

## LUCARA ANNOUNCES Q2 2024 RESULTS

VANCOUVER, BC, Aug. 9, 2024 /CNW/ - (TSX: LUC) (BSE: LUC) (Nasdaq Stockholm: LUC) [PDF Version](#)

Lucara Diamond Corp. ("Lucara" or the "Company") today reports its results for the quarter ended June 30, 2024. All amounts are in U.S. dollars unless otherwise noted.

### Q2 2024 HIGHLIGHTS

- Karowe registered no lost time injuries during the three months ended June 30, 2024. As of June 30, 2024, the mine had operated for over three years without a lost time injury.
- The recovery of a 491-carat Type IIa diamond, a 225.6-carat Type IIa diamond, followed by the recovery of a 109-carat Type IIa diamond.
- A total of 76,387 carats of diamonds were sold, generating revenue of \$41.3 million during the second quarter of 2024.
- Significant progress was made in shaft sinking in the ventilation and production shafts in Q2 2024 with the critical path ventilation shaft ahead of the July 2023 rebase schedule. At the end of Q2, the production and ventilation shafts had reached a depth of 557 metres below collar ("mbc") and 550 mbc respectively.
- A total of 92,419 carats were recovered during the quarter at a recovered grade of 12.9 carats per hundred tonnes ("cpht") of direct milled ore. A further 8,349 carats were recovered from processing of historic recovery tailings. The recovery of 206 Specials (defined as rough diamonds larger than 10.8 carats) equated to 6.9% by weight of the total recovered carats from Q2's ore processed which is in line with the Company's expectation.
- Operational highlights from the Karowe Mine included:
  - Ore and waste mined of 0.7 million tonnes ("Mt") (Q2 2023: 0.7Mt) and 0.2 million tonnes (Q2 2023: 0.9Mt), respectively.
  - 0.7 million tonnes of ore processed (Q2 2023: 0.7Mt).
- Financial highlights for Q2 2024 included:
  - Operating margins of 67% were achieved (Q2 2023: 59%). A strong operating margin continues to be achieved due to robust pricing for the Company's larger stones and cost reduction initiatives assisted by a strong U.S. dollar.
  - Operating cost per tonne processed<sup>(1)</sup> was \$26.32, a decrease of 6% over the Q2 2023 cost per tonne processed of \$27.97 and stayed relatively consistent with Q1 2024 of \$26.00 cost per tonne. The continued impact of inflationary pressures, particularly labour, has been well managed by the operation. A strong U.S. dollar continues to offset a small increase in costs over the comparable period.
  - Adjusted EBITDA<sup>(1)</sup> was \$18.8 million (Q2 2023: \$16.5 million), with the increase attributable to the increase in revenue and lower operating expenses.
- During Q2 2024, the Company invested \$11.2 million into the Karowe Underground Project ("UGP"), excluding capitalized cash borrowing costs:
  - During Q2 2024, the ventilation shaft sank 128 metres and commenced development of the 470-level station (at approximately 550 mbc).
  - Production shaft activities included sinking a total of 104 metres, and the completion of three probe hole covers with no water being intersected. A total of 26 metres of lateral development on the 470-level together with the 470-level station development was completed.
- Cash position and liquidity as at June 30, 2024:

- Cash and cash equivalents of \$21.9 million.
- Working capital (current assets less current liabilities excluding held for sale) of \$21.7 million.
- \$165.0 million drawn on the \$190.0 million Project Facility ("Project Facility") for the Karowe UGP with \$25.0 million drawn on the \$30.0 million working capital facility ("WCF") and Cost Overrun Reserve Account ("CORA") balance of \$37.5 million.

<sup>(1)</sup> Operating cash cost per tonne processed and adjusted EBITDA are non-IFRS measures (See "Use of Non-IFRS Financial Performance Measures" in MD&A).

William Lamb, President & CEO commented: "Lucara's performance this quarter reaffirms our position as a leader in the diamond industry. Our unwavering commitment to safety and operational excellence continues to drive our success, with both our open pit operations and underground construction progressing admirably. The Underground Expansion Project, in particular, is advancing well, with shaft sinking progress surpassing our expectations.

