

LUCARA

DIAMOND

**ANNUAL INFORMATION FORM
(FOR THE YEAR ENDED DECEMBER 31, 2019)**

DATED: MARCH 27, 2020

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DEFINITIONS

In this Annual Information Form (“AIF”) all units are expressed in metric units unless otherwise noted and references to “we”, “our”, “us”, “Lucara” or “the Company” mean Lucara Diamond Corp. and its subsidiaries unless the context otherwise requires.

AIF means this Annual Information Form dated March 27, 2020

AK6 Kimberlite means the kimberlite that is located at the Karowe Mine

AK6 Project is the name of the project that was developed and resulted in the Karowe Mine in Botswana

BCBCA means the *Business Corporations Act* (British Columbia)

Board means the Company’s Board of Directors

Bulk Sample Plant means the bulk sample plant at the Karowe Mine

CDN\$ means Canadian dollars

CFPO means the *Corruption of Foreign Public Officials Act* (Canada)

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum

CIM Guidelines means the “CIM Definition Standards on Mineral Resources and Reserves” adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on May 10, 2014 and as subsequently amended

Clara means Clara Diamond Solutions Limited Partnership, a wholly owned subsidiary of the Company

Clara Platform means the digital platform for the sale of rough diamonds owned by Clara

cpht means carats per hundred tonnes

CSR means corporate social responsibility

DMS means dense media separation

EIA means Environmental Impact Assessment Study

EMA means the *Environmental Assessment Act of 2011* (Botswana)

EMP means Environmental Management Plan

Exceptional Stone means any single diamond with an expected value exceeding US\$1,000,000

FS means feasibility study

IFC means the International Finance Corporation

IRR means internal rate of return

Karowe Mine means the development and mining of the Kimberlite located in the Orapa/Letlhakane district of Botswana, formerly known as the AK6 Project

Karowe Technical Report means the NI 43-101 technical report for the Karowe Mine: Karowe Mine Underground Feasibility Study Technical Report, Botswana, effective date September 26, 2019

Karowe Underground PEA means the Preliminary Economic Assessment for underground development at the Karowe Mine

Kimberley Process means the international certification scheme that regulates trade in rough diamonds

Kimberlite is a type of volcanic rock known for sometimes containing diamonds

LDD means large diameter drilling hole

LHS means the proposed “bottom-up” Long Hole Shrinkage mining method

Lobes means the three geologically distinct coalescing pipes that form the Kimberlite body of the AK6 and **Lobe** means any one of them, whether North, Centre or South

LOM means life of mine

Lucara Botswana means Lucara Botswana (Pty) Ltd. (formerly, Boteti Mining (Pty) Ltd.), a wholly owned subsidiary of the Company and owner of the Karowe Mine

masl means meters above sea level

MD&A means Management's Discussion and Analysis

NI 43-101 means National Instrument 43-101 "Standards for Disclosure for Mineral Projects" adopted by the Canadian Securities Administrators

NI 52-110 means National Instrument 52-110 "Audit Committees" adopted by the Canadian Securities Administrators

NPV means net present value

PwC means PricewaterhouseCoopers LLP

RJC means the Responsible Jewellery Council, the trading name of the Council for Responsible Jewellery Practices Ltd.

Sarine means Sarine Technologies Ltd.

SHECR means the Safety, Health, Environmental and Community Relations Committee of the Board

Specials means any single diamond that weighs more than 10.8 carats (irrespective of colour and quality)

SRK means SRK Consulting (Canada) Inc.

Tomra means TOMRA Sorting GmbH

TSX means the Toronto Stock Exchange

Underground Project means the underground development at the Karowe Mine

Union means the Botswana Mine Workers Union

US\$ or \$ means United States dollars

XRT means X-Ray Transmission

Capitalized terms used but not otherwise defined herein shall have the same meanings ascribed to them in the CIM Guidelines.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made in this AIF and in documents incorporated by reference constitute forward-looking statements as defined in applicable securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projects, objectives, assumptions or future events or performance and often (but not always) using 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 are not statements of historical fact and may be forward-looking statements.

In particular, forward-looking statements may include, but are not limited to, statements with respect to, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, future production activity, the future price and demand for diamonds, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, permitting time lines, currency exchange rates, success of exploration, requirements for and availability of additional capital, capital expenditures, operating costs, timing of completion of technical reports and studies, tax rates, timing of drill programs, government regulation of operations, environmental risks and ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, negotiations and agreements among the Company and the Union, the completion of transactions and timing and possible outcome of pending litigation, the profitability of Clara and the Clara Platform, and the scaling and commercialization of the Clara Platform.

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 correct. The Company is subject to the following risks and uncertainties, among others:

- *general global financial and economic conditions;*
- *future market prices for diamonds;*
- *the supply and demand for rough diamonds;*
- *ability to access capital;*
- *fluctuations in interest rates, foreign currency exchange rates and tax rates;*
- *inherent hazards and risks associated with mining operations, places of work, and within Lucara’s supply chain*
- *estimations of Lucara’s production and sales volume for the Karowe Mine;*
- *the assumptions raised in the FS related to the Underground Project, including the expected development costs, start-up timing, exploration and development plans, projected tax benefits and/or expected production costs;*
- *operational costs, including costs of power and diesel;*
- *operational difficulties, including power failures, failure of plant, equipment or processes to operate in accordance with specifications or expectations;*
- *delays or failure to successfully commercialize the Clara Platform (defined below);*
- *widespread diamond industry adoption of the Clara Platform;*
- *the regulatory regime governing blockchain technologies and the degree of development and acceptance of blockchain technologies;*
- *the Company’s ability to protect its intellectual property;*

