in revenue net of fees, excluding royalties. The Company previously received \$20.0 million, with an additional \$24.0 million due following this sale. Of this amount, \$16.0 million was received in Q4 2024, and the remaining \$8.0 million was received in 2025. As of December 31, 2024, the Company had \$18.4 million in trade receivables from HB, including the remaining \$8.0 million due from the sale of the Sethunya and the Eva Star.

Tender & Clara

For the three months ended December 31, 2024, sales through tender totaled \$13.2 million, compared to \$16.9 million in Q4 2023, while Clara sales totaled \$3.5 million, up from \$2.0 million in Q4 2023. A higher volume of carats were sold on the Clara platform in Q4 2024, whereas more carats were sold through quarterly tenders in Q4 2023. Both sales channels had lower average dollar-per-carat values compared to 2023, reflecting the decline in prices within the smaller-sized diamond categories.

TABLE 3: RESULTS OF OPERATIONS – KAROWE MINE

		Q4-24	Q3-24	Q2-24	Q1-24	Q4-23
Sales						
Revenues	\$M	78.8	44.3	41.3	39.5	36.3
Karowe carats sold	Carats	112,615	116,221	76,388	93,991	111,523
Production						
Tonnes mined (ore)	Tonnes	646,288	845,594	699,846	809,999	607,101
Tonnes mined (waste)	Tonnes	119,919	192,308	245,006	386,849	456,880
Tonnes processed	Tonnes	716,936	720,524	714,301	698,870	703,472
Average grade processed ⁽¹⁾	cpht ^(*)	12.7	13.4	12.9	11.7	14.0
Carats recovered ⁽¹⁾	Carats	91,046	96,597	92,419	81,611	98,177
Costs						
Operating cost per tonne of ore processed ⁽²⁾	\$	31.52	27.34	26.32	23.28	31.96
Capital Expenditures						
Sustaining capital expenditures	\$M	5.5	2.0	3.4	1.8	8.0
Underground project ⁽³⁾	\$M	17.8	17.7	11.2	17.9	28.0

(*) Carats per hundred tonnes

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

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

(3) Excludes qualifying borrowing cost capitalized.

FOURTH QUARTER OVERVIEW – OPERATIONS – KAROWE DIAMOND MINE

Safety: Karowe registered no lost time injuries during the year ended December 31, 2024. As of December 31, 2024, the mine had operated over three years without a lost time injury. The rolling twelve-month Total Recordable Injury Frequency Rate for the Karowe Mine was 0.26 (2023: 0.19).

Environment and Social: The Company is developing and implementing a Tailing Management System in line with the requirements of the Global International Standard on Tailings Management (“GISTM”). The design for the Underground Life of Mine tailing facility feasibility study was completed in September 2024.

Production: Ore and waste mined during the fourth quarter of 2024 totaled 0.6 Mt and 0.1 Mt, respectively. During Q4 2024, tonnes processed were on target at 0.7 Mt at an average grade of 12.7 cpht, with a total of 91,046 carats recovered from processing which resulted in 94% recovery based on estimated mill feed resource grade. Ore processed was primarily from the South Lobe with small amounts of weathered kimberlite processed from the Centre and North stockpiles. In Q4 2024, the Company started and completed the execution of a pit steepening project which is expected to extend the life of the open pit by an additional eight months until the end of 2025.

Diamond Recoveries: A total of 195 Specials were recovered during the quarter, with 9 diamonds greater than 100 carats in weight. In the comparable 2023 quarter, a total of 153 Specials were recovered, with 1 diamond greater than 100 carats in weight. Recovered Specials equated to 6.3% (2023: 3.8%) of the weight percentage of total recovered carats from ore processed during Q4 2024.

All recovered stones, including the Motswedi and Seriti that remained unsold at the end of the reporting year, are accounted for at cost in inventory. Selling and monetizing the value contained in our 1,000+ carat diamond inventory may require considerable time given the complexities associated with the marketing, analysis, cutting and polishing and ultimate sales processes.