In the face of a challenging diamond market, Lucara's unique production profile sets us apart. Our Karowe mine's consistent delivery of large, high-quality diamonds provides a natural hedge against market volatility. These exceptional stones, coupled with our innovative sales strategies, allow us to navigate current market conditions effectively.

Looking ahead, I'm confident that Lucara is well-positioned for sustainable growth. Our expansion strategy and focus on operational efficiency provide us with the flexibility to adapt to market dynamics while continuing to deliver value. As we move forward, Lucara remains committed to setting new industry standards and capitalizing on the opportunities that lie ahead in the evolving diamond market."

## **DIAMOND MARKET**

The long-term outlook for natural diamond prices remains positive due to improving supply and demand dynamics due to long-term reductions from major producing mines. However, the market for the smaller size stones remains soft as demand is impacted by a weak Asian market and laboratory-grown diamonds. Demand for larger stones over 10.8 carats remains robust, as reflected in the Company's sales. The G7 sanctions on Russian diamonds over one carat, effective March 2024, have caused some trade delays. New regulations require these diamonds to be processed through the Antwerp World Diamond Centre for origin verification. The Company views this as short-term support for diamond prices, as the emphasis on stone provenance increases. Lucara, with its established operations producing exceptional Botswana diamonds, stands to benefit from this heightened focus on origin verification.

Sales of laboratory-grown diamonds increased steadily through 2023 and into 2024 with many smaller retail outlets increasingly adopting these diamonds as a product. In Q2 2024, De Beers announced it will cease creating synthetic diamonds and direct its efforts to sell natural diamonds. This is in conjunction with several major brands confirming that they would not market laboratory-grown diamonds. The overall long-term impact will support the natural diamond market as the Company expects to see bifurcation between the natural and laboratory-grown diamond market in the medium term. The longer-term market fundamentals for natural diamonds remains positive, as demand is expected to outstrip future supply, which has been declining globally over the past few years.

## **KAROWE UNDERGROUND PROJECT UPDATE**

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

An update to the Karowe UGP schedule and budget was announced on July 16, 2023 ([link to news release](#)). The anticipated commencement of production from the underground is H1 2028. The revised forecast of costs at completion is \$683.0 million (including contingency). As at June 30, 2024, capital expenditures of \$336.3 million had been incurred and further capital commitments of \$69.7 million had been made.

With the 2023 update, the Karowe Mine production and cash flow models were updated for the revised project schedule and cost estimate. Open pit mining will continue until mid-2025 and provide mill feed during this time. Stockpiled material (North, Centre, South Lobe) from working stocks and life of mine stockpiles will provide uninterrupted mill feed until late 2026 when Karowe UGP development ore will begin to offset stockpiles with high-grade ore from the underground production feed planned for H1 2028. The long-term outlook for diamond prices, combined with the potential for exceptional stone recoveries and the continued strong 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 Q2 2024, the UGP achieved a twelve-month rolling Total Recordable Injury Frequency Rate of 0.65. Project to date Total Recordable Injury Frequency Rate at June 30, 2024 was 0.56. A total of \$11.2 million was spent on the Karowe UGP development in Q2 2024 for the following surface infrastructure and ongoing shaft sinking activities:

The ventilation shaft Q2 2024 development:

- Reached a depth of 550 metres below collar out of a planned final depth of 731 metres.
- Commenced 470-level station development.

The production shaft Q2 2024 development:

- Reached a depth of 557 metres below collar, out of a planned final depth of 765 metres.
- The 470-level station and development excavation at the production shaft was completed.

Related infrastructure Q2 2024 development:

- Construction of the permanent bulk air coolers at the production shaft continued during Q2 and was completed in July 2024.
- Detailed engineering and fabrication of the permanent people and materials winder continued during the quarter, representing the last major component for the permanent winders.
- Preparation of tender documents for the underground lateral development work. Tenders for this contract are expected to be received in September 2024.
- Mining engineering advanced with a focus on supporting shaft sinking, underground infrastructure engineering and finalizing drilling level plans.

