

Lucara Announces Strong Results for the Second Quarter Of 2021 and Full Project Financing for the Karowe Underground Expansion

VANCOUVER, BC, Aug. 10, 2021 /CNW/ - (TSX: LUC) (BSE: LUC) (Nasdaq Stockholm: LUC)

Lucara Diamond Corp. ("Lucara" or the "Company") today reports its results for the second quarter of 2021 ending June 30, 2021, with strong financial and operational performance. [View PDF version](#)

RECENT HIGHLIGHTS:

- Full project funding for the Karowe underground expansion project following successful completion of debt and equity financings in July:
 - On July 12, 2021, loan documentation was signed in relation to the previously announced senior secured project financing debt package of \$220 million (the "Facilities") between Lucara Botswana as the Borrower and a syndicate of five mandated lead arrangers. The Facilities include two tranches: a project finance facility of \$170 million to fund the development of the underground project, and a \$50 million working capital facility to re-finance the Company's existing debt and to support on-going operations.
 - On July 15, 2021, the Company closed two previously announced financings, generating gross proceeds of C\$41.4 million from the sale of 55,157,733 common shares at a price of C\$0.75 per share. Net proceeds from these financings will be used for working capital to support the development and ongoing operation of the Karowe Mine, including the underground expansion.
- 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.
- Diamond market recovery in 2021 evidenced in Lucara's strong operational and financial results for Q2 2021, with revenue of \$46.3 million resulting in an average price per carat sold of \$671.
- Sales through Clara increased 38% from Q1 2021, with transaction values of \$8.3 million over six sales. Strong price increases continued through Q2 2021 and the number of buyers on the platform increased to 84 as of June 30, 2021.
- A record production quarter for the recovery of specials, +10.8 carats, in Q2 2021 resulting in 10.2% weight percentage of total direct milling recovered carats.
- The recovery of the third +1,000 carat diamond recovered from the Karowe Mine since 2015, at 1,174.76 carat stone. During the first half of 2021, 21 diamonds greater than 100 carats, and 5 diamonds over 300 carats have been recovered from Karowe.

Eira Thomas, President & CEO commented: "We end the second quarter with a stronger, more positive outlook on the diamond market, our business, and our plans for growth. With a fully financed underground project now confirmed, we are excited to be ramping up on our expansion plans at Karowe in the second half of the year. Sales through Clara also continued strong in Q2, demonstrating a great need for this transformational technology as modernization of the diamond supply chain continues. In respect of mining, Karowe delivered another record quarter in respect of diamonds >10.8 carats in size, including 21 diamonds >100 carats, 3 diamonds > 300 carats and our 3rd diamond over 1,000 carats. This remarkable resource continues to improve the deeper we mine, consistent with the resource model and underpins our rationale for the Karowe underground expansion, extending mine-life out to at least 2040."

REVIEW FOR THE THREE MONTHS ENDED JUNE 30, 2021

- Operational highlights from the Karowe Mine included:
 - Ore and waste mined of 1.0 million tonnes and 0.7 million tonnes, respectively
 - 0.73 million tonnes of ore processed resulting in 101,330 carats recovered, achieving a recovered grade of 13.9 carats per hundred tonnes
 - 261 Specials (+10.8 carats) were recovered from direct milling during the second quarter, representing 10.2% weight percentage of total direct milling recovered carats, a record production quarter in terms of specials (Q2 2020: 6.4%).
 - In addition to the 1,174 carat stone recovered, 16 diamonds greater than 100 carats were recovered during the quarter, including two diamonds > 400 carats, two diamonds > 200 carats, with a further 12 stones between 100 and 200 carats in weight.
- Financial highlights for the three months ended June 30, 2021 included:
 - Total revenue of \$46.3 million was recognized in Q2 2021 (Q2 2020: \$7.5 million) or \$671 per carat (Q2 2020: \$109 per carat) from the sale of 68,961 carats (Q2 2020: 68,979 carats).
 - Operating cash cost⁽¹⁾ per tonne of ore processed for the six months ended June 30, 2021 was \$28.79

per tonne (Q2 2020: \$27.14 per tonne), in line with 2021 guidance of between \$28 and \$32 per tonne.

