



LUCARA
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July 12, 2021

PRESS RELEASE

LUCARA SIGNS US\$220 MILLION SENIOR DEBT FACILITIES FOR FINANCING OF THE UNDERGROUND EXPANSION AND ONGOING OPERATIONS OF THE KAROWE MINE

VANCOUVER, July 12, 2021 /CNW/ - (LUC – TSX, LUC – BSE, LUC – Nasdaq Stockholm)

Lucara Diamond Corp. (“Lucara” or the “Company”) is pleased to announce that it has signed loan documentation in relation to its previously announced senior secured project financing debt package of US\$220 million (the “Facilities”) between Lucara Botswana Proprietary Limited (“Lucara Botswana”) as the Borrower and a syndicate of five mandated lead arrangers (“MLAs”). The MLAs are: African Export-Import Bank (Afreximbank), Africa Finance Corp., ING, Natixis, and Societe Generale, London Branch. Afraximbank is acting as Facility Agent in connection with the Facilities.

The Facilities include two tranches: a project finance facility of US\$170 million to fund the development of the underground project, and a US\$50 million working capital facility to re-finance the Company’s existing debt and to support on-going operations. The Facilities, combined with the recently announced equity financings totaling approximately US\$30 million (the “Initial Equity Contribution”) ([link to news release](#)), and projected cash flows from the Karowe open pit mine, during the underground construction period, result in the Karowe Underground Expansion Project (the “UGP”) being fully financed.

Eira Thomas, President and CEO commented: “Lucara is excited to be moving forward with a fully financed underground expansion project, extending Karowe’s mine life to at least 2040 and projected to deliver at least US\$4 billion in additional revenues using conservative diamond price assumptions. Securing credit commitments for the arrangement of US\$220 million senior debt facilities from five leading international financial institutions, with significant mining and metals track records and experience in Africa, is an important achievement for Lucara and reflects confidence in the large-stone resource at Karowe and the considerable efforts undertaken over the last five years to scope and define this attractive, highly economic growth opportunity for the company. It also reflects confidence in the strong, safe and reliable operating environment that has prevailed at Karowe over the last eight years, adhering to high standards in respect of ESG and striving to deliver long-term economic benefits to Botswana and the communities in which we operate. The development of the underground expansion project will adhere to all required environmental regulations and comply with Equator Principles.

As a final comment, we believe this expansion project comes at the right time in the market cycle, with improving supply and demand fundamentals helping to stabilize and support stronger diamond prices in the short and longer term. The Karowe mine remains one of the highest margin diamond mines in the world, having yielded 5 of the 10 largest diamonds in recorded history and is the only mine to have recovered three diamonds greater than 1,000 carats.”

First drawdown under the Facilities is expected to occur early in the third quarter this year, following satisfaction of certain conditions precedent customary to a financing of this nature, including the closing and receipt of the Initial Equity Contribution (“Financial Close”).

In connection with the Facilities, the Company’s largest shareholder, Nemesia S.a.r.l. (“Nemesia”) has agreed to provide a limited standby undertaking in the event of a funding shortfall occurring up to thirty-six (36) months from Financial Close (the “Shareholder Undertaking”).



Key terms of the project finance facility:

- Lucara Botswana Proprietary Limited, 100% owner of the Karowe Mine is the Borrower, with Lucara Diamond Corp. as the Sponsor and the Guarantor until the Project Completion Date;
- Up to US\$170 million provided to fund the development, construction costs and construction phase operating costs of the UGP as well as financing costs in relation to the Facilities;
- 8 year maturity after Financial Close, with quarterly repayments commencing on June 30, 2026;
- Interest rate and Margin: LIBOR (or replacement benchmark) plus margin of 5.5% annually for the period commencing on Financial Close and ending on the Project Completion Date, and 5.0% annually thereafter;
- First ranking security over all assets of the Borrower on a fixed and floating basis, as well as all shares in and shareholder loans into the Borrower and all shares in and shareholder loans into the intermediary companies between the Sponsor and the Borrower;
- The project facility will require interest rate hedging of at least 75% of the Borrower's exposure for a period of at least six (6) years to be arranged as a condition subsequent to Financial Close;
- Positive and negative covenants, including financial ratios, as well as events of default and a cash flow waterfall customary to a financing of this nature are set out in the Facilities agreement.

Key terms of the working capital facility ("WCF"):

- Borrower: Lucara Botswana
- Up to US\$50 million for a senior, secured WCF to be used initially to re-finance the Sponsor's existing working capital facility and thereafter, for working capital and other corporate purposes of the Borrower;
- Interest rate and Margin: LIBOR (or replacement benchmark) plus margin of 3.5% annually.

Shareholder Undertaking from Nemesia

Nemesia has agreed to provide up to US\$25 million in the Shareholder Undertaking for a period of up to thirty-six months from Financial Close in support of the Facilities. The Shareholder Undertaking is unsecured and subordinated to the Facilities. As consideration for providing the Shareholder Undertaking, and subject to receipt of all required regulatory approvals, Lucara has agreed to issue 600,000 common shares as a fee upon execution of the Shareholder Undertaking and a further 600,000 common shares should the Shareholder Undertaking be called upon in the event of a funding shortfall. As an additional fee, Lucara, as the Sponsor, has agreed to issue 5,000 common shares for each US\$500,000 drawn down per month until the amounts borrowed are repaid.

Nemesia is an insider of the Company and, as a result of their provision of the Shareholder Undertaking and receipt of 600,000 common shares in connection with the execution thereof, the transaction contemplated by the Shareholder Undertaking will be considered a "related party transaction" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). The Company intends to rely on the exemptions set forth in sections 5.5(a) and 5.7(1)(a) of MI 61-101 from the valuation and minority shareholder approval requirements of MI 61-101 in respect of Nemesia's provision of the Shareholder Undertaking as the aggregate fair market value of the common shares issued to Nemesia upon signing of the Shareholder Undertaking was less than 25% of the Company's market capitalization.

A material change report in respect of the signing of the loan documentation in relation to the Facilities, including the provision of the Shareholder Undertaking, will be filed in accordance with MI 61-101, but is not expected to be filed 21 days in advance of the closing of the Facilities as the Company wanted to close the Facilities on an expedited basis for sound business reasons.



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Terrafranca Advisory Limited acted as financial advisor to the Company. Norton Rose Fulbright acted as legal counsel to the Company with support from Lawrence Khupe Attorneys in Botswana. Mayer Brown LLP acted as legal counsel for the MLAs with support from the Botswana law firm Armstrongs.

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. 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 in this release is accurate at the time of distribution but may be superseded or qualified by subsequent news releases.

This information is information that the Company is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above at 7:00am Pacific Time on July 12, 2021.

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 and include, without limitation, projected revenues from production at the Karowe mine, diamond pricing assumptions and diamond market trends, the ultimate use of proceeds from the Facilities; the estimated capital cost and the duration of the construction period; the timing of any drawdowns under the Facilities; the Company's satisfaction of the conditions precedent, including the Initial Equity Contribution, to achieve Financial Close; receipt of regulatory approvals for the issuance of common shares to Nemesia in connection with the Shareholder Undertaking; and whether any amounts will be drawn under the Shareholder Undertaking.



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Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made. These assumptions, opinions and estimates 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. 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 "Risks and Uncertainties" in the Company's most recent Annual Information Form and under the heading "Risk Factors" in the Prospectus, a preliminary version of which is available at <http://www.sedar.com>, as well as changes in general business and economic conditions, 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.