- *risks inherent in the implementation of new technologies, including the Clara Platform and potential intellectual property infringement claims and cyber-security risks;*
- *recovered grade, size distribution and quality of diamonds;*
- *the successful mitigation of issues inherent in the mining of diamonds, such as theft and diamond breakage;*
- *industrial job disturbances;*
- *environmental and other regulatory requirements, including changes in the same and ability to obtain all necessary regulatory approvals;*
- *acts of the governments where Lucara's operations are located;*
- *obtaining, maintaining and renewing governmental approvals and permits including but not limited to mining licenses;*
- *variation in mineral resources and estimation of mineral resources, including the continuity of grade of diamondiferous mineralization;*
- *risks related to property titles;*
- *the effect of the coronavirus outbreak as a global pandemic on the Company's business and operations;*
- *the dependence on transportation facilities, infrastructure and information technology systems;*
- *the Company is required to carry uninsurable risks and the risk that the Company's insurance does not cover all risks;*
- *the mining industry is competitive;*
- *risks associated with current and future legal proceedings;*
- *conflicts of interest;*
- *dependence on management and technical personnel;*
- *the failure to secure and maintain skilled employees and maintain key relationships with financing partners, local communities and other stakeholders;*
- *risks associated with volatility in the securities market;*
- *risks associated with reliance on IT systems that could be compromised;*
- *risks associated with climate change including the impact of extreme weather events on mining operations;*
and
- *risks associated with the production and increased consumer demand for synthetic gem-quality diamonds.*

Certain of these risks are discussed in the section entitled "Risk and Uncertainties" in this document. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

Readers are cautioned not to place undue reliance on forward-looking statements and the Company disclaims any obligation to update or revise forward-looking statements if circumstances or management's beliefs, expectations, or opinions should change, except as required by law.

Note about the information contained herein and the Novel Coronavirus

At the date of this AIF, Botswana has had no confirmed cases of COVID-19 and the Karowe mine is operating in accordance with its 2020 budget and plan. Given the fast-changing situation with respect to the COVID-19 pandemic, including the areas suffering from the pandemic and the response of governments in implementing protective policies including travel bans, it is difficult to predict the exact nature and extent of the impact the pandemic may have on the Company and its business. For example, it is unclear as to whether Lucara will be able to complete its scheduled May tender or if such tender will be delayed. Any changes in the current situation relating to the COVID-10 pandemic

could significantly impact operations and thus may impact the accuracy of any forward-looking statements contained in this AIF.

INTRODUCTION

1.1 DATE OF INFORMATION

All information in this AIF is as of December 31, 2019 unless otherwise indicated.

Currency

The Company reports its financial results and prepares its financial statements in United States dollars. If not indicated otherwise, all currency amounts in this AIF are expressed in United States dollars. The following table sets forth the daily average exchange rate effective at the close of each such period for one U.S. dollar, expressed in Canadian dollars, as quoted by the Bank of Canada.

| Year Ended December 31, | | |
|-------------------------|--------|--------|
| 2019 | 2018 | 2017 |
| 1.2988 | 1.3642 | 1.2545 |

Accounting Policies and Financial Information

Unless otherwise indicated, financial information in this AIF is presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as outlined in Part 1 of the CPA Canada Standards and Guidance Collection.

Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves and measured, indicated and inferred mineral resources are those used by Canadian Securities Administrators and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum in the CIM Guidelines. Where mineral resources are stated alongside mineral reserves, those mineral resources are inclusive of, not in addition to, the stated mineral reserves.