Karowe’s operating cash cost: Karowe’s operating cash cost for Q4 2024 (see “*Non-IFRS Financial Measures*”) was \$31.52 per tonne of ore processed (2023: \$31.96 per tonne of ore processed), in the mid-range of the 2024 annual forecast of \$28.50 to \$33.50 per tonne processed. Costs remained lower for the year as the strong US dollar continued to offset inflationary pressures from labour increases.

Overall performance: Mine performance during the fourth quarter remained consistent with the strong operational results achieved over the past several years. Mining and processing results were on plan during Q4 2024.

TABLE 4: SELECT FINANCIAL INFORMATION

<i>In millions of U.S. dollars except for per share</i>	Three months ended		Year ended		
	December 31,		December 31,		
	2024	2023	2024	2023	2022
Revenues	78.8	36.3	203.9	172.4	203.8
Operating expenses	(24.4)	(21.9)	(79.6)	(73.2)	(69.8)
Adjusted operating earnings⁽¹⁾	54.4	14.4	124.3	99.2	134.0
Royalty expenses	(9.4)	(4.5)	(23.2)	(20.1)	(24.1)
Administration	(5.2)	(6.3)	(14.8)	(19.1)	(18.6)
Sales and marketing	(1.0)	(1.6)	(3.1)	(3.5)	(2.9)
Depletion and amortization	(3.9)	(3.6)	(16.6)	(16.8)	(23.4)
Finance expenses	(0.8)	(1.0)	(2.9)	(4.2)	(3.7)
Foreign exchange (loss) gain	(10.8)	2.1	(6.9)	(5.1)	(3.9)
Gain (loss) on derivative financial instrument	4.0	(3.3)	0.3	(1.7)	10.7
Loss on disposal of assets	(0.2)	(0.9)	(0.2)	(0.9)	-
Loss on extinguishment of debt	-	-	(10.5)	-	-
Current and deferred income tax recovery (expense)	11.4	(19.9)	(2.8)	(32.8)	(24.4)
Net income (loss) from continuing operations	38.5	(24.6)	43.6	(5.0)	43.7
Continuing operations earnings (loss) per share (basic)	0.09	(0.05)	0.10	(0.01)	0.10
Continuing operations earnings (loss) per share (diluted)	0.08	(0.05)	0.09	(0.01)	0.10
Net loss from discontinued operations	(1.5)	(12.1)	(3.7)	(15.2)	(3.1)
Discontinued operations loss per share (basic and diluted)	(0.00)	(0.03)	(0.01)	(0.03)	(0.0)

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

Revenues and royalties

Total revenue increased by 18% from \$172.4 million in 2023 to \$203.4 million in 2024. In 2024, 399,215 carats were sold, compared to 379,287 carats in 2023. The increase in revenue for both 2024 and the fourth quarter was driven by the sale of the Sethunya and the Eva Star and an increase in carats sold.

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

Adjusted operating earnings

Adjusted operating earnings for the year ended December 31, 2024, totalled \$124.3 million, compared to \$99.2 million in 2023, the increase being driven by an 18% rise in revenue and a 5% increase in carats sold. While operating expenses rose slightly to \$79.6 million in 2024 (2023: \$73.2 million), this is attributed to the increase in sales from diamond inventory in 2024 compared to 2023. The movement of diamond inventory from 2023 to 2024 of 37,110 carats (2022 to 2023: 2,662 carats) resulted in an increase in the costs of sales that is reflected in higher operating expenses.

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

Administration

In 2024, the Company reported administration expenses of \$14.8 million, down 23% from \$19.1 million in 2023. This decrease is primarily attributed to \$1.1 million in exploration expenditures incurred in 2023, while no similar activities occurred in 2024. The decrease is further attributable to severance paid to former management in 2023.

