



**LUCARA**  
DIAMOND

November 2, 2022

## **NEWS RELEASE**

### **2022 GUIDANCE ON-TRACK FOLLOWING STRONG OPERATIONAL PERFORMANCE IN THIRD QUARTER AS UNDERGROUND SHAFT SINKING CONTINUES**

VANCOUVER, November 2, 2022 /CNW/ (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the quarter ended September 30, 2022.

#### **Q3 2022 HIGHLIGHTS:**

- Revenue for the three and nine months ended September 30, 2022 totalled \$49.9 million and \$170.5 million, respectively.
- For the nine months ended September 30, 2022, a total of 245,764 carats were sold from Karowe at an average price of \$528 per carat, generating revenue of \$129.9 million before top-up payments of \$33.8 million.
- A strong U.S. Dollar helped to mitigate increases in input costs, resulting in an operating cash cost of \$29.33 per tonne of ore processed<sup>(1)</sup> for the three months ended September 30, 2022.
- A strong year-to-date operational performance supports the Company’s 2022 revenue guidance of \$195 million and \$225 million. Operating cost per tonne on an annualized basis is expected to be at the low-end of 2022 Guidance (\$29.50 to \$33.50).
- Rough and polished diamond prices continued to exceed prices from 2021, despite growing global economic uncertainties.
- On Clara, more than 40% of sales came from third-party goods transacted, reflecting a positive trend towards increased diversification of supply and less reliance on Karowe production. Revenue from sales transacted on Clara during the three months ended September 30, 2022 totalled \$8.3 million.
- Production metrics remained in line with 2022 guidance, with 0.9 million tonnes of ore and 0.5 million tonnes of waste mined, and 0.7 million tonnes of ore processed during the three months ended September 30, 2022.
- The main sink phase for the production shaft commenced at the end of September; sinking of the ventilation shaft continued.
- A total project investment of \$23.9 million into the Karowe UGP during the current quarter focused on the transition to main sink activities for both shafts, procurement of underground mobile equipment and construction of the upgraded transmission line and related substations.

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

Eira Thomas, President & CEO commented: “Lucara remains on track for another solid year, with sales from our large, high value diamonds continuing to achieve consistent, healthy polished prices under our committed supply agreement with HB, despite recent market softening. Clara also continued to make good progress during the quarter, adding third party supply from both producer trials and secondary market sources, to positive results. Importantly, third party supply now accounts for more than 40% of sales on Clara. It was also a busy and productive period for the underground project. Main sinking commenced on the production shaft and mitigations implemented during the third quarter in response to operational start-up challenges are beginning to take effect, with progress made to reduce cycle times for both production and ventilation shafts.”



## REVIEW FOR THE QUARTER ENDED SEPTEMBER 30, 2022

- Operational highlights from the Karowe Mine for the three months ended September 30, 2022 included:
  - Mined 0.9 million tonnes (Q3 2021: 1.2) and 0.5 million tonnes (Q3 2021: 0.7) of ore and waste, respectively.
  - Processed 0.7 million tonnes of ore (Q3 2021: 0.7) and recovered 78,879 carats (Q3 2021: 95,907 carats), achieving a recovered grade of 11.4 carats per hundred tonnes (Q3 2021: 13.0 cpht).
  - A total of six diamonds greater than 100 carats including one stone greater than 200 carats were recovered during the quarter.
  - The year-to-date Total Recordable Injury Frequency Rate ("TRIFR") of 0.32 (Q3 2021: zero) at the end of Q3 2022 reflects four medical treatment cases reported during the third quarter of 2022.
- Financial highlights for the three months ended September 30, 2022 included:
  - Revenues from the sale of 99,301 carats recovered from the Karowe Mine were \$46.5 million. The sales agreement with HB Trading BV ("HB") accounted for 58% of total Karowe revenue recognized in the quarter.
  - Operating cash costs of \$29.33 per tonne processed<sup>(1)</sup> on plan reflect the impact of higher input costs, partially offset by a comparatively stronger U.S. Dollar.
  - Adjusted EBITDA<sup>(1)</sup> of \$13.8 million and net income for the quarter of \$1.8 million (\$0.00 basic earnings per share).
- Cash position and liquidity:
  - As at September 30, 2022, the Company had cash and cash equivalents of \$34.8 million.
  - Drawn \$65.0 million from the \$170.0 million project loan facility.
  - The working capital facility of \$50.0 million was undrawn as at September 30, 2022.

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



## 2022 OUTLOOK

This section of the press release provides management's production and cost estimates for 2022. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. No changes were made to the Company's 2022 Guidance as of Q3 2022. In February 2022, based on updated expectations for revenue in 2022, the diamond revenue guidance issued was increased to between \$195.0 million and \$225.0 million (from \$185.0 million to \$215.0 million). Diamond revenue guidance does not include revenue related to the sale of exceptional stones (an individual rough diamond which sells for more than \$10 million), or the Sethunya.