ITEM 2 CORPORATE STRUCTURE

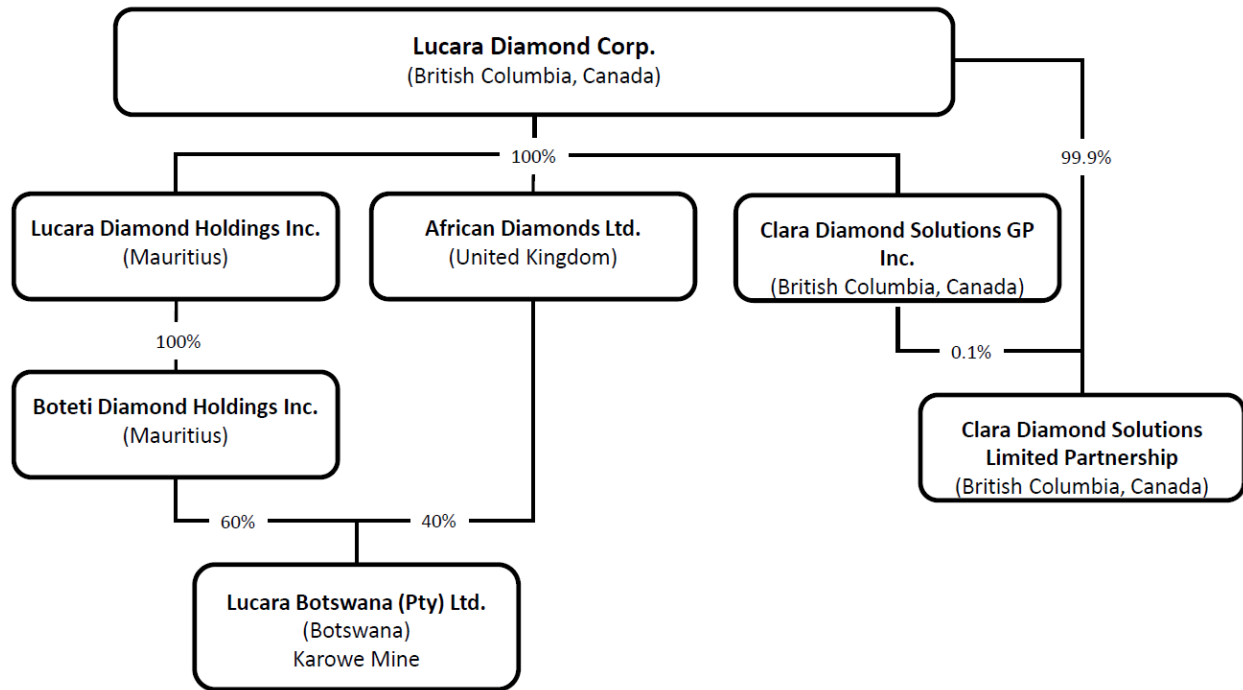
Incorporation and Registered Office

Lucara was incorporated by Articles of Incorporation on July 31, 1981, under the laws of the State of Colorado, USA as “Le/O Oil & Gas, Inc.” and subsequently changed its name to “Le/O Enterprises, Inc.” on June 3, 1986. In November 1986, the Company acquired all of the issued and outstanding shares of Tellis Gold Mining Company, a Colorado corporation. In December 1986, the Company merged with its then wholly-owned subsidiary, Tellis Gold Mining Company, and changed its name to “Tellis Gold Mining Company, Inc.”. On January 18, 2002, the Company changed its name to “Bannockburn Resources, Inc.”. On April 2, 2004, the Company changed its name to “Bannockburn Resources Limited” and issued 1 new share for every 4 old shares. On February 25, 2004, the Company domesticated into the State of Wyoming and on August 12, 2004, continued from the State of Wyoming into the Province of British Columbia under the *Business Corporations Act* (British Columbia). On August 14, 2007, the Company changed its name to “Lucara Diamond Corp.” and effective as of the same date, the Company issued 5 new shares for 1 old share.

The Company’s registered and records office is located at Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3. Lucara’s business office is located at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

Intercorporate Relationships

Substantially all of Lucara’s business is carried on through its various subsidiaries. The following chart illustrates the Company’s main subsidiaries as of March 27, 2020, including where they are incorporated. All of these subsidiaries are wholly owned.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lucara supplies rough diamonds to the global market from production received from its 100% owned Karowe Mine located in Botswana. In addition, the Company is commercializing the Clara Platform, a secure, digital platform for the sale of rough diamonds.

Three Year History – Major Developments (all amounts in U.S. Dollars unless otherwise noted)

2017

- In February 2017, the Company changed mining contractors to Moolman Mining Botswana (Pty) Ltd. (“Moolman”), a subsidiary of Aveng Moolmans, from its previous contractor. The new contractor commenced mobilization and mined ore from stockpile during its ramp up.
- A drilling program at the Karowe Mine to test the AK6 Kimberlite at depths below 400m was completed in February 2017. Mineral Services Canada was contracted to assist in the development of the sampling program and internal geology updates that will be utilized for an updated resource estimate for the inferred portion of the Karowe Mine resource estimate, between a depth of 400 to 600m below surface (600 to 400masl).
- During Q1 2017, further work was conducted on the exploration sites BK02, AK11, AK13 and AK14. Based on the grade and yield information from the exploration activity, the Company determined that it would not continue additional work on BK02 or AK14.

- During Q2 2017, Moolman experienced equipment availability issues, which resulted in lower than planned ore and waste mined. As a result of the reduced ore mined volumes, the Company reduced forecasted carats recovered to between 265,000-285,000 carats and carats sold to between 260,000-275,000 carats.
- In September 2017, the Company announced the completion of two diamond recovery capital projects: the Mega Diamond Recovery (“MDR”) Project and Sub-middles XRT project within budget and ahead of schedule. The commissioning of the MDR and Sub-middle circuits advanced the Company’s ability to recover diamonds prior to the comminution process where diamond damage may occur and thus maximize value for its exceptional diamonds.
- In September 2017, the Company announced the sale of the 1,109 carat Lesedi La Rona for \$53 million.
- During Q3 2017, Moolman’s ramp up to full capacity was longer than anticipated, and the Company and Moolman worked to address and improve operating inefficiencies. As a result, the Company focused on waste mining and lower grade stockpile was substituted for fresh ore which led to lower carats recovered during the year. Due to this change, the Company decreased 2017 revenue guidance to between \$165 million and \$175 million, excluding the sale of the Lesedi La Rona.
- During Q3 2017, the Company transitioned to a new mine processing contractor at the Karowe Mine which increased capabilities of Karowe’s new diamond recovery technology.
- In November 2017, the Company announced the results of its Preliminary Economic Assessment for underground development at the Karowe Mine. Based on the positive results of the Karowe Underground PEA, the Company proceeded to move forward with further technical analysis of the underground development.
- On December 15, 2017, the Company filed an updated Technical Report for the Karowe Mine which summarized the results of the Karowe Underground PEA in accordance with NI 43-101.
- During Q4 2017, final sampling of drill core was completed for density, petrography, and microdiamond analysis. The Company progressed the updated geological and resource model for AK6. This program is designed to increase confidence in the geological model for the South Lobe of the AK6 Kimberlite and provide sufficient data and material for the updated resource which was completed in 2018.
- The Company paid four quarterly dividends in 2017 of CDN\$0.025 per share for a total annual dividend of CDN\$0.10 per share.
- During 2017, a total of 249,767 carats from the Karowe Mine were sold generating gross revenues of \$220.8 million, including the sale of the Lesedi la Rona.

2018

- In February 2018, the Company announced the acquisition of Clara, a company whose primary asset is a secure, digital sales platform for the sale of rough diamonds, for up-front consideration of 13.1 million shares of Lucara and further staged equity payments totaling 13.4 million shares that become payable upon the achievement of performance milestones related to total revenues (revenues from rough diamonds bought and sold) generated through the Clara Platform. The Company also agreed to a profit-sharing mechanism whereby the founders of the Clara technology, and management of Clara, will retain 13.33% and 6.67%, respectively, of the annual EBITDA generated by the platform, to a maximum of \$25 million per year, for 10 years. Management subsequently waived their right to receive EBITDA based payments on goods produced from the Karowe Mine sold on the Clara platform until 2020.
- In February 2018, the Company announced William Lamb’s retirement as the Company’s CEO. Eira Thomas, a founder of both Lucara and Clara, was appointed as CEO and Catherine McLeod-Seltzer, also a founder of both Lucara and Clara, was appointed as a Director.
- In April 2018, a 472 carat top light brown gem diamond was recovered Subsequently named “Serowa” by Lucara Botswana’s employees, it is the fourth largest diamond ever recovered from the Karowe Mine. Later in April, a 327 carat top white gem diamond was recovered.
- Further management changes were announced during Q2 2018, with Zara Boldt appointed as CFO & Corporate Secretary as of April 1st, Naseem Lahri promoted to Managing Director of Lucara’s wholly owned

subsidiary Lucara Botswana on May 1st and Ayesha Hira assuming the newly created role of Vice-President, Corporate Development in June 2018.

