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NEWS RELEASE

LUCARA ANNOUNCES Q3 RESULTS WITH A 57% INCREASE IN REVENUE TO \$72.7 MILLION FOLLOWING A STRONG PRODUCTION QUARTER

VANCOUVER, November 3, 2021 /CNW/ (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) today reports its results for the third quarter of 2021 ending September 30, 2021, with strong financial and operational performance.

Q3 2021 HIGHLIGHTS:

- Revenue of \$72.7 million during Q3 2021, a 57% increase over the previous quarter, resulted in an average price per carat sold of \$619.
- Board sanction of the \$534 million Karowe underground expansion project extending the mine life out to 2040, following the arrangement of full project funding through a combination of debt and equity financings.
- The Karowe underground expansion project continued to ramp up in Q3 with the commencement of pre-sinking activities on both the ventilation and production shafts under a total spend of \$64 million to date in 2021.
- Strong production in the third quarter with recovery of Specials (+10.8 carats) at 7.9% weight percent:
 - Recovery of four pink diamonds from direct milling from the EM/PK(S) unit of the South Lobe, including a 62.7 carat high quality, fancy pink Type IIa gem diamond and a 22.21 carat pink gem of similar quality along with two additional pink gems of similar colour and purity weighing 11.17, and 5.05 carats.
 - Recovery of a 393.5 carat top white Type IIa gem quality diamond from direct milling of ore sourced from the M/PK(S) unit of the South Lobe. This is the third gem quality +300 carat produced from the M/PK(S) unit in 2021, following the recovery of two top white gems (341 carats and 378 carats) in January 2021. In addition, a 257.7 carat top white Type IIa gem quality diamond was recovered during the August production month.
- Clara platform transaction values totaled \$6.6 million in Q3 2021, a 136% increase from the \$2.8 million transacted in Q3 2020. Clara observed strong price increases continuing through the quarter and the number of buyers on the platform increased from 84 to 87 as of September 30, 2021.
- Sales under the HB supply agreement of \$50.5 million in Q3 2021, resulting in an average price per carat of \$8,066. The strong performance reflects a high proportion of Specials (+10.8 carat) recovered and sold, higher market prices for diamonds, and top-up payments received for polished diamond sales.

Eira Thomas, President & CEO commented: “Strong production, including a high volume of Specials (diamonds >10.8 carats in size), combined with our innovative and optimized approach to sales of rough and polished diamonds into a strengthening market for diamond jewellery, has delivered a 57% increase in revenues quarter over quarter. The Company also formally sanctioned the underground expansion project, following the arrangement of full project financing, which will support operations at Karowe at current production rates until at least 2040. These developments have significantly de-risked Lucara’s outlook on growth and has positioned the Company to benefit from a stronger, more stabilized diamond price environment as global rough diamond supply remains constrained.”

REVIEW FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

- Operational highlights from the Karowe Mine included:
 - Ore and waste mined of 1.3 million tonnes and 0.6 million tonnes, respectively.
 - 0.74 million tonnes of ore processed resulting in 97,412 carats recovered, achieving a recovered grade of 13.2 carats per hundred tonnes.
 - 212 Specials (+10.8 carats) were recovered from direct milling during the third quarter, representing 7.9% weight percentage of total direct milling recovered carats, a strong production quarter in terms of Specials recovered (Q3 2020: 6.5%).
 - A Total Recordable Injury Frequency (“TRIF”) of 0 was achieved for the third consecutive quarter.
- Financial highlights for the three months ended September 30, 2021 included:
 - Total revenue of \$72.7 million was recognized in Q3 2021 (Q3 2020: \$41.3 million) or \$619 per carat (Q3 2020: \$365 per carat) from the sale of 117,459 carats (Q3 2020: 112,943 carats).
 - The Company recorded net income of \$12.8 million during Q3 2021 (earnings per share of \$0.03), as compared to a net loss of \$5.4 million for Q3 2020 (loss per share of \$0.01).
 - Adjusted EBITDA⁽¹⁾ for Q3 2021 of \$36.8 million was the result of a high proportion of Specials (+10.8 carat) recovered and sold, as well as overall higher market prices for diamonds, supported by incremental top-up payments received under the HB supply agreement for polished diamond sales. This compares to \$9.9 million for the same period in 2020.
 - As at September 30, 2021, the Company had cash and cash equivalents of \$26.6 million, an increase of \$21.7 million from December 31, 2020.
 - Following the achievement of Financial Close of the Facilities on September 2, 2021, first drawdown of \$25 million occurred. The outstanding balance on the working capital facility was reduced from \$50.0 to \$30.0 million.