<b>Karowe Diamond Mine</b>	<b>Full Year – 2022</b>
<i>In millions of U.S. dollars unless otherwise noted</i>	
Diamond revenue (millions) <i>(revised as of February 2022)</i>	\$195 to \$225
Diamond sales (thousands of carats)	300 to 340
Diamonds recovered (thousands of carats)	300 to 340
Ore tonnes mined (millions)	3.1 to 3.5
Waste tonnes mined (millions)	1.5 to 2.1
Ore tonnes processed (millions)	2.6 to 2.8
Total operating cash costs <sup>(1)</sup> including waste mined <sup>(2)</sup> (per tonne processed)	\$29.50 to \$33.50
Botswana general & administrative expenses including marketing costs (per tonne processed)	\$3.50 to \$4.00
Tax rate <sup>(3)</sup>	0%
Average exchange rate – USD/Pula	11.0

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

(2) Includes ore and waste mined cash costs of \$5.75 to \$6.25 (per tonne mined) and processing cash costs of \$12.00 to \$13.00 (per tonne processed).

(3) The Company is subject to a variable tax rate in Botswana based on a profit and revenue ratio which increases as profit as a percentage of revenue increases. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). Capital expenditures are deductible when incurred. With planned capital expenditures of up to \$110 million for the UGP, a tax rate of 0% is forecast for 2022. Should capital expenditures vary from plan, the Company could be subject to current tax.

## DIAMOND SALES

Diamond sales in Q3 2022 continued through HB under the sales agreement for those gem and near-gem diamonds greater than 10.8 carats which are to be manufactured and sold as polished. Other diamonds continued to be sold through a combination of the Clara platform and regular tenders.

The Company recognized total revenues of \$49.9 million in Q3 2022. This included \$46.5 million from the sale of 99,301 carats from Karowe, top-up payments of \$9.0 million as well as \$3.4 million from the sale of third-party goods on the Clara platform. In the comparative quarter, the Company achieved revenues of \$72.7 million which included \$72.5 million from the sale of 117,162 carats from Karowe, top-up payments of \$2.7 million as well as \$0.2 million in revenue from third-party goods sold through the Clara platform.

## HB SALES 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. In 2020, Lucara announced a partnership agreement with HB, entering into a definitive sales agreement for diamonds recovered that exceed +10.8 carats from the Company's 100% owned Karowe Diamond mine in Botswana. This agreement was subsequently amended and extended to December 31, 2022. The mechanisms of the agreement result in complete transparency within the value chain and create important alignment between the producer and the manufacturer for the first time.

Under the amended sales agreement, +10.8 carat gem and near gem diamonds from the Karowe Mine of qualities that can directly enter the manufacturing stream are being sold to HB at prices based on the estimated polished



outcome of each diamond. The estimated polished value is determined through state-of-the-art scanning and planning technology, with an adjusted amount payable on actual achieved polished sales, less a fee and the cost of manufacturing. Following the extension of the HB Agreement in 2021, all +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats in weight which did not meet the criteria for sale on Clara are being sold as rough through the quarterly tender. In the agreement extension, payment terms were amended to better reflect the timing of mine production and the manufacturing process. This unique pricing mechanism delivers regular cash flow for this important segment of our production profile.

For the three months ended September 30, 2022, the Company recorded revenue of \$27.1 million from the HB agreement (inclusive of top-up payments of \$9.0 million), as compared to revenue of \$50.5 million in Q3 2021 (inclusive of top-up payments of \$2.7 million). The decrease in revenue in Q3 2022 versus the comparative quarter can be attributed primarily to the number of high value diamonds delivered to HB in Q3 2021 (four pink diamonds and two Type IIa top white gem diamonds (393.5 carats and 257.5 carats)) for which an initial MPV payment was received in Q3 2021. In addition, more carats were delivered to HB in the comparative quarter (6,258 carats vs. 2,412 carats). Despite the overall decrease in revenue recognized in Q3 2022, diamond market fundamentals continued to support healthy prices as steady demand and some inventory shortages were reported. Natural variability in the quality profile of the +10.8ct production in any production period or fiscal quarter results in fluctuations in recorded revenue and associated top-ups between periods is expected. During Q3 2022, 7.1% weight percentage Specials of total carats recovered was consistent with the Karowe resource model.

As a result of the sales agreement with HB, the Company also participated in polished diamond price increases during Q3 2022 as rough diamonds sold to HB in previous quarters were polished and sold. In Q3 2022, estimated top-up payments of \$9.0 million (Q3 2021: \$2.7 million) were included in revenue for the quarter. At September 30, 2022 a number of higher value and more technically complex stones that take longer to manufacture had not fully completed the manufacturing and sales process. These stones were delivered to HB in 2021 and the first nine months of 2022. As these stones finish the manufacturing process and are sold, the Company' may record additional revenue in the form of "top-up" payments from these sales.