- In June 2018, Lucara held its 12th Exceptional Stone tender, consisting of ten single stone lots, ranging from 40 carats to 472 carats, totaling 1,453 carats. Gross revenues of \$32.48 million were achieved (\$22,356/carats) and all ten diamonds tendered sold for more than \$1 million. Four diamonds sold in excess of \$3 million each and the 327 carat stone sold for \$10.1 million (\$30,900/carats).
- Also, in June 2018, Lucara released the results of an updated mineral resource estimate. Highlights from that study included:
 - the remaining Indicated Mineral Resource for Karowe's AK6 Kimberlite includes 7.9 million carats hosted in 57.85 million tonnes (in situ and stockpile) at an average grade of 13.7 cpht with an average modelled diamond value of \$673 per carat
 - a 54% increase in Indicated Resources within the South Lobe, from 4.42 Mct to 6.78 Mct and confirmation that the EM/PK(S) material is volumetrically the dominant unit at depth within the South Lobe;
 - the successful reclassification from Inferred to Indicated Resources for the AK6 Kimberlite between 600 and 400 masl. The new base of the Indicated Mineral Resources is at 400 masl (600 m below surface). In situ Indicated Mineral Resources (calculated as of December 31, 2017) increased by 44%;
 - 51% of the remaining South Lobe recoverable Indicated carats and 35% of the tonnage is attributable to the EM/PK(S) unit, in comparison with 12% carats and 8% tonnage from the previous estimate;
 - 75% of the South Lobe Indicated recoverable carats between 600 and 400 masl is attributable to EM/PK(S)
 - The remaining Indicated Mineral Resource for Karowe's AK6 Kimberlite includes 7.9 million carats hosted in 57.85 million tonnes (in situ and stockpile) at an average grade of 13.7 cpht with an average modelled diamond value of \$673 per carat.
- In July 2018, the Union notified Karowe Mine Management that a sufficient number of eligible Karowe employees had been recruited to join the Union. During the remainder of 2018, representatives from Management and the Union negotiated the terms of a Memorandum of Agreement.
- In August 2018, Trollope Mining Services assumed full responsibility for ore and waste mining at the Karowe Mine, following months of equipment availability issues and challenges meeting production targets experienced by the previous mining contractor. Production numbers increased significantly following this change and continued at the same level through to the end of the year.
- Also in August, Lucara's wholly-owned subsidiary Clara entered into an exclusive collaboration agreement with Sarine. The agreement provides Clara with exclusive use of customized interfaces and versions of Sarine's Galaxy[®] inclusion mapping technology and its Advisor[®] optimal rough planning for use with Clara's 100% owned, proprietary digital diamond sales platform.
- In September 2018, Lucara held its first blended sales tender in which both regular and exceptional diamonds were made available for sale. This change is expected to decrease the inventory time for large, high value diamonds and will generate a smoother revenue profile, that better supports price guidance on a per sale basis. As part of this new approach, Lucara will retain the optionality of tendering truly unique and high value diamonds through special tenders, outside of the scheduled quarterly tenders.
- In Q3 2018, it was determined that the updated 2018 resource estimate, in conjunction with geotechnical and hydrogeological field programs already underway in 2018 were sufficiently detailed to support conversion of the planned pre-feasibility study into a Feasibility Study (FS).
- No lost time injuries were recorded during 2018. As at year end, the Company had 587 consecutive days (about 5.5 million man-hours) without a lost time injury.
- The first sale on the Clara Platform was successfully completed in December 2018.

- A total of seven manufacturers participated in the sale, five of whom matched and received their orders. In total, diamonds successfully matched to orders generated revenue of \$660,865, achieving +8% over Lucara's market price and +15% over Lucara's reserve price for these goods.
- The objective of the first sale was to demonstrate that Clara can unlock significant value throughout the diamond pipeline, by facilitating rough diamond sales on a stone by stone basis, based on specific polished demand. Results from this inaugural sale will be used to help optimize the quantity and selection of rough diamonds offered in the short term, as the platform moves into continuous sales and more participants are on-boarded.
- The Company paid four quarterly dividends in 2018 of CDN\$0.025 per share for a total annual dividend of CDN\$0.10 per share. Since inception of the dividend policy in 2014, Lucara has paid dividends totaling \$249 million.
- During 2018, a total of 350,798 carats from the Karowe Mine were sold generating gross revenues of \$176.2 million. Twelve diamonds sold for > \$2 million each and 1 diamond sold for in excess of \$10 million.
- 2018 was also a record year for the recovery of stones > 10.8 carats from the Karowe Mine. A total of 829 Specials (24,793 carats) were recovered, including 28 stones > 100 carats and 5 stones > 300 carats.
- Waste and ore mining totaled 15.0 million and 3.1 million tonnes respectively and ore processed totaled 2.6 million tonnes. Strong performance by the mining contractor in the latter half of 2018 allowed us to progress through the waste bottleneck which was the main focus of mining in 2017 and 2018.