The capital cost expenditure for the UGP in 2024 is expected to be up to \$100 million – see "2024 Outlook" below.

Activities planned for the Karowe UGP in Q3 2024 include the following:

- Production shaft sinking to 310-level.
- Complete station and commence lateral development at the 470-level for the ventilation shaft.
- Procurement of underground equipment, including an additional Load Haul Dump (LHD) vehicle for the production shaft station development. Major components of the underground crusher and dewatering pumps will be delivered to site.
- Continuation of detailed design and engineering of the underground mine infrastructure, draw bells and

underground layout.

- Finalise engineering of the permanent people and materials winder.
- Commencement of people and materials winder earthworks and civils.

## FINANCIAL HIGHLIGHTS – Q2 2024

<i>In millions of U.S. dollars, except carats</i>	Three months ended		Six months ended	
		June 30,		June 30,
	2024	2023	2024	2023
Revenues	\$ 41.3	38.6	\$ 80.8	79.9
Operating expenses	(13.7)	(13.9)	(32.0)	(30.8)
Net income from continuing operations for the period	11.9	6.1	5.0	7.9
Net loss from discontinued operations for the period	(0.6)	(1.1)	(1.5)	(2.0)
Earnings per share from continuing operations (basic and diluted)	0.03	0.01	0.01	0.02
Cash on hand	21.9	26.7	21.9	26.7
Cost overrun facility (restricted cash)	37.5	18.0	37.5	18.0
Amounts drawn on WCF <sup>(1)</sup>	25.0	35.0	25.0	35.0
Amounts drawn on Project Facility	165.0	86.2	165.0	86.2
Carats sold	76,387	72,717	169,948	156,091

<sup>(1)</sup> Excludes amounts drawn from the Clara Facility.

## QUARTERLY RESULTS FROM OPERATIONS – KAROWE MINE

	UNIT	Q2-24	Q1-24	Q4-23	Q3-23	Q2-23
<b>Sales</b>						
Revenues from the sale of Karowe diamonds	US\$M	41.3	39.5	36.3	56.2	38.6
Karowe carats sold	Carats	76,387	93,560	111,523	111,673	72,717
<b>Production</b>						
Tonnes mined (ore)	Tonnes	699,846	809,999	607,101	869,188	682,636
Tonnes mined (waste)	Tonnes	245,006	386,849	456,880	954,226	907,051
Tonnes processed	Tonnes	714,301	698,870	703,472	724,640	720,345
Average grade processed <sup>(1)</sup>	cpht <sup>(*)</sup>	12.9	11.7	14.0	13.6	12.6
Carats recovered <sup>(1)</sup>	Carats	92,419	81,611	98,177	98,311	90,497
<b>Costs</b>						
Operating cost per tonne of ore processed <sup>(2)</sup>	US\$	26.32	26.00	31.96	28.62	27.90
<b>Capital Expenditures</b>						
Sustaining capital expenditures	US\$M	3.5	1.8	8.0	3.2	2.4

Underground expansion project <sup>(3)</sup>	US\$M	11.2	17.9	28.0	20.3	22.5
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(\*) Carats per hundred tonnes

(1) Average grade processed is from direct milling 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

## DIAMOND SALES

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

### *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 ten-year New Diamond Sales Agreement ("NDSA") with HB. Under the sales arrangements with HB, +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 at prices based on the estimated polished outcome of each diamond. The estimated polished value is determined using advanced scanning and planning technology, with an adjusted amount payable on actual achieved polished sales, less a fee. The timing of payments varies based on the category of stones being delivered, as determined by the estimated diamond's polished value.

Additional consideration, in the form of a "top-up" payment, is payable to the Company if the final sales price of the polished diamond sold is higher than the initial estimated polished price. Any polished diamonds sold to an end buyer for less than the initial estimated polished price (after deductions for HB's fee) will result in the difference being refunded to HB.