- The Company recorded net income of \$6.0 million during Q2 2021 (earnings per share of \$0.02), as compared to a net loss of \$13.9 million for Q2 2020 (loss per share of \$0.04).
- Adjusted EBITDA⁽¹⁾ was \$22.2 million as compared to adjusted EBITDA of negative \$10.0 million for the same period in 2020.
- As at June 30, 2021, the Company had cash and cash equivalents of \$13.7 million, an increase of \$8.8 million from December 31, 2020 and net debt⁽¹⁾ of \$36.6 million.

(1) See Non-IFRS measures

- On April 6, 2021, a 24-month extension was executed to the definitive supply agreement with HB Antwerp ("HB") in respect of all diamonds produced in excess of 10.8 carats in size from the Karowe Mine. The extension will be effective for the period from January 1, 2021 to December 31, 2022.
- On June 7, 2021, Lucara announced the recovery of a 470 carat top light brown clivage diamond from the Karowe Mine, measuring 49x42x26mm.
- On June 22, 2021, Lucara announced the recovery of the third +1,000 carat diamond recovered from the Karowe Mine since 2015. This recovery, a 1,174.76 carat diamond measuring 77x55x33mm is described as a clivage gem of variable quality with significant domains of high-quality white gem material.

DIAMOND SALES

Diamond sales in Q2 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. The Company recognized revenue of \$46.3 million or \$671 per carat from the sale of 68,961 carats with price recovery observed in most size and quality classes. Included in revenue for the six months ended June 30, 2021 is a variable consideration of \$5.1 million which relates to "top-up" payments expected from polished diamond sales in excess of the initial planned value paid to Lucara under the initial HB sales agreements for rough diamonds delivered in 2020. 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 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 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. 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 compared to 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.

CLARA SALES PLATFORM

Interest in Clara, Lucara's 100% owned proprietary, secure, web-based digital sales platform, grew significantly in 2020 due to continued global restrictions impeding travel for many diamond manufacturers, combined with a new openness to purchasing rough diamonds in an innovative way. That positive momentum continued through H1 2021 with six sales in the second quarter and total sales volume transacted of \$8.3 million, a 38% increase from the \$6.0 million transacted in Q1 2021. Encouragingly, Clara also observed consistent price increases at each subsequent sale throughout the period. The number of buyers on the platform increased to 84 in Q2, from 80 in Q1. The Company is maintaining a waiting list to manage supply and demand. A third party supplier trialed the platform in Q2 and discussions continue with third party sellers to build supply.

KAROWE UNDERGROUND EXPANSION UPDATE

The Karowe Underground Expansion Project ("UGP") will extend the mine life to at least 2040 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.

A revised project cost and schedule has been developed that captures the detailed engineering and design work through 2020 until May 2021, incorporating all changes, improvements, and COVID-19 related delays. Overall capital expenditures, including contingency have increased marginally (approximately +4%), to \$534 million, driven by the increase to the production shaft diameter and additional mine development. The Company has spent \$51.4 million of the total budget on project execution activities through 2020 to June 2021 and \$22.6 million in Q2 2021. Total expenditures on the underground expansion project in 2021 are expected to be up to \$120 million. The schedule to 75% of full production has increased by 1.3 years in comparison to the 2019 feasibility study, driven mainly by COVID-19 related delays to commence the shaft pre-sinking, and additional planned time for shaft station break-outs and ground support. The open pit mining schedule has been adjusted to push the open pit to 2026, with mill throughput maintained at 2.7 million tonnes per annum. Underground operation parameters with respect to waste and ore tonnes mined, processed tonnes, recoverable diamond grade, recovered carats and diamond pricing assumptions are unchanged from the 2019 feasibility study.

