



LUCARA
DIAMOND

May 6, 2021

NEWS RELEASE

LUCARA ANNOUNCES RESULTS FOR THE FIRST QUARTER OF 2021 WITH STRONG FINANCIAL AND OPERATIONAL PERFORMANCE

VANCOUVER, May 6, 2021 /CNW/ (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the first quarter of 2021 ending March 31, 2021, with strong financial and operational performance.

HIGHLIGHTS:

- Revenue of \$53.1 million or \$579 per carat sold in Q1 2021, 56% higher than Q1 2020. This includes diamonds sold through a combination of regular tenders, Clara, and through HB Antwerp (“HB”) under the supply agreement announced in July 2020.
- Q1 2021 total operating cash costs of \$29.24 per tonne processed⁽¹⁾, 7% lower than Q1 2020.
- Adjusted EBITDA⁽¹⁾ in Q1 2021 of \$22.2 million, marking a return to higher levels of operating margin.
- Extension of the Karowe mining license for a period of 25 years to 2046, marking a critical step in the advancement of the Karowe underground expansion project.
- Specials recovered (+10.8 carats) equated to 6.8% weight percentage of total recovered carats.
- In January 2021, the Company announced the recoveries of two, top white gem quality diamonds (341 carats and 378 carats) from ore sourced from the M/PK(s) unit within the South Lobe. Both stones were recovered unbroken.
- In April 2021, Lucara announced the 24-month extension of its novel supply agreement with HB, in respect of all diamonds produced in excess of 10.8 carats in size, from the Karowe mine, to be sold as polished.
- In May 2021, Lucara received credit approved commitments from a syndicate of five international lenders for a senior secured project financing debt package of up to \$220 million to fund an underground expansion at the Karowe Mine in Botswana.

(1) See Non-IFRS measures

Eira Thomas, President & CEO commented: “Lucara has bounced back in the first quarter of the year, demonstrating its resiliency at a time of continued uncertainty in respect of the ongoing COVID-19 pandemic. Our solid performance in the first quarter reflects a stronger business environment, Lucara’s continued focus on operational discipline and our innovative approach to sales. We also made significant progress towards the completion of a supplemental debt financing package with credit approved commitments received from five international lenders, in support of our plans for underground expansion. Our outlook for the diamond market remains strong, and with close to 20 years of future mining now ahead of us at Karowe, Lucara is highly levered to an improving diamond price environment, particularly in respect of large, high value gem diamonds, the hallmark of Karowe’s production profile.”



REVIEW FOR THE THREE MONTHS ENDED MARCH 31, 2021

- Operational highlights from the Karowe Mine included:
 - Ore and waste mined of 1.1 million tonnes and 0.8 million tonnes, respectively.
 - 0.67 million tonnes of ore processed resulting in 80,014 carats recovered, achieving a recovered grade of 11.9 carats per hundred tonnes.
 - 188 Specials (+10.8 carats) were recovered from direct milling during the first quarter, representing 6.8% weight percentage of total direct milling recovered carats, in line with resource expectations.
 - 2 diamonds were recovered greater than 300 carats in weight and 2 diamonds were recovered greater than 200 carats in weight.
- Financial highlights for the three months ended March 31, 2021 included:
 - The Company recorded net income of \$3.4 million during Q1 2021 (earnings per share of \$0.01), as compared to a net loss of \$3.2 million for Q1 2020 (loss per share of \$0.01).
 - Adjusted EBITDA⁽¹⁾ was \$22.2 million as compared to adjusted EBITDA of \$8.1 million for the same period in 2020.
 - The value of the rough diamonds transacted through the Clara platform in Q1 2021 was \$6.0 million over six sales, double the \$3.0 million transacted on the platform in Q1 2020. Strong price increases have been observed in each of the sales conducted since the beginning of the year.
 - As at March 31, 2021, the Company had cash and cash equivalents of \$27.9 million, an increase of \$23.0 million from December 31, 2020 and net debt of \$22.2 million. Following the quarter-end, on May 5, 2021 the Company's \$50 million working capital facility was extended with Rand Merchant Bank, a division of FirstRand Bank Limited, London Branch.