Additionally, lower share-based compensation in 2024 contributed to the reduction, driven by fewer share units issued to key management and the revaluation of deferred share units.

Finance expenses

Finance expenses decreased from \$4.2 million in 2023 to \$2.9 million in 2024. This reduction is due to lower lease interest expenses resulting from a decrease in lease liabilities, as well as higher interest income from the CORA.

Derivative financial instrument

A \$0.3 million gain on a derivative financial instrument (2023: loss of \$1.7 million) relates to changes in the fair value of the interest rate swap in response to changing market interest rates (see Note 9 of the audited consolidated financial statements for the year ended December 31, 2024).

The Company records its interest rate swaps at fair value and as such, the movement in the fair value within any given period creates an adjustment to the Statement of Operations. As at December 31, 2024, the interest rate swaps had a total unrealized fair value of \$8.4 million (December 31, 2023: \$8.1 million), of which \$2.1 million has been classified as a current asset. The fair value of the interest rate swap is based on the difference between the three-month USD SOFR forward curve and the fixed rate, with the net interest due in the next twelve months classified as current.

Deferred and current income tax expenses

Income tax expenses declined from \$32.8 million in 2023 to \$2.8 million in 2024, driven by changes in deferred tax assets and liabilities. Deferred income tax expenses were significantly higher in 2023 compared to 2024 due to movement in tax rates affecting deferred tax liabilities on plant and equipment, mineral properties, and deferred financing costs. Deferred income taxes during the year ended December 31, 2023 were further impacted from the result of tax assessments.

Loss on extinguishment of debt

On January 9, 2024, Lucara Botswana, with Lucara Diamond Corp. as sponsor and guarantor, amended its senior secured project financing debt package of \$220.0 million that was originally entered into in 2021 (the "Facilities"). The Facilities consist of the Project Facility of \$190.0 million (\$170.0 million prior to amendment) to fund the development of an underground project at the Karowe Mine and a \$30.0 million (\$50.0 million prior to amendment) senior secured working capital facility.

Upon the Rebase Amendments, the remaining balance of deferred financing costs and unamortized initial arrangement costs incurred with the initial arranging of the Facilities, along with the costs of the Rebase Amendments were recognized as a loss on extinguishment in the amount of \$10.5 million.

Net income from continuing operations

For the year ended December 31, 2024, net income from continuing operations was \$43.6 million, compared to a loss of \$5.0 million in 2023. The year-over-year change was primarily driven by higher income from mining operations due to the sale of the Sethunya and the Eva Star and a lower deferred income tax expense.

Net loss from discontinued operations

The net loss from discontinued operations for the year ending December 31, 2024, was \$3.7 million (2023: \$15.2 million). This loss is attributed to the Clara sales platform, which was disposed of on October 4, 2024, and is classified as discontinued operations for the year. The higher net loss in 2023 was primarily due to an \$11.2 million impairment on the Clara intangible assets.

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	Dec-24	Sep-24	Jun-24	Mar-24	Dec-23	Sep-23	Jun-23	Mar-23
A. Revenues	78,765	44,300	41,292	39,519	36,269	56,277	38,563	41,291
B. Administration expenses	(5,155)	(3,590)	(3,366)	(2,703)	(6,295)	(6,336)	(3,539)	(2,940)
C. Net (loss) income from continuing operations	38,502	155	11,905	(6,950)	(24,560)	11,678	6,111	1,812
D. (Loss) earnings per share (basic)	0.09	0.00	0.03	(0.02)	(0.05)	0.03	0.01	0.00

Quarterly revenue in the table above was recognized from three separate sales channels: through committed sales of +10.8 carat diamonds to HB, sales on the Clara platform, and sales of all non-gem +10.8 carat diamonds and diamonds less than 10.8 carats which do not meet characteristics for sale on Clara, through regular tenders. Sales of Specials, but more particularly unique and high value Specials are the primary factor causing variation to the quarterly metrics. While the expected number of Specials can be predicted based on the resource model, the quality of the Specials recovered may vary significantly.