2019

- In January 2019, Lucara announced the recovery of two top white gem diamonds weighing 240 carats and 127 carats, as well as a 223 carat, high white gem from the Karowe Mine.
- In April 2019, the Botswana Mineworkers Union and Lucara Botswana completed the negotiation of Memorandum of Agreement which governs the working relationship between the two parties. In May 2019, the parties successfully negotiated and signed a Salaries and Conditions of Service Agreement which covers the terms and conditions of employment, including wages, to March 31, 2021. In Botswana, a majority of currently operating mines are unionized.
- In late April 2019, an unbroken 1,758 carat diamond, later named “Sewelô” by the citizens of Botswana, was recovered at the Karowe Mine. The Sewelô, which means “rare find” in Setswana, is one of the largest diamonds in recorded history, the largest diamond recovered in Botswana, and the largest diamond to be mined at Karowe to date. The stone was mined from the EM/PK(S) unit of the South Lobe and was recovered through Lucara's XRT circuit.
- In September 2019, Lucara announced the recovery of a 123 carat gem quality top white diamond, a 9.73 carat gem quality blue diamond and a 4.13 carat gem quality pink diamond. All three diamonds were recovered from direct milling of South Lobe ore from the Karowe Mine.
- In November 2019, the Company announced the positive results of an FS for an underground mine at Karowe. Key findings of the FS include:
 - A doubling of the mine life from the original mine design of 2010 and additional net cash flow of \$1.22 billion and gross revenue of \$5.25 billion.
 - After-tax NPV (5%) of \$718 million for the combined open pit and underground with no real diamond price escalation.
 - Updated Resource confirms increasing value with depth. The combined open pit and underground Indicated resource now stands at 54.27 million tonnes at 15.3 cpht for a contained diamond resource of 8.3 million carats excluding stockpiles.
 - Long hole shrinkage underground bulk mining method selected will provide early access to higher value ore and allows for a short pay back period of 2.8 years and low operating costs of \$28.43 per tonne processed.
 - On the basis of a construction start in mid-2020, ore from underground mining will seamlessly integrate into current operations providing mill feed starting in 2023 with a ramp up to 2.7Mtpa

to the processing plant by 2026, and the opportunity to increase throughput. Current production rates will be maintained through the underground ramp up period.

- The Underground is designed to access the South Lobe kimberlite resource below the current planned bottom of the open pit (which is expected to be at approximately 700 masl to a depth of 310 masl. Access to the South Lobe underground will be via two vertical shafts (production and ventilation) of approximately 765 and 715 meters deep respectively.
- Identified key risk areas of hydrogeology, geotechnical constraints of the kimberlite and host rocks have been addressed through an intensive set of work programs and data collection that commenced during the Preliminary Economic Assessment completed in November 2017 and were substantially updated and augmented by the FS study.
- The Company paid three quarterly dividends in 2019 of CDN\$0.025 per share for a total annual dividend of CDN\$0.075 per share. Since inception of the dividend policy in 2014, Lucara has paid dividends totaling \$271 million. With the announcement in Q4 2019 of a positive FS for development of an underground mine at Lucara's 100% owned Karowe Mine, the Board determined that it would be in the best interest of the Company and its shareholders to suspend the dividend payment.
- During 2019, a total of 411,732 carats were sold generating gross revenues of \$192.5 million. In 2019, a total of 30 individual diamonds were sold for a value of > \$1 million each including 7 diamonds sold for > \$3 million each.
- 2019 achieved a record year of performance in the plant processing 2.8 million tonnes of ore and recovering 433,060 carats, including 29,990 carats from previously milled material. Ore and waste mined of 3.3 million tonnes and 6.5 million tonnes, respectively, supported the strong plant performance.
- 2019 was another strong year for the recovery of Specials from direct milling ore (single diamonds in excess of 10.8 carats) with 786 stones totaling 24,424 carats recovered, including 31 diamonds in excess of 100 carats, of which 2 stones were in excess of 300 carats including the historic 1,758ct Sewelô diamond.

Recent Developments

- In January 2020, Lucara announced that it had entered into a binding term sheet governing the terms of a collaboration with Louis Vuitton, the famous luxury House, and the HB Company, a diamond manufacturer from Antwerp, to manufacture Lucara's historic, record setting, 1,758 carat Sewelô diamond. Lucara will receive an up-front non-material payment for the Sewelô and retain a 50% interest in the individual polished diamonds that result. Further, 5% of all of the retail sales proceeds generated from this historic collection will be invested directly back into Botswana on community-based initiatives undertaken by Lucara.
- In February 2020, Lucara announced the recovery of an unbroken 549 carat white diamond of exceptional purity from direct milling of EM/PK(S) South Lobe ore from the Karowe Mine, following the recent recovery of a gem quality 176 carat stone from the same ore block.

Anticipated Developments

- In November 2019, Lucara announced that a budget of up to \$53 million had been approved by the Board of Directors for early works related to a proposed underground mine at the Karowe Diamond Mine. Following the positive results of a feasibility study announced on November 4, 2019 and based on the Company's ability to fund these initial capital expenditures from operating cash flow in 2020, a program of early works, including detailed engineering and design work has been approved to mitigate key risks related to schedule.
- An investment decision, subject to receipt of all required authorizations and the arrangement of financing, is expected in H2 2020.

3.1 SIGNIFICANT ACQUISITIONS

Lucara did not make any significant acquisitions during the financial year ended December 31, 2019 that would require the Company to file a Form 51-102F4 Business Acquisition Report under Part 8 of NI 51-102.

ITEM 4 BUSINESS OF LUCARA

4.1 GENERAL

Lucara is a diamond producer and explorer focused on developing its portfolio of advanced stage diamond assets in Africa. The principal asset and current focus of Lucara is its Karowe Mine in Botswana. The Karowe Mine came into production in 2012 and produced a total of 433,060 carats in 2019. More detailed information regarding the Karowe Mine can be found under *Item 4.2 "Description of Mining Properties"*.

The Company mines and markets high quality rough diamonds from its Karowe Mine in Botswana. The Company sorts the rough diamonds into internationally recognized sales assortments according to a number of criteria (including size, colour, clarity, expected polished yield and value). After valuing the rough diamonds, they are sold from Botswana into various international diamond markets via a sealed bid tender process. Beginning in 2018, the Company moved to a blended tender process where run of mine production and Exceptional Stones are sold together, reducing the inventory time for Exceptional Stones and working to achieve a more even revenue stream through the quarters. In 2019, there were four blended tenders held. Each tender lasts between seven and ten working days, during which time customers view the assortments and place a confidential electronic bid on desired parcels of their choice, and upon conclusion of the tender, the highest bidder wins the parcel. In 2019, viewings for tenders were held exclusively in Gaborone, Botswana. The Company's rough diamond clients are international diamond buyers based in the major diamond cutting and polishing centers across the globe.