(1) See Non-IFRS measures

DIAMOND SALES

Diamond sales in Q1 2021 were held through a combination of regular tenders, and the Clara platform, for diamonds less than 10.8 carats, and through HB under the supply agreement for those diamonds greater than 10.8 carats. The Company recognized revenue of \$53.1 million or \$579 per carat from the sale of 91,760 carats. Price recovery was observed in most size and quality classes. Included in this amount is variable consideration of \$9.1 million which relates to "top-up" payments which arise from polished diamond sales in excess of the initial planned value paid to Lucara. Beginning in Q2 2020, all +10.8 carat diamonds mined from Karowe were sold to HB pursuant to the terms of the diamond supply agreement described below.

HB SUPPLY AGREEMENT FOR +10.8 CARAT DIAMOND PRODUCTION FROM KAROWE

Karowe's large, high value diamonds have historically accounted for approximately 60% to 70% of Lucara's annual revenues. Though the mine remained fully operational following the declaration of COVID-19 as a global pandemic, Lucara made a decision not to tender any of its +10.8 carat production after early March 2020 amidst the uncertainty caused by the global crisis and the significant weakness observed in the rough diamond market. The polished diamond market performed better through this period and subsequently, in July 2020, Lucara announced a groundbreaking partnership agreement with HB, entering into a definitive supply agreement for the remainder of 2020, for all diamonds produced in excess of +10.8 carats from our 100% owned Karowe Diamond mine in Botswana. This agreement was subsequently extended for a 24 month period, from January 1, 2021 to December 31, 2022. Under the supply agreement with HB, Lucara's +10.8 carat production is being sold at prices based on the estimated polished outcome of each diamond, determined through state of the art scanning and planning technology, with a true up amount payable to Lucara on actual achieved polished sales in excess of the initial estimated polished price,



less a fee and the cost of manufacturing. This unique pricing mechanism delivers regular cash flow for this important segment of our production profile.

Revenue from stones delivered to HB in 2020 will continue to be recognised in 2021 as polished diamonds are sold, and “top-up” payments are realised.

CLARA SALES PLATFORM

With global restrictions impeding travel for many diamond manufacturers, interest in Clara, Lucara’s proprietary, secure, web-based digital sales platform, grew significantly in 2020 and that positive momentum continued through Q1 2021. Six sales were held in the first quarter with total sales volume transacted of \$6.0 million, more than double the volume from the comparable period in 2020. Encouragingly, Clara also observed consistent price increases at each subsequent sale throughout the period. The number of buyers on the platform increased to 80 and the Company is maintaining a waiting list to manage supply and demand. Discussions continue with third party sellers to build supply.

KAROWE UNDERGROUND EXPANSION UPDATE

During Q1 2021, the Company spent \$9.9 million on project execution activities for the Karowe underground expansion, including shaft and geotechnical engineering, surface infrastructure, dewatering and power line engineering and procurement. Site construction work commenced early in the quarter and in March the production and ventilation shaft box cuts were drilled and blasted to bulk excavation elevations. A significant amount of time and effort was also spent on due diligence related to technical, environment and social matters as part of ongoing project financing efforts.

This follows the \$18.7 million spent on project execution activities in 2020 including: site earthworks, geotechnical test pitting and drilling, power line engineering, and works on the shaft design and engineering. In Q4 2020, the Government of Botswana (“GRB”) approved the proposed powerline route and granted a 25-year extension to the Karowe Mine License to 2046, sufficient to cover the remaining open-pit life (to 2026) and the expected life of the proposed underground expansion, currently planned to 2040.

In March 2021, a mandate for a senior secured project financing package of up to \$220 million (the “Mandate”) to fund the underground expansion at Karowe was executed with a syndicate of five international financial institutions, including ING Bank N.V., Natixis, Societe Generale, London Branch, Africa Finance Corporation and Afreximbank (collectively, the “MLAs”). The formal Mandate included a non-binding indicative term sheet for debt facilities of up to \$220 million (the “Facilities”). In May 2021, Lucara received credit approved commitments for a senior secured project financing debt package of up to \$220 million from the MLAs. Closing of the Facilities is targeted to be mid-2021, with financing in place for the second half of 2021. The receipt of credit approved commitments is a key milestone in the project financing process for the Karowe underground expansion, which has an estimated capital cost of \$514 million and a five-year development period. The balance of development capital is expected to come from operating cash flow generated by open pit operations at Karowe during the development period. Detailed due diligence is expected to be concluded in the near term. Financial closing of the Facilities is subject to satisfactory completion of definitive documentation, and satisfaction of certain terms and conditions, including appropriate KYC checks.