## CLARA SALES PLATFORM

Clara, Lucara's 100% owned proprietary, secure, web-based digital sales platform, continues to gain scale and interest. Interest in Clara continues to grow as the benefits of purchasing rough diamonds in an innovative way become evident. In Q3 2022, four sales (Q3 2021: four sales) took place with a total sales volume transacted of \$8.3 million, a 26% increase from the \$6.6 million transacted in Q3 2021, as Karowe goods were supplemented by growth in supply from additional sources. The number of buyers on the platform remained stable during the quarter with the Company maintaining a waiting list to manage supply and demand.

Additional supply is required to meet existing demand and drive the platform's growth and the Company continued trial sales on the Clara platform with a third-party producer in Q3 2022. The Company intends to continue to seek additional supply in 2022, both from third-party producers and the secondary market.

## KAROWE UNDERGROUND EXPANSION UPDATE

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

During the three months ended September 30, 2022, a total of \$23.9 million was spent on the Karowe UGP development, primarily in relation to ongoing construction activities and procurement of long lead items, including:



- Main sinking of the production shaft commenced at the end of September while main sinking in the ventilation shaft continued. As main sinking activity ramped up in the ventilation shaft during the third quarter, several operational issues arose resulting in sinking rates achieving less than plan due to longer cycle times. In response to the operational challenges and longer duration cycle times, changes and mitigations were actioned during the quarter. Observed cycle times and sinking rates are improving. The start of main sink activity in the Production shaft was delayed due to longer than planned commissioning of the winders and hoisting plant. Cycle times are now improving.
- Procurement of shaft station underground mobile equipment progressed with equipment deliveries expected to commence in Q4 2022 and Q1 2023.
- The Letlhakane and Karowe substation construction continued with focus on civil work and cable pulling for control equipment installation. The transmission line towers were equipped with stringing hardware and safety nets were installed over existing line crossings.

Activities for the Karowe UGP in the fourth quarter of 2022 are expected to include the following:

- Sinking within both the ventilation and production shafts.
- Procurement of underground equipment, including awarding the bulk air cooler tender.
- Continuation of detailed design and engineering of the underground mine infrastructure and layout.
- Commissioning the 29 km, 132kV bulk power supply powerline.

## DIAMOND MARKET

After a strong start to the third quarter of 2022, diamond price softening was observed in late August and into September, however, solid market fundamentals continue to support diamond prices despite growing concerns of a global economic slowdown. High levels of reported inflation persisted, and governments responded with increasingly forceful measures in attempts to reduce it to sustainable levels.

A cautious economic outlook combined with the uncertainty caused by geopolitical events, including the ongoing conflict in Ukraine and continuing implications of the COVID-19 pandemic (specifically in China where the demand for diamonds has not yet recovered) remain a risk to diamond pricing trends in the short term with demand from the US a critical driver on prices of both rough and polished diamonds. The longer-term market fundamentals remain unchanged and positive, however, pointing to strong price growth over the next few years as demand is expected to outstrip future supply.

The benefits of the committed sales agreement with HB continued to be realized during the third quarter of 2022 as the Company participated in the upside to manufacturing polished diamonds for goods delivered in previous quarters. The integrated approach, using state of the art scanning and planning technology has further enhanced the final achieved polished outcome for very large (+50 carat polished) and high value diamonds, a critical production segment for the Company.



## FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars, except carats or otherwise noted</i>	<b>Three months ended September 30,</b>		<b>Nine months ended September 30,</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Revenues	49.9	72.7	170.5	172.1
Operating expenses	(25.8)	(23.2)	(60.8)	(58.0)
Net income for the period	1.8	12.8	33.3	22.2
Earnings per share (basic)	0.00	0.03	0.07	0.05
Earnings per share (diluted)	0.00	0.03	0.07	0.05
Operating cash flow per share <sup>(1)</sup>	0.03	0.08	0.17	0.19
Cash on hand	34.8	26.6	34.8	26.6
Amounts drawn on working capital facility	–	30.0	–	30.0
Amounts drawn on project finance facility	65.0	25.0	65.0	25.0
Karowe Revenue	46.5	72.5	163.7	171.4
Average price per carat sold (\$/carat) <sup>(2)</sup>	337	596	528	546
Carats sold	99,301	117,162	245,763	277,702

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

(2) The Company’s revenue is primarily generated from the sale of Karowe diamonds. The average price per carat sold presented in this table relates exclusively to the sale of Karowe diamonds and excludes top-up payments received during the quarter. Also excluded is the value of diamonds purchased from third parties and sold by the Company through Clara. See Table 2 in the Q3 2022 MD&A for additional information.