The Company expanded its business in 2018 with the purchase of Clara, a company whose primary asset is a secure, digital rough diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies and ensuring diamond provenance. Manufacturers participate in sales on Clara by placing electronic orders specifying the polished diamond parameters they require and the price they are willing to pay. Using proprietary analytics, Clara matches individual, scanned rough diamonds to the buyers' optimal polished requirements creating a sale. In 2019, during the ramp-up phase of the platform, fifteen diamond sales were completed following its inaugural sale in December 2018. As additional third party producers and manufacturers are on-boarded and in response to increasing variety and size of orders received, the Company expects to continue to increase the frequency of appropriate, qualifying goods through Clara. The Company will continue to augment its overall sales strategy for Karowe goods through a combination of Clara and its regular tender process, with the objective of achieving the highest possible price for all diamonds sold.

4.1.1 MINING BUSINESS

Specialized Skill and Knowledge

The Company's success at marketing its diamonds depends on the services of its key employees, marketing agent and the development and continued relationships with certain third parties, including diamantaires. The Company employs contractors at its Karowe operation to manage its mining and certain aspects of processing activities and who are responsible for ensuring that the engineers, skilled miners and process plant operators required to mine and process Karowe's diamond production are hired. As disclosed in this AIF, the assistance of external experts is also retained with regard to completing analytical tests, drilling programs and economic assessments.

Diamond Market

In 2019, the market for rough diamonds remained challenging, with price decreases exceeding those observed in the past four years. Following 2018's weakness in the smaller sizes, the weakness spread to the large diamond market during the beginning of 2019. Weaker currencies in diamond consuming markets, challenging polished sales, tightening liquidity in the diamond industry, and lower margins in manufacturing all contributed to the price weakness in all size classes. Larger producers reduced their volumes and prices beginning in mid-2019. Following actions taken by producers, stable polished diamond pricing, and a reduction in inventories in the mid-stream, price

recovery was observed in late 2019. The final quarterly tender of 2019 saw an increase in the average price of goods sold over the Q3 2019 tender pricing.

The Global Diamond Report 2019 published December 11, 2019 by Bain & Company reports that the long-term outlook for the diamond market remains positive despite short-term challenges. The report indicates that rough diamond supply growth is projected to be negative 2% or 0% annually. Demand for mined rough diamonds is expected to recover, either staying flat or growing up to 3% annually through 2030.

At the time of this AIF, the COVID-19 pandemic has negatively impacted global financial markets and it is not clear yet what short and longer-term impacts there will be on the diamond market. The impact of this pandemic is likely to affect both the supply and diamond side. See also: **Item 5 – “Risks and Uncertainties, Novel Coronavirus”**.

Competition

The diamond market has a limited number of suppliers selling to a relatively small number of manufacturers and distributors. Sale prices for diamonds are often kept confidential as there is no widely quoted market for rough diamonds. The prices can be significantly impacted by a single major supplier due to the small number of suppliers.

Lucara is a leading producer of Specials, which consistently have high value and are of gem quality. Since 2012, a total of 213 diamonds in excess of 100 carats have been recovered, 31 in 2019 alone. Fifteen diamonds in excess of 300 carats have been recovered, 2 of which were recovered in 2019, including the historic 1,758 carat Sewelô diamond. In 2019, the global achieved average diamond prices of Lucara were significantly above that of other competitors in the industry.

Production

During 2019, Karowe Mine’s seventh full year of production, 433,060 carats were recovered from 2.8 million tonnes of ore processed, a second year of record throughput for Karowe’s plant. Of the 433,060 carats recovered, 29,990 carats were from re-processing of previously milled material.

Karowe recovered a mine record total of 786 Specials totaling 24,424 carats with an average stone size of 31.07 carats per stone. A total of 31 stones greater than 100 carats were recovered. Of those recovered, 2 stones were greater than 300 carats, including the 1758 carat Sewelô diamond. Overall, Specials account for 6.1 weight percent of the total 2019 production from direct milling ore at the Karowe Mine.

Environmental Protection

Lucara is committed to best practices in the areas of sustainable development and environmental stewardship. A description of these commitments can be found in the section entitled “**Social and Environmental Policies**” in this AIF. In addition, Lucara has adopted a Responsible Mining Policy which can be found on our website at www.lucaradiamond.com. For a discussion on environmental risks and their potential impact on the Company see “**Environmental and Other Regulatory Requirements**” and “**Uninsured Risks**” in the Risks Factors section of this AIF.

Employees

At the end of 2019, Lucara had approximately 335 employees in Canada, the United Kingdom and Botswana plus approximately 520 employees of contractors employed in ongoing mining operations at its Karowe Mine in Botswana. The majority of Lucara’s employees are located at the Karowe Mine.

4.1.2 ROUGH DIAMOND SALES PLATFORM BUSINESS

The Company will utilize the Clara Platform to sell a selection of rough diamonds from the Company's Karowe Mine. Thereafter, Clara will be scaled to accommodate rough diamond sales from a variety of sources across the supply chain, in accordance with the requirements of the Kimberley Process certification program.

Specialized Skill and Knowledge

Lucara commercialized the Clara Platform in late 2018. This platform is a commercial digital platform that applies proprietary, computing algorithms to match rough diamond production to specific polished manufacturing demand on a stone by stone basis. It allows buyers to source rough diamonds tailored to specific polished diamond demand resulting in improved margins for both buyers and sellers. The Company's success is reliant on the services of its key employees including block chain experts, experts in manufacturing diamonds and the development and continued relationships with certain third parties, including diamantaires.

Research and Development

The Company's current research and development initiatives are focused on integrating Lucara's operations and third party production with the Clara Platform. To achieve the Company's commercialization objectives, the Company has consulting agreements with both external consultants, the original developers of the technology and Sarine.

Competition

Currently there is no competitor with a product or platform which has comparable functionality to the Clara Platform.

Intellectual Property

Intellectual property rights are important to the Clara Platform. When the Company purchased Clara, it acquired the intellectual property rights related to the Clara Platform held by Clara.

In accordance with industry practice, the Company protects its proprietary rights through a combination of copyright, trademark, trade secret laws and contractual provisions.