An investment decision, subject to receipt of all required authorizations and the arrangement of financing, is expected in H2 2021. Total expenditures on the underground project in 2021 are expected to be \$105 million. Until financial close of the Facilities is complete and an investment decision is made, a limited amount of funding has been approved for H1 2021, based on the Company’s ability to fund the initial capital expenditures from operating cash flow. Similar to the 2020 program, the 2021 program will focus on early works, including detailed engineering and design work, with the objective of mitigating key risks related to the development schedule.



DIAMOND MARKET

The diamond market began 2021 in a healthier position than it has at any stage over the past five years, resulting in increasing price performance in virtually all sizes and quality of diamonds in Q1 2021. This follows a challenging year in 2020 as a result of the global COVID-19 pandemic, characterized by global travel restrictions, low sales volumes, pricing pressure and overall, difficult economic conditions for miners, manufacturers, retailers and consumers.

During Q1 2021, the diamond market remained buoyant following a strong holiday sales period, particularly in China and the United States. Careful rough diamond supply management by the producers has also helped to re-balance polished diamond inventories and stabilize the market overall. COVID-19 remains a key concern, however, even as vaccination programs are being rolled out in many countries around the world. India, a major manufacturing centre for diamonds, is of particular concern heading into the second quarter as infection rates have increased dramatically, resulting in new lock-down measures.

UPDATE ON COVID-19 RESPONSE

Measures and guidelines implemented by the GRB in late March 2020, and the current state of emergency in Botswana, has still allowed for the Karowe Mine to remain fully operational throughout the pandemic as mining has been designated an essential service in Botswana. The current state of emergency has been extended and currently the published end date is September 30, 2021.

The Company continues to operate under its approved crisis management plan, designed to protect the health and well-being of our employees in Botswana and Canada as well as the financial well-being of the business. The Company has permission to conduct COVID-19 testing at our operations in Botswana and active testing of the workforce began in January 2021. Regular health screening, temperature checks and the use of infrared measurements are also a routine part of the operations.

QUARTERLY FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars except carats or otherwise noted</i>	Three months ended March 31,			
	2021		2020	
Revenues	\$	53.1	\$	34.1
Net income (loss) for the period		3.4		(3.2)
Earnings (loss) per share (basic and diluted)		0.01		(0.01)
Operating cash flow per share*		0.06		0.02
Cash on hand		27.9		27.4
Amounts drawn on working capital facility		50.0		19.0
Average price per carat sold (\$/carat)*		579		396
Operating expenses per carat sold (\$/carat)*		215		201
Operating margin per carat sold (\$/carat)*		364		195
Carats sold		91,760		86,178

(*) Operating cash flow per share before working capital adjustments, average price per carat sold, operating expenses per carat sold and operating margin per carat sold are Non-IFRS measures.



QUARTERLY RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q1-21	Q4-20	Q3-20	Q2-20 ⁽¹⁾	Q1-20
Sales						
Revenues generated from the sale of Karowe diamonds in the quarter	US\$M	53.1	42.3	41.2	7.3 ⁽¹⁾	33.8
Carats recovered from Karowe sold for revenues recognized during the period	Carats	91,734	105,329	112,741	68,861	86,010
Average price per carat for proceeds received during the period	US\$	579	401	366	107 ⁽¹⁾	393
Production						
Tonnes mined (ore)	Tonnes	1,100,622	748,296	678,110	683,282	878,087
Tonnes mined (waste)	Tonnes	756,494	434,082	436,781	591,804	1,199,660
Tonnes processed	Tonnes	673,646	684,768	646,447	705,421	639,430
Average grade processed	cpht ^(*)	11.9	14.6	13.8	14.3	14.3
Carats recovered	Carats	80,014	100,059	88,909	101,203	91,536
Costs						
Operating costs per carats sold (see Non-IFRS measures)	US\$	215	205	192	174	201
Sustaining capital expenditures	US\$M	0.4	4.4	4.7	3.7	2.4
Underground expansion project	US\$M	10.0	8.3	4.8	3.9	1.7

(*) carats per hundred tonnes

(1) During the three months ended June 30, 2020 the Company made a deliberate decision to withhold from sale all +10.8 carat stones due to market uncertainty arising from the global pandemic. As a result, the quarterly revenue recognized during Q2 2020 and the average price per carat sold are not directly comparable to the other quarterly results presented in the table above.