Net income 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 performance in 2023 and 2024 was influenced by a variety of factors, including the sale of the Sethunya and the Eva Star in Q4 2024, reduced operating expenses, lower income from mining operations in Q3 2024, increased carat sales in Q2 2024, a loss on debt extinguishment in Q1 2024, higher administration expenses in Q4 2023 due to professional fees related to the termination of the previous sales agreement and the negotiation of the NDSA with HB. 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 remaining 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 Statements 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 of accounting and is defined as revenues less operating expenses, before royalty expenses and depletion and amortization.

Operating cost per tonne of ore processed is the term the Company uses to describe operating expenses per tonne processed on a cash basis. This is calculated as the operating cost of the Karowe Mine divided by tonnes of ore processed for the period. This ratio provides the user with the total cash costs incurred by the mine during the period per tonne of ore processed, including waste capitalisation costs, mobilization costs and working capital movements. The most directly comparable measure calculated in accordance with IFRS 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 December 31,		Year ended December 31,	
	2024	2023	2024	2023
Operating expenses	24.3	22.3	79.40	78.6
Net change in rough diamond inventory, excl depletion and amortization	(1.7)	0.2	(2.2)	1.1
Net change in ore stockpile inventory, excl depletion and amortization	-	0.4	2.1	7.6
Corporate operating expenses	-	(0.4)	(1.9)	(5.4)
Total operating costs for ore processed	22.6	22.5	77.4	81.9
Tonnes processed	716,936	703,472	2,850,631	2,849,135
Operating cost per tonne of ore processed⁽¹⁾	31.52	31.96	27.14	28.75

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

LIQUIDITY AND CAPITAL RESOURCES

The Company continues to expect to be able to fund all its contractual commitments with its operating cash flow, cash on hand and available capital resources including the CORA and limited standby undertaking. As at December 31, 2024, the Company had cash of \$22.8 million. Cash generated from continuing operating activities for the year ended December 31, 2024 was \$59.6 million (2023: \$65.8 million).

Working capital (current assets minus current liabilities excluding assets and liabilities held for sale) as at December 31, 2024 was \$27.1 million as compared to a deficit of \$16.6 million as at December 31, 2023. The increase is due to the \$20.0 million reclassification from WCF to long-term Project Facility in conjunction with the Rebase Amendments and the recognition of \$20.0 million in revenue previously recognized as deferred revenue.

Receivables and other on December 31, 2024 was \$33.0 million (December 31, 2023: \$35.1 million). The receivable balance on December 31, 2024 includes \$18.4 million (December 31, 2023: \$13.0 million) due from HB and represents rough diamond sales in 2024, as well as the value of diamond sales for which the transaction price was finalized and adjusted in Q4 2024. All amounts receivable from HB are current and expected to be received within twelve months following the period end.

Current liabilities decreased to \$62.1 million as of December 31, 2024 from \$102.5 million at December 31, 2023. The Company transferred \$20.0 million from WCF to the Project Facility as part of the Rebase Amendments. The decrease in accounts payable and accrued liabilities and deferred revenue further contributed to the decrease in current liabilities as of December 31, 2024.

Long-term liabilities consist of the Project Facility of \$180.0 million (December 31, 2023: \$86.5 million), restoration provisions of \$17.6 million (December 31, 2023: \$13.7 million), deferred income taxes of \$110.5 million (December 31, 2023: \$112.8 million), due to related party debenture of \$15.0 million (December 31, 2023: \$15.0 million), and other non-current liabilities of \$3.9 million (December 31, 2023: \$3.2 million) which consist of leases classified under IFRS 16: *Leases* and a liability for deferred share unit grants.

Financing activities during the year consisted of drawdowns on the Facilities, allocating funds to the CORA and principal payments on leases.