Employees

At the end of 2019, Clara had 4 employees in Canada. The Clara Platform also receives support from Lucara employees. The Company anticipates increasing manpower for ongoing maintenance and operation of the Clara Platform in 2020.

Corporate Reorganization

In August 2019, the Company undertook a reorganization of Clara Diamond Solutions Corp., to create Clara Diamond Solutions General Partner (the "Clara GP"), a wholly-owned subsidiary of Lucara. Clara Diamond Solutions Limited Partnership is a wholly-owned subsidiary of the Clara GP and holds the Clara Platform and certain intellectual property rights related to the Platform. Clara continues to be headquartered in Canada.

4.2 DESCRIPTION OF MINING PROPERTIES

The diamond mining, exploration and prospecting license held in Botswana are set out in the following table. In addition, Lucara has an active generative program that seeks to bring new projects into its portfolio.

4.2.1 KAROWE MINE - BOTSWANA

| Project | Interest | Type and No. | Date of Grant | Renewal or Expiry | Area (km ²) |
|-------------|----------|--------------------|------------------------------------|-------------------|-------------------------|
| Karowe Mine | 100% | Mining License (1) | October 2008 (Updated May 2011) | October 2023 | 15.3 |

The information in this section which is of a scientific or technical nature has been derived from the following technical report:

NI 43-101 Technical Report for the Karowe Mine: “Karowe Mine Underground Feasibility Study Technical Report, Botswana” with an effective date of September 26, 2019, compiled and prepared by JDS Energy & Mining Inc. and authored by: Gordon Doerksen (P. Eng.), Tracey Arlaud (Reg. Mem. SME), Kelly McLeod (P. Eng.), Carly Church (P. Eng.), Dr. John Armstrong (Ph.D., P. Geo.), Andrew Copeland (Pr. Eng.), Johan Oberholzer (Pr. Eng.), Matthew Pierce (P. Eng.), Dr. Markus Reichardt (Ph.D.), Kimberley Webb (P. Geo), Cliff Revering (P. Eng.), Koos Vivier (Pri.Sci.Nat) and Lehman van Niekerk (Pr.Eng.), all of whom are qualified persons within the meaning of this term in NI 43-101.

A copy of the above-mentioned technical report is available under the Company’s profile on SEDAR at www.sedar.com.

The mining license for the Karowe Mine expires in October 2023. The Company has started the application process to both extend the term of the existing mining license under which the open-pit mine is currently operated and to allow for an underground mining operation. Please refer to “*Licenses, Permits and Approvals*” under Item 5 “*Risks and Uncertainties*”.

Description and Location and Access

Mineral Rights in Botswana are held by the State. Commercial mining occurs under Mining Licences issued by the Minister of Minerals, Energy & Water Resources.

The Karowe Mine, as developed from the Company’s AK6 Project, is governed by Mining Licence (ML) 2008/6L which covers 1,523.0634 ha in the Central District of Botswana. The licence is located in north-central Botswana, one of the world’s most prolific diamond producing areas, centered on approximately 25° 28' 13" E / 21° 30' 35" S.

The property is accessed by 15 km of well-maintained all-weather gravel road from the tarred Letlhakane to Orapa road. Letlhakane village is the closest settlement and can be accessed from the major cities of Gaborone, Maun and Francistown by good quality tarred roads. The closest airport with commercial flights is Francistown, approximately 200 km east and a 2.5 hour drive. There is also an airstrip within the nearby Debswana controlled Orapa Township. The Karowe Mine site has its own 1,500 m gravel airstrip.

Lucara Botswana has obtained common law land rights for surface area of the mining licence and for the access road. These rights will remain in force until 2023. ML2008/6L is 100% held by Lucara Botswana, the Company’s indirect, wholly owned subsidiary.

Profits from the Karowe Mine are taxed in Botswana according to the annual tax rate formula as follows:

70-(1500/x) where x is the profitability ratio given by taxable income as a percentage of gross income (provided that the tax rate will not be less than the company rate).

A royalty of 10% on actual sales of diamonds is levied by the Government of Botswana.

There are no known significant or anomalous factors or risks that may affect access, title or the right or ability to perform work on the Karowe Mine. Current environmental liabilities comprise those to be expected of an active mining operation. These include the open pit, processing plant, infrastructure buildings, a tailings dam and waste rock storage facilities. The mining license for Karowe Mine expires in October 2023. The process for an extension of the mining license and an amendment to allow for the operation of an underground mine is in progress. Please refer to "**Licenses, Permits and Approvals**" under Item 5 "**Risks and Uncertainties**".

History

The AK6 Kimberlite was discovered by De Beers Botswana Mining Company (Pty) Ltd. (together with its affiliate, De Beers Prospecting Botswana (Pty) Ltd., "De Beers") in 1969 during part of the same exploration program that, between 1967 and 1970, discovered the Orapa Kimberlite (named AK1) and the Letlhakane Kimberlites (DK1 and DK2). This program led to a series of other Kimberlite discoveries in the Orapa region. Commercial production at Karowe was achieved in July 2012 and the mine has operated continuously since that date.

Little data from the initial discovery and evaluation of the AK6 Kimberlite is available, but it is known that the discovery was made from the interpretation of an aeromagnetic survey. In April 2000, De Beers was granted PL 13/2000 with an area of 9.95 km² over the AK6 Kimberlite. Results from three small diameter percussion boreholes indicated the existence of the North and Central Lobes for the first time. In December 2003, De Beers started a program of five 12¼" boreholes intended to collect a 100 tonne bulk sample which yielded encouraging results. The drilling was completed in February 2004.

On April 17, 2004, a joint venture heads of agreement was entered into between Kukama Mining and Exploration (Pty) Ltd. and De Beers for seven prospecting licenses in the Orapa area, including PL 13/2000 and AK6. A twelve-month work program was carried out per the agreement, which resulted in the signing of a formal joint venture agreement on October 20, 2004 and the incorporation of Boteti Mining (Pty) Ltd. ("Boteti"), later renamed Lucara Botswana. ML 2008/6L was issued effective from October 28, 2008.