## QUARTERLY RESULTS OF OPERATIONS – KAROWE MINE, BOTSWANA

	UNIT	Q3-22	Q2-22	Q1-22	Q4-21	Q3-21
<b>Sales</b>						
Revenues from the sale of Karowe diamonds	US\$M	46.5	50.0	67.2	56.5	72.5
Karowe carats sold	Carats	99,301	66,167	80,295	102,791	117,162
Average price per carat - excluding top-ups <sup>(1)</sup>	US\$	377	557	690	436	596
<b>Production</b>						
Tonnes mined (ore)	Tonnes	920,410	1,091,192	811,947	610,072	1,190,856
Tonnes mined (waste)	Tonnes	453,860	357,764	482,104	276,263	696,907
Tonnes processed	Tonnes	693,398	719,207	666,488	705,877	738,986
Average grade processed <sup>(2)</sup>	cpht <sup>(*)</sup>	11.4	12.0	12.6	12.8	13.0
Carats recovered	Carats	78,879	86,317	83,917	90,634	97,412
<b>Costs</b>						
Operating expense per Karowe carat sold <sup>(3)</sup>	US\$	227	221	212	200	193
Margin (mining operations) per Karowe carat sold	US\$	150	336	478	236	403
Operating cost per tonne of ore processed <sup>(4)</sup>	US\$	29.33	28.78	27.80	29.74	29.73
<b>Capital Expenditures</b>						
Sustaining capital expenditures	US\$M	4.0	4.1	0.8	9.1	3.4
Underground expansion project <sup>(5)</sup>	US\$M	23.9	29.1	31.1	21.8	32.0

(\*) carats per hundred tonnes

(1) Previously presented as \$418 (Q4 2021) and \$588 (Q3 2021) per carat, respectively.

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

(3) Previously presented as \$224 (Q1 2022), \$217 (Q4 2021) and \$198 (Q3 2021) per carat, respectively.

(4) Operating cost per tonne of ore processed is a non-IFRS measure.

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

## CONFERENCE CALL

### CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Thursday, November 3, 2022 at 7:00 a.m. Pacific, 10:00 a.m. Eastern, 2:00 p.m. UK, 3:00 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:

9230878 / Lucara Diamond

#### Dial-In Numbers:

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



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**Webcast:**

To view the live webcast presentation, please log on using this direct link: <https://app.webinar.net/oVQNzQ4mERL>

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

**Conference Replay:**

A replay of the telephone conference will be available two hours after the completion of the call until November 10, 2022.

Replay number (Toll Free North America)	(+1) 888 390 0541
Replay number (Local)	(+1) 416 764 8677

The pass code for the replay is: 910144#.

*On behalf of the Board,*

Eira Thomas

President and Chief Executive Officer

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**ABOUT LUCARA**

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

The information is information that Lucara is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Markets Act. This information was submitted for publication, through the agency of the contact person set out above, on November 2, 2022 at 4:30pm Pacific Time.



## NON-IFRS FINANCIAL PERFORMANCE MEASURES

This news release refers to certain financial measures, such as adjusted EBITDA, adjusted operating earnings, operating cash flow per share, operating margin per carat sold and operating cost per tonne of ore processed, which are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. These measures may differ from those made by other corporations and accordingly may not be comparable to such measures as reported by other corporations. These measures have been derived from the Company's financial statements, and applied on a consistent basis, because the Company believes they are of assistance in the understanding of the results of operations and financial position. Please refer to the Company's MD&A for the three and nine months ended September 30, 2022 for an explanation of non-IFRS measures used.

## CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

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

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

In particular, forward-looking information and forward-looking statements in this news release may include, but are not limited to, information or statements with respect to the equity and project debt financings, the intended use of proceeds, the Company's ability to comply with the terms of the Facilities which are required to construct the Karowe UGP, that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the Karowe UGP, that the estimated timelines to achieve mine ramp up and full production from the Karowe UGP can be achieved, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, future production activity, the future price and demand for diamonds, future forecasts of revenue and variable consideration in determining revenue, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, permitting time lines, currency exchange rates, success of exploration, requirements for and availability of additional capital, capital expenditures, operating costs, timing of completion of technical reports and studies, tax rates, timing of drill programs, government regulation of operations, environmental risks and ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, negotiations and agreements among the Company and the Botswana Mine Workers Union, the completion of transactions and timing and possible outcome of pending litigation, the profitability of Clara and the Clara Platform, and the scaling of the digital platform for the sale of rough diamonds owned by Clara, the benefits to the Company of diamond supply agreements with HB and the ability to generate better prices from the sale of the Company's +10.8 carat production as a polished stone.

There can be no assurance that such forward looking statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "COVID-19 Global Pandemic" 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, changes in inflation, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel,



impacts of potential disruptions to supply chains, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), and unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters).

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