The Company's UGP and operational activities require significant investment of resources and capital. The Company allocates such resources and capital to support business objectives, and the availability of required resources and capital is subject to market conditions and the Company's financial position.

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

	2024	2023
Salaries and wages	\$ 2,492	\$ 3,637
Short term benefits	32	34
Share based compensation	594	991
	\$ 3,118	\$ 4,662

Other related party transactions

During the year ended December 31, 2024, the Company incurred \$0.8 million (2023: \$nil), primarily relating to office rental, renovation and related services provided by companies associated with the Company's significant shareholder and director. At December 31, 2024, included in trade payables and accrued liabilities is \$0.4 million (2023: \$nil) for related services.

CONTRACTUAL OBLIGATIONS, COMMITMENTS AND CONTINGENCIES

A description of commitments can be found in Note 20 of the audited consolidated financial statements for the year ended December 31, 2024.

The Company has the following contractual obligations and capital commitments as at December 31, 2024:

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	
Credit facilities ⁽²⁾	\$ 25.0	\$ -	\$ 180.0	\$ 205.0
Due to related party	-	15.0	-	15.0
Restoration provisions	-	-	39.4	39.4
Lease liabilities	1.1	1.7	-	2.8
Capital commitments	63.7	15.5	-	79.2
	\$ 89.8	\$ 32.2	\$ 219.4	\$ 341.3

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

⁽²⁾ The WCF requires the Company to fully pay down the WCF for five successive business days at least once every 12 months. A pay down and subsequent redraw of the WCF was completed in October 2024.

2025 OUTLOOK

This section of the MD&A provides management's production and cost estimates for 2025. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

Karowe Mine, Botswana

TABLE 9: 2025 DIAMOND SALES, PRODUCTION AND OUTLOOK

Karowe Diamond Mine	2025
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$195 to \$225
Diamond sales (thousands of carats)	400 to 420
Diamonds recovered (thousands of carats)	360 to 400
Ore tonnes mined (millions)	1.6 to 2.0
Waste tonnes mined (millions)	Up to 0.2
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs ⁽¹⁾ including waste mined (per tonne processed)	\$28.50 to \$31.00
Underground Project	Up to \$115 million
Sustaining capital	Up to \$13 million
Average exchange rate – Botswana Pula per United States Dollar	13.0

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

The table above reflects the natural variability in the resource production in both recovery and diamond quality which may impact revenue guidance for 2025.

For 2025, the Company's revenue forecast assumes that 79% of the carats recovered will come from the higher value M/PK(S) and EM/PK(S) units within the South Lobe, the sale of its diamond inventory, and the remaining carats recovered come from the Centre Lobe in accordance with the mine plan, generating revenue between \$195 and \$225 million. South Lobe material, while lower average grade than the Centre and North Lobes, has a higher weight percentage of +10.8 carat Specials.

In 2025, the Company expects to mine between 1.8 and 2.2 million ore tonnes including waste. Mined ore will be processed in combination with stockpiled materials in 2025. The assumptions for carats recovered and sold as well as the number of ore tonnes processed are consistent with achieved plant performance in recent years. Stockpiled material (North, Centre, South Lobe) from working stockpiles and life-of-mine stockpiles should provide uninterrupted mill feed until 2027 when UGP development ore is scheduled to start offsetting stockpiles with high-grade ore from the underground development. Full scale underground production is planned for H1, 2028.

The underground development is expected to extend Karowe's mine life to beyond 2040. In 2024, significant progress was made in shaft sinking and lateral development connecting the production and ventilation shafts, with the critical path ventilation shaft being ahead of the July 2023 rebase schedule. In 2025, capital costs for the UGP are expected to be up to \$115 million and will focus predominantly on shaft sinking activities to final depth, equipping of the production shaft and station development. Surface works will focus on permanent winders being installed and cold commissioned. Tendering of the underground lateral development contract along with underground equipment purchases will also be completed in 2025.