(1) See Non-IFRS measures

DIAMOND SALES

Diamond sales in Q3 2021 continued to be 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 which are to be manufactured and sold as polished. Clivage-low and rejection stones greater than 10.8 carats were sold in the quarterly tender held in September. The Company recognized revenue of \$72.7 million or \$619 per carat from the sale of 117,459 carats. Stronger performance was driven by a high proportion of Specials (+10.8 carats) recovered and sold over the quarter, higher diamond prices and a contribution from top-up payments for polished diamonds sold under the HB supply agreement. Beginning in Q2 2020, all +10.8 carat diamonds mined from Karowe were delivered 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 decided 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 partnership agreement with HB, entering into a definitive supply agreement for the remainder of 2020, for all diamonds recovered that exceed +10.8 carats from the Company’s 100% owned Karowe Diamond mine in Botswana. In April 2021, this agreement was subsequently extended for a 24-month period, effective from January 1, 2021 to December 31, 2022.

Under the amended supply agreement with HB, +10.8 carat production from the Karowe Mine 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 an adjusted amount payable on actual achieved polished sales, less a fee and the cost of manufacturing. Changes to the payment profile were also amended in the extended agreement 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. The Company recorded revenue of \$50.5 million over the third quarter, compared to \$25.9 million in Q3 2020. Polished sales frequency and prices achieved have continued to increase through 2021, resulting in higher revenue.

CLARA SALES PLATFORM

Clara, Lucara's 100% owned proprietary, secure, web-based digital sales platform, continues to gain scale and interest. In the third quarter, 4 sales took place with a total sales volume transacted of \$6.6 million, a 136% increase from the \$2.8 million transacted in Q3 2020. Clara also observed a steady upward price trend at each subsequent sale throughout the period. The number of buyers on the platform increased to 87 in Q3, from 84 in Q2, with the Company maintaining a waiting list to manage supply and demand. Platform trials and discussions continued through the quarter and are ongoing with third parties to build supply. Interest in Clara has grown considerably since 2020, sparked by global restrictions on travel, combined with a new openness to purchasing rough diamonds in an innovative way.

KAROWE UNDERGROUND EXPANSION UPDATE

The Karowe UGP will extend the mine life to at least 2040, with mining predominately from the highest value EM/PK(S) unit and is forecast to contribute approximately \$4 billion in additional revenues, using conservative diamond prices. Following Financial Close of the Facilities on September 2, 2021, the Company's Board of Directors formally approved the UGP, which has a \$534 million capital cost and a five-year construction period. Mine ramp up is expected in Q1 2026 with full production from the UGP expected in Q4 2026.

Highlights of the activities undertaken this year, include:

- \$64.6 million has been spent to September 30, 2021, primarily in relation to engineering and procurement of long lead items and the commencement of construction activities; the total planned spend for 2021 is up to \$120.0 million.
- During Q3 2021, the Company spent \$32.0 million on project execution activities including full mobilization of the pre-sink shaft sinking contractor, commencing pre-sinking of the ventilation and production shafts, ventilation shaft scotch derrick erection and installation, continued surface infrastructure construction for shaft development and the second phase of a 200-person camp, and the commencement of bush clearing on the route for the 29 km 132kV transmission line bulk power upgrade.

Upcoming Activities for the UGP

Activities on the UGP in Q4 2021 are expected to include the following: Commissioning of scotch derrick cranes, completion of ventilation and production shaft pre-sinking, continuation of shaft civil works, mobilize headframe material and contractor to start headframe pre-assembly, continuation of detailed design and engineering of the underground mine infrastructure and layout, commissioning of temporary generators, commencement of bulk power supply infrastructure and foundation works for the transmission line towers, transmission line engineering, and completion of other site related infrastructure. JDS Energy & Mining Inc. ("JDS") is the Engineering Procurement Construction Manager for the execution of the Karowe UGP. JDS is currently building up the onsite project team in conjunction with the Lucara owners' team, while working closely with the Karowe Diamond Mine operations team.

DIAMOND MARKET

Following a challenging 2020, the diamond market in 2021 continues to be in a healthy balance due to robust demand and lower rough supply. The market remained stable in Q3 despite concerns there may be a softening in the Chinese market. Midstream demand remains strong with capacity in particularly India remaining high leading up to an expected strong holiday season over the coming months.



UPDATE ON COVID-19 RESPONSE

Measures and guidelines implemented by the Government of Botswana in late March 2020 have allowed the Karowe Mine to remain fully operational throughout the pandemic. These measures designated mining as an essential service in Botswana and included increased travel restrictions, reduced overall staffing levels and appropriate social distancing, among other restrictions. The Government of Botswana extended the state of emergency several times before it was lifted on September 30, 2021. The Company has been able to continue mining and processing activities during the state of emergency as most of the workforce (+98%) are Botswana nationals.