Top-up payments, net of HB's fees, are payable when polished diamonds are sold to an end buyer and the sales prices achieved exceeds the initial purchase price paid to Lucara. Top-up payments primarily relate to carats delivered in previous quarters. The amount and timing of top-up payments received is impacted by the complexity of certain rough diamonds and the qualitative assumptions that are part of the initial planning process. At various points during the manufacturing process, the stones are re-assessed, and adjustments may be made to the manufacturing plan, with the objective of maximizing the final sales price, also taking into account the marketability of the polished outcome.

Payments owing for the final polished sales price and top-up payments received are estimated, after deductions for HB's fee and the cost of manufacturing, when determining the transaction price recognized for accounting purposes. This estimate is updated at each period end until the transaction price is confirmed.

### *Sethunya Diamond*

Sethunya, a 549ct stone recovered in 2020, distinguished by its considerable size and quality is subject to a separate agreement with HB, in which HB acts as an agent to the sale of the stone to the end customer. Lucara received an advance of future proceeds of \$20.0 million from HB that has been classified as deferred revenue, as this advance relates to the future sale of the stone, it will decrease the remaining consideration to be received from the sale. As of June 30, 2024, the Sethunya had not yet been sold and the \$20.0 million advance remains recorded as deferred revenue on the Statement of Financial Position.

### *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 platform are sold as rough diamonds through quarterly tenders. Viewings take place in both Gaborone, Botswana and Antwerp, Belgium.

## Clara

Clara Diamond Solutions Limited Partnership, a wholly owned subsidiary of Lucara, has developed a secure web-based digital marketplace which is designed to transact diamonds between 1 and 10 carats, in higher colours and quality.

During the six months ended June 30, 2024, Lucara received an indicative non-binding offer for the purchase of the Company's interest of Clara Diamond Solutions Limited Partnership, Clara Diamond Solutions B.V., and Clara Diamond Solutions GP (together referred to as "Clara"). The Company has concluded that, despite the uncertainty regarding completion of a potential definitive agreement, there is a high probability that its interest in Clara is likely to be sold within the next 12 months. Therefore, under IFRS 5, Clara is classified as held for sale on statement of financial position ended June 30, 2024. Based on the expected sales proceeds on June 30, 2024, the Company has determined that the net book value of Clara is recoverable, and no impairment has been recorded in connection with the reclassification. Further, Clara remained operational during the period ended June 30, 2024, and its activities from operations has been reported as discontinued operations on the Company's statements of operations and cash flows.

## QUARTERLY SALES RESULTS

<i>Revenue is in millions of U.S. dollars</i>	Three months ended		Six months ended	
	2024	June 30, 2023	2024	June 30, 2023
<b>Sales Channel</b>				
HB Arrangements	29.5	25.8	52.8	50.4
Tender <sup>(1)</sup>	9.2	9.8	22.2	22.7
Clara	2.6	3.0	5.8	6.8
<b>Total Revenue</b>	<b>41.3</b>	<b>38.6</b>	<b>80.8</b>	<b>79.9</b>

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

### *HB Arrangements*

For the three months ended June 30, 2024, the Company recorded revenue of \$29.5 million from the HB arrangements as compared to revenue of \$25.8 million on the period ending June 30, 2023. Revenue generated from HB was 71% of total revenue recognized in the second quarter of 2024 (Q2 2023: 67%). The revenue includes "top-up" payment which is payable to the Company for final sales price of the polished diamond sold when it is higher than the initial estimated polished price.

### *Quarterly Tender & Clara*

During Q2 2024, the sales volume transacted by Tender was \$9.2 million (Q2 2023: \$9.8 million) and by Clara was \$2.6 million (Q2 2023: \$3.0 million). Both sales channels experienced lower prices compared to Q2 2023 reflecting the weakening of prices in the smaller sized diamond market.

## 2024 OUTLOOK

This section of the news release provides management's production and cost estimates for 2024. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. Diamond revenue guidance does not include revenue related to the sale of exceptional stones (an individual rough diamond which sells for more than \$10.0 million), or the Sethunya. No changes

have been made to the guidance released in November 2023.