Sustaining capital are expected to be up to \$13 million with a focus on the replacement and refurbishment of key asset components, in addition to expansion of the tailings storage facility and pit steepening activities which will extend the mine's ability to extract South Lobe material from the pit in 2025.

FINANCIAL INSTRUMENTS AND CAPITAL MANAGEMENT

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

Currency risk

The Company is exposed to the financial risk related to fluctuating foreign exchange rates. All sales revenues are denominated in U.S. dollars, while directly related costs are denominated in Botswana Pula. At December 31, 2024, the Company was exposed to currency risk relating to U.S. dollar and Botswana Pula cash held within its subsidiaries with Canadian or Pula functional currency. Based on this exposure, a 10% change in the U.S. dollar exchange rate would give rise to an increase/decrease of approximately \$6.7 million in net income for the year. A 10% change in the Botswana Pula would give rise to an increase/decrease of approximately \$0.7 million in net income for the year.

Liquidity risk

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

As at the date of the MD&A, the Project and Working Capital Facilities are fully drawn. As a condition of the Facilities Agreement, the Company is required to place \$61.7 million in the CORA by June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released. As at December 31, 2024, the CORA balance was \$49.1 million. This amount is classified within other non-current assets. Further details regarding the Company's liquidity risk are disclosed under the heading "*Liquidity and Capital Resources*" and in Note 1 to the audited consolidated financial statements for the year ended December 31, 2024.

Trade payable and accrued liabilities are predominately due within 60 days. Tax and royalties payable are predominately due within 15 days. As at December 31, 2024, the amount of the Company's contractual maturities for credit facilities, due to related party, and lease liabilities of \$25.8 million are due within twelve months, and \$198.9 million 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 and cash equivalents by holding its deposits with international financial institutions. Considering the nature of the Company's ultimate customers and the relevant terms and conditions entered with such customers, the Company believes that credit risk is limited as goods are not released until full payment is received when goods are sold through tender or on the Clara platform.

On September 28, 2023, the Company terminated the old sales agreement with HB. The NDSA was entered into with HB in February 2024 and governs deliveries of goods since December 1, 2023. Under the new diamond sales agreement terms, a large proportion of the Company's goods, by value, are sold through HB to buyers of polished diamonds. The credit risk associated with these sales is concentrated with HB, a single customer, and payment terms are longer (60 to 120 days) than the Company's tender sales and sales through Clara (5 days). The Company maintains legal title over goods sold 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 of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the credit facility obligations that reference floating interest rates.

The Company mitigates interest rate risk on its Project Facility through interest rate swaps that exchange the variable rate inherent in the term debt for a fixed rate as described above in the section "*Interest Rate Swaps*" (see Note 9 of the audited consolidated financial statements for the year ended December 31, 2024). Therefore, fluctuations in market interest rates should not materially impact future cash flows related to the credit facilities. Changes in the fair value of the derivative financial instrument will however fluctuate in response to changing market interest rates that will result in a corresponding credit or charge to profit.

In September 2024, the Company amended interest rate swap contracts to exchange variable interest rate (three-month USD Term SOFR) for a fixed interest rate ranging from 2.447% to 2.577% on 75% of its expected borrowings from the Project Facility (approximately \$142.5 million). The Company is exposed to cash flow interest rate increases through 25% of its expected borrowings from the Project Facility, and amounts drawn from its WCF which remain subject to market interest rates (Term SOFR or a replacement benchmark).

Price risk

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

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 451,848,948 common shares outstanding, 8,034,668 share units, 3,647,626 deferred share units, and 5,496,000 stock options outstanding under its share-based incentive plans.

RISKS AND UNCERTAINTIES

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

OFF-BALANCE SHEET ARRANGEMENTS

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

SUBSEQUENT EVENTS

On January 3, 2025 and February 5, 2025, the Company drew \$10.0 million and \$5.0 million from the Project and Working Capital Facilities, respectively.