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 which began in January 2021, and regular health screening, temperature checks and the use of infrared measurements are also routine. All contractors and visitors are required to have negative COVID-19 tests and adhere to all COVID-19 protocols while conducting work at company operations in Botswana. A government-sponsored vaccination program commenced in Botswana mid-year. At the end of September, 67% had received a first dose, and 8% of the Company's workforce was fully vaccinated. As the vaccination programs ramp up, the Company is working toward fully vaccinating the workforce by the end of Q4 2021.

QUARTERLY FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars except carats or otherwise noted</i>	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Revenues	\$ 72.7	\$ 41.3	\$ 172.1	\$ 82.9
Net income (loss) for the period	12.8	(5.4)	22.2	(22.4)
Earnings (loss) per share (basic)	0.03	(0.01)	0.05	(0.06)
Operating cash flow per share ⁽¹⁾	0.08	0.03	0.19	0.03
Cash on hand	26.6	10.1	26.6	10.1
Amounts drawn on working capital facility/ revolving credit facility	30.0	20.0	30.0	20.0
Amounts drawn on project financing facility	25.0	–	25.0	–
Average price per carat sold (\$/carat) ⁽¹⁾	619	365	619	309
Operating expenses per carat sold (\$/carat) ⁽¹⁾	198	192	208	190
Operating margin per carat sold (\$/carat) ⁽¹⁾	421	173	410	119
Carats sold	117,459	112,943	278,180	268,101

(1) 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	Q3-21	Q2-21	Q1-21	Q4-20	Q3-20
Sales						
Revenues generated from the sale of Karowe diamonds in the quarter	US\$M	72.5	45.9	53.1	42.3	41.2
Carats recovered from Karowe sold for revenues recognized during the period	Carats	117,162	68,806	91,734	105,329	112,741
Average price per carat for proceeds received during the period	US\$	619	667	579	401	366
Production						
Tonnes mined (ore)	Tonnes	1,323,218	1,020,267	1,100,622	748,296	678,110
Tonnes mined (waste)	Tonnes	608,124	707,722	756,494	434,082	436,781
Tonnes processed	Tonnes	738,986	726,379	673,646	684,768	646,447
Average grade processed	cpht (*)	13.2	13.9	11.9	14.6	13.8
Carats recovered	Carats	97,412	101,330	80,014	100,059	88,909
Costs						
Operating expenses per carats sold ¹	US\$	198	219	215	205	192
Sustaining capital expenditures	US\$M	3.4	2.4	0.4	4.4	4.7
Underground expansion project	US\$M	32.0	22.6	9.9	8.3	4.8

(*) carats per hundred tonnes

2021 OUTLOOK

This section of the press release provides management's production and cost estimates for 2021. These are "forward-looking statements" and subject to the cautionary note regarding the risks associated with forward-looking statements. Based on expectations for revenue in Q4 2021, the lower end of diamond revenue guidance has been increased to \$195.0 million from \$180.0 million. In Q2 2021, a change was made to the allocation between ore and waste mining in the 2021 guidance to reflect ore gains realized in the first half of the year and adjustments in the mine plan to support dewatering activities. Ore gains realized are of lower quality material and will be stockpiled. There are no other changes from the guidance previously released in February 2021.

Karowe Mine (all amounts in US Dollars)	Full Year 2021
Diamond revenue (<i>revised Q3</i>)	\$195 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 (<i>revised Q2</i>)	3.8 million to 4.2 million
Tonnes mined – Waste (<i>revised Q2</i>)	2.2 million to 2.6 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, excluding capital on the underground expansion.

The proposed underground expansion at the Karowe Mine has an estimated capital cost of \$534 million and a five-year development period. Total expenditures on the UGP in 2021 are expected to be up to \$120 million. See “Karowe Underground Expansion Update” above.

Proceeds from the 549 carat “Sethunya” collaboration agreement with Louis Vuitton and HB, are expected to be realized in 2021. The group is collaborating and planning the creation of the highest value polished diamonds from the unique rough stone, which will be made available to Louis Vuitton exclusively. Lucara will receive a payment based on the estimated polished outcome, determined by HB’s state of the art scanning and planning technologies, with a true up paid on the actual achieved polished sales thereafter, less a fee and the cost of manufacturing.

CONFERENCE CALL

The Company will host a conference call and webcast to discuss the results on Thursday, November 4, 2021 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:

40783748 / 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=1505604&tp_key=96c93c6466

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 11, 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: 783748 #.

On behalf of the Board,

Eira Thomas
President and Chief Executive Officer

Follow Lucara Diamond on [Facebook](#), [Twitter](#), [Instagram](#), and [LinkedIn](#)

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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 November 3, 2021 at 2:30pm 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 third 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 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, 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.