<b>Karowe Diamond Mine</b>	<b>2024</b>
<i>In millions of U.S. dollars unless otherwise noted</i>	Full Year
Diamond revenue (millions)	\$220 to \$250
Diamond sales (thousands of carats)	345 to 375
Diamonds recovered (thousands of carats)	345 to 375
Ore tonnes mined (millions)	2.8 to 3.2
Waste tonnes mined (millions)	0.8 to 1.4
Ore tonnes processed (millions)	2.6 to 2.9
Total operating cash costs <sup>(1)</sup> including waste mined (per tonne processed)	\$28.50 to \$33.50
Underground Project	Up to \$100 million
Sustaining capital	Up to \$10 million
Average exchange rate – Botswana Pula per United States Dollar	12.5

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

The Company had expected higher diamond recoveries and diamond quality during Q4 2023 and Q1 2024 and has seen diamond recoveries and quality improve in the second quarter of 2024.

In 2024, the Company expects to mine between 3.6 and 4.6 million tonnes, of which ore tonnes mined represent approximately three quarters of total tonnes mined. 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. A portion of the tonnes mined in 2024 will be stockpiled, prior to the end of open pit mining in mid-2025. Stockpiled material is planned to be processed between 2025 to 2027 before the mine transitions to the underground operations. Ore from the underground development is expected to supplement lower grade stockpile material, primarily from the upper benches of the South lobe, during the transition period to the underground mining operations, beginning in 2027.

In 2024, capital costs for the Karowe UGP are expected to be up to \$100 million and will focus predominantly on shaft sinking activities and station development. Surface works will focus on completing the construction of the bulk air cooler and installation of the people and materials winder building. Tendering the underground lateral development contract along with underground equipment purchases are also included in the 2024 project plan.

Sustaining capital and project expenditures are expected to be up to \$10 million with a focus on replacement and refurbishment of key asset components in addition to dewatering activities, and an expansion of the tailings storage facility in accordance with Global Industry Standard on Tailings Management ("GISTM").

On behalf of the Board,

William Lamb  
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 which ensures 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 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 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. This information was submitted for publication, through the agency of the contact person set out above, on August 9, 2024, at 4:00 p.m. Pacific Time.

### **CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain of the statements made in this news release contain certain "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", "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.

By their nature, forward-looking statements and information involve assumptions, inherent risks and uncertainties, many of which are difficult to predict and are usually beyond the control of management, that could cause actual results to be materially different from those expressed by these forward-looking statements and information. 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 that 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 the expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be correct. Readers and investors should not place undue reliance on such statements.

This press release contains forward-looking information in several places, such as in statements relating to the Company's ability to continue as a going concern, the project schedule and capital costs for the Karowe UGP, the diamond sales, production and cost estimates under "2024 Outlook", the Company's ability to meet its obligations under the Rebase Amendments with its Lenders, the Company's ability to fill the CORA, the impact of supply and demand of rough or polished diamonds, expectations regarding top-up values, estimated capital costs, the timing, scope and cost of grouting events at 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, expectations that the Karowe UGP will extend mine life, forecasts of additional revenues, future production activity, that depletion and amortization expense on assets will be affected by both the volume of carats recovered in any given period and the reserves that are expected to be recovered, the future price and demand for, and supply of, diamonds, expectations regarding




the scheduling of activities for the Karowe UGP in 2024, future forecasts of revenue and variable consideration in determining revenue, the impact of the renewed HB sales arrangements on the Company's projected revenue and sales channels, 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 instructions, the profitability of Clara, and the potential impacts of economic and geopolitical risks.

Certain risks which could impact the Company are discussed under the heading "Risks and Uncertainties" in the Company's most recent MD&A and Annual Information Form available at SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). Forward-looking information and statements contained in this news release are made as of the date of this news release 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 news release are qualified by the foregoing cautionary statements.

SOURCE Lucara Diamond Corp.

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Additional assets available online:  [Documents \(1\)](#)

<https://lucaradiamond.mediaroom.com/2024-08-09-LUCARA-ANNOUNCES-Q2-2024-RESULTS>