DIAMOND MARKET

The diamond market continues to be strong and stable in 2021 following a very strong start to the year, where we have seen price increases in virtually all sizes and quality of diamonds. The key dominant retail markets for diamonds in the US and China remain buoyant, and the market continues to be supported from lower supply from producers, and a pick up in capacity in the midstream in India. 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. The potential challenges created by the COVID-19 pandemic do however remain a key concern.

UPDATE ON COVID-19 RESPONSE

Measures and guidelines implemented by the Government of Botswana 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. With increasing cases in Botswana and surrounding countries and limited opportunities for vaccination, restrictions on the movement of people within zones in Botswana and curfews have been implemented and are subject to change with limited notice. Concern remains over how governments across the jurisdictions in which Lucara and many of its customers operate will respond to increasing infection numbers and variants of COVID-19, even as mass vaccination campaigns are in progress in many countries.

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. A government-sponsored vaccination program commenced in Botswana in July.

QUARTERLY FINANCIAL HIGHLIGHTS

<i>In millions of U.S. dollars except carats or otherwise noted</i>	Three months ended		Six months ended	
	2021	June 30, 2020	2021	June 30, 2020
Revenues	\$ 46.3	\$ 7.5	\$ 99.4	\$ 41.6
Net income (loss) for the period	6.0	(13.9)	9.4	(17.1)
Earnings (loss) per share (basic)	0.02	(0.04)	0.02	(0.04)
Earnings (loss) per share (diluted)	0.01	(0.04)	0.02	(0.04)
Operating cash flow per share*	0.05	(0.02)	0.11	0.00
Cash on hand	13.7	13.7	13.7	13.7
Amounts drawn on working capital facility	50.0	19.0	50.0	19.0
Average price per carat sold (\$/carat)*	671	109	618	268
Operating expenses per carat sold (\$/carat)*	219	174	217	189
Operating margin per carat sold (\$/carat)*	452	(65)	401	79
Carats sold	68,961	68,979	160,721	155,158

(*) 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	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20 ⁽¹⁾
Sales						
Revenues generated from the sale of Karowe diamonds in the quarter	US\$M	45.9	53.1	42.3	41.2	7.3 ⁽¹⁾
Carats recovered from Karowe sold for revenues recognized during the period	Carats	68,806	91,734	105,329	112,741	68,861
Average price per carat for proceeds received during the period	US\$	667	579	401	366	107 ⁽¹⁾
Production						
Tonnes mined (ore)	Tonnes	1,020,267	1,100,622	748,296	678,110	683,282
Tonnes mined (waste)	Tonnes	707,722	756,494	434,082	436,781	591,804
Tonnes processed	Tonnes	726,379	673,646	684,768	646,447	705,421
Average grade processed	cpht ^(*)	13.9	11.9	14.6	13.8	14.3
Carats recovered	Carats	101,330	80,014	100,059	88,909	101,203
Costs						
Operating costs per carats sold (see Non-IFRS measures)	US\$	219	215	205	192	174
Sustaining capital expenditures	US\$M	2.4	0.4	4.4	4.7	3.7
Underground expansion project	US\$M	22.6	9.9	8.3	4.8	3.9

(*) 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. A change to the allocation between ore and waste mining has been adjusted 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. 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 (<i>revised</i>)	3.8 million to 4.2 million
Tonnes mined - Waste (<i>revised</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. This includes expenditures associated with further upgrades to the XRT 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).

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 Wednesday, August 11, 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:

03343101 / 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=1483811&tp_key=0dc7900db8

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 August 18, 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: 343101 #.

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 August 10, 2021 at 5:00pm 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 second 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.

SOURCE Lucara Diamond Corp.

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

<https://lucaradiamond.mediaroom.com/2021-08-10-Lucara-Announces-Strong-Results-for-the-Second-Quarter-Of-2021-and-Full-Project-Financing-for-the-Karowe-Underground-Expansion>