2021 OUTLOOK

This section provides management's production and cost estimates for 2021. No changes have been made to the Guidance previously announced. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements.

Karowe Mine (all amounts in US Dollars)	Full Year 2021
Diamond revenue	\$180 million to \$210 million
Diamond sales	350,000 carats to 390,000 carats
Diamonds recovered	340,000 carats to 370,000 carats
Tonnes mined – Ore	2.8 million to 3.2 million
Tonnes mined – Waste	2.8 million to 3.4 million
Tonnes processed – Ore	2.6 million to 2.9 million
Total operating cash costs per tonne processed (including (a) to (b) below):	\$28.00 to \$32.00
(a) Cash cost per tonne mined (ore and waste)	\$5.00 to \$5.50
(b) Cash cost per tonne processed	\$11.15 to \$12.15
Botswana G&A expenses, including sales and marketing, per tonne processed	\$3.00 to \$4.00
Tax rate	0% to 25%
Average exchange rate – USD/Pula	11.0



Sustaining capital and project expenditures are expected to be up to \$21.0 million in 2021, including expenditures associated with further upgrades to the XRT recovery circuit to create redundancy in the Large Diamond Recovery circuit and implementation of body scanning technology (to enhance security) which had originally been planned for 2020 but was delayed whilst regulatory approval was pending (required approvals were received in Q4 2020).

Proceeds from two unique collaboration agreements with Louis Vuitton and HB, both entered into in 2020, are expected to be realized in 2021. The objective of the collaboration agreements is to create a high jewellery collection from the historic 1,758 carat “Sewelô”, the largest diamond ever mined in Botswana, and the 549 carat “Sethunya”.

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Friday, May 7, 2021 at 7:00 a.m. Pacific, 10:00 a.m. Eastern, 3:00 p.m. UK, 4:00 p.m. CET.

CONFERENCE CALL:

Please call in 10 minutes before the conference call starts and stay on the line (an operator will be available to assist you).

Conference ID:

76196170 / Lucara Diamond

Dial-In Numbers:

Toll-Free Participant Dial-In North America

(+1) 888 390 0546

UK Toll free

0 800 652 2435

All Other International Participant Dial-In

(+1) 778 383 7413

Webcast:

To view the live webcast presentation, please log on using this direct link:

https://produceredition.webcasts.com/starthere.jsp?ei=1456126&tp_key=287c91a276

The presentation slideshow will also be available in PDF format for download from the Lucara website (www.lucaradiamond.com).

Conference Replay:

A replay of the telephone conference will be available two hours after the completion of the call until May 14, 2021.

Replay number (Toll Free North America)

(+1) 888 390 0541

Replay number (International)

(+1) 416 764 8677

The pass code for the replay is: 196170 #.

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 Mine in Botswana and owns a 100% interest in Clara Diamond Solutions, a secure, digital sales platform positioned to modernize the existing diamond supply chain and ensure diamond provenance from mine to finger. The Company has an experienced board and management team with extensive diamond development and operations expertise. The Company operates transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations.

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 May 6, 2021 at 2:15pm Pacific Time.

NON-IFRS MEASURES

This news release refers to certain financial measures, such as operating cash flow per share, adjusted EBITDA, average price per carat sold, operating cost per carat sold, 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 first quarter, 2021 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, this release may contain forward looking information pertaining to the following: the impact of COVID-19 pandemic on the Company's operations and cash flows and its plans with respect to the Karowe underground expansion project; the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Diamond Mine; estimated costs for capital expenditures related to the Karowe Diamond Mine; production costs; exploration and development expenditures and reclamation costs; expectation of diamond prices and the potential for the supply agreement with HB Antwerp to achieve both higher prices from the sale of polished diamonds and to provide more regular cash flow than in previous periods; estimates of variable consideration receivable pursuant to the HB supply agreement; changes to foreign currency exchange rates; assumptions and expectations related to the possible development of an underground mining operation at Karowe including associated capital costs, financing strategies and timing; expectations in respect of the development and functionality of the technology related to the Clara platform, the intended benefits and performance of the Clara platform, including ability to complete sales without viewing diamonds, the growth of the Clara platform, the timing and frequency of sales on the Clara Platform, and the quantum and timing of participation of third parties on the Clara platform; expectations regarding the need to raise capital and its availability; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

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" 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 and economic conditions, the ability to continue as a going concern, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel, 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.