On January 3, 2025, 667,000 stock options with exercise prices ranging from C\$0.66 to C\$0.79 were cancelled.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical accounting estimates and judgements are described Note 3 of the audited consolidated financial statements for the year ended December 31, 2024.

CHANGES IN ACCOUNTING POLICIES

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

Certain pronouncements have been issued by the IASB that are mandatory for accounting periods starting January 1, 2025. In April 2024, the IASB issued IFRS 18, *Presentation and Disclosure of 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.

ADOPTION OF NEW ACCOUNTING STANDARDS AND ACCOUNTING DEVELOPMENTS

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

The IASB amended IAS 1 *Presentation of Financial Statements* to clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The amendment issued in October 2022 clarifies that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification as current or non-current, even if the covenant is only assessed after the entity's reporting date.

The amendment is effective for annual periods beginning on or after January 1, 2024. The amendment had no impact on the presentation of the Company's debt facilities. The Company has modified certain disclosures for the adoption of this new IFRS Accounting Standard pronouncement.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures

On May 25, 2023, the IASB issued 'Supplier Finance Arrangements (Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*)' to add disclosure requirements that require entities to provide qualitative and quantitative information about supplier finance arrangements. The amendments supplement requirements already in the IFRS Accounting Standards and require a company to disclose the terms and conditions, the amount of the liabilities that are part of the arrangements, ranges of payment due dates, and liquidity risk information.

The amendments are effective for annual periods beginning on or after January 1, 2024. The Company has adopted these new IFRS Accounting Standard amendments. As the Company is not subject to supplier finance arrangements the amendments have had no impact on the audited consolidated financial statements for the year ended December 31, 2024.

IFRS 18 Presentation and Disclosure in Financial Statements

On April 9, 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.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027. The Company will adopt the new standard once it becomes effective.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of this document along with the audited consolidated financial statements. Management is responsible for the integrity and objectivity of this document, ensuring the fair presentation of its financial results. The Audit Committee is responsible for reviewing the contents of this document along with the audited consolidated financial statements to ensure the reliability and timeliness of the Company’s disclosure while providing another level of review for accuracy and oversight. The Board of Directors, based on recommendations from Lucara’s Audit Committee, reviews and approves the financial information contained in the audited consolidated 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 December 31, 2024, 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.

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 December 31, 2024, 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 Company's ability to continue as a going concern, the project schedule and capital costs for the UGP, diamond sales, projection and outlook disclosure under "2025 Outlook", the Company's ability to meet its obligations under the Rebase Amendments with its Lenders, the impact of supply and demand of rough or polished diamonds, estimated capital costs, future forecasts of revenue and variable consideration in determining revenue, the impact of the HB and Clara sales arrangements on the Company's projected revenue and sales channels and HB's ability to meet its payment obligations to the Company, the outcome of tax assessments and the likelihood of recoverability of tax payments made, estimation of mineral resources, cost and timing of the development of deposits and estimated future production, interest rates, including expectations regarding the impact of market interest rates on future cash flows and the fair value of derivative financial instruments, currency exchange rates, rates of inflation, credit risk, price risk, requirements for and availability of additional capital, capital expenditures, operating costs, production and cost estimates, tax rates, timing of drill programs, government regulation of operations, environmental risks and the Company's ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, and the potential impacts of economic and geopolitical risks, including potential impacts from the ongoing world conflicts, and the resulting indirect economic impacts that strict economic sanctions may have. 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 of the Facilities which are required to construct the UGP, including future funding requirements to the CORA, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the UGP, that the estimated timelines to achieve mine ramp up and full production from the UGP can be achieved, that sufficient stockpiled ore will be available to generate revenue prior to the achievement of commercial production of the Karowe underground mine, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample

diamond content, expectations that the UGP and the pit steepening project 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.