Lucara purchased a 70.268% interest in Lucara Botswana from De Beers in November 2009 for US\$49 million. Government approval which, under the Mines and Minerals Act Section 50, was a condition precedent for this transaction, was given on December 18, 2009. In April 2010, African Diamonds Limited ("African Diamonds") exercised its option to increase its interest by 10.268% at a cost of US\$7.3 million. In addition, African Diamonds acquired Wati Ventures and its interest of 1.351% to bring their total shareholding in Boteti up to 40%. On December 20, 2010, Lucara secured a 100% interest in the AK6 Project pursuant to an arrangement which combined the Company with African Diamonds under a British court-approved scheme of arrangement.

In November 2010, a plan was approved for the construction of the Karowe Mine with full commissioning targeted for early 2012. In December 2011, the AK6 Project was renamed the Karowe Mine and construction of the mine was substantively completed by the end of March 2012. The first production diamonds were recovered in April. The commencement of full commercial production at the Karowe Mine was declared as of July 1, 2012 and by August 2012 the mine had ramped up to full production.

Since the onset of commercial production to the end of Q2 2019, the Karowe Mine had produced 2.7 million carats from 17 Mt of processed Kimberlite and had sold via tender a total of 2.55 million carats for a total of US\$1.5 billion.

Geological Settings, Mineralization and Deposit Types

Local and Regional Geology

The Karowe Mine is exploiting the AK6 Kimberlite which forms part of the Orapa Kimberlite Field (the “OKF”) in the Central District of Botswana. The OKF includes at least 83 Kimberlite bodies of post-Karoo age. Three of these, including AK6, have been or are currently being mined and four are potential economic deposits.

The country rock at the Karowe Mine is sub-outcropping flood basalt of the Stormberg Lava Group, underlain by a condensed sequence of Upper Carboniferous to Triassic sedimentary rocks of the Karoo Supergroup, below which is the granitic basement. The Jurassic (180 Ma) basalts, which are very extensive and underlie much of central Botswana, lie unconformably on the sedimentary succession but are stratigraphically part of the Karoo Supergroup. The bedrock of the region is covered by a thin veneer of wind-blown Kalahari sand and exposure is very poor. Rocks close to surface are typically extensively calcretized and silcretized due to prolonged exposure on a late Tertiary erosion surface (the African Surface) which approximates to the present-day land surface.

There are few outcrops in the Letlhakane area, as the bedrock is concealed by several metres of aeolian sand of the Kalahari Group, reflecting the area’s position on the edge of the Tertiary Kalahari Basin. To the south and west of the Orapa Kimberlite Field, the bedrock may be overlain by up to 40 m of Kalahari Group sediments.

The OKF lies on the northern edge of the Central Kalahari Karoo Basin along which the Karoo succession dips very gently to the SSW and off-laps against the Precambrian rocks which occur at shallow depth, although they are seldom exposed, within the Makgadikgadi Depression. The Karoo succession is condensed, with a total thickness of around 600 m, and is best preserved in WNW-ESE oriented grabens. The large AK1 kimberlite lies within such a graben.

Property Geology

Drilling has shown country rock succession at the property. The volcanic and sedimentary units are almost flat lying.

Kimberlite Geology

AK6 is a roughly north-south elongate kimberlite body with a near surface expression of approximately 3.3 ha and a maximum area of approximately 8 ha at approximately 120 m below surface. Those body comprises three geologically distinct, coalescing pipes known as the North, Centre and South Lobes that taper with depth into discrete roots.

The nature of the Kimberlite differs between each lobe, with distinctions apparent in the textural characteristics, relative proportion of internal country rock dilution, and degree or extent of weathering and alteration. The North and Centre Lobes exhibit significant textural complexity (reflected in apparent variations in degree of fragmentation and proportions of internal country rock xenoliths) whereas the bulk of the South Lobe is more massive and internally homogenous.

Kimberlite material has been grouped into mappable units based on geological characteristics and interpreted grade potential, including separation of internal portions of the pipe with very high country rock xenolith dilution (historically referred to as breccias). This was based on extensive drill core logging supported by petrographic studies of representative samples, analysis and interpretation of groundmass spinel composition and whole rock geochemical analysis. The geology of the AK6 Kimberlite has been deduced from geophysics, drilling and trenching.

Mineralization and Deposit Types

The property includes the AK6 Kimberlite pipe which is demonstrably diamond bearing. Diamonds are xenocrysts within kimberlite as they are primarily formed and preserved in the deep lithospheric mantle (depths > ~150 km), generally hundreds of millions to billions of years before the emplacement of their kimberlite hosts. The diamonds are “sampled” by the kimberlite magma and transported to surface together with the other mantle-derived minerals

described above. In general, diamonds can vary significantly within and between different kimberlite deposits in terms of total concentration, particle size distribution and physical characteristics (e.g. colour, shape, clarity and surface features). The value of each diamond, and hence the overall average value of any given diamond population, is governed by the size and physical characteristics of the stones.

Exploration

Early evaluation and advanced exploration work done on the AK6 Kimberlite from 2003 until 2008 is summarized in the Karowe Technical Report. All advanced exploration work was carried out by De Beers, the previous operator, and Boteti (now, Lucara Botswana).

In 2016 and 2017, two core drilling programs were conducted on the AK6 Kimberlite by Lucara Botswana. The combined 12,272 m drilled provided additional pierce points and geological information for the deeper portion of the South Lobe.

In 2018 and 2019, a combined geotechnical and delineation drill program was conducted by Lucara Botswana with 35 drill holes for a total metres drilled of approximately 22,000 m. Some drilling was specific to the country rock and several holes were designed to test the South Lobe geotechnical purpose with two holes specifically designed to test the South Lobe at depths below 400 masl.

Drilling

Beginning in late 2003, extensive drilling works were undertaken on the AK6 Kimberlite. The drilling can be assigned to three main categories: (i) core drilling to delineate the extent of the Kimberlite and to map its internal geology and density; (ii) LDD to obtain large Kimberlite samples to support estimates of diamond grade and value; and (iii) pilot core drilling adjacent to LDD holes to confirm the geology and kimberlite units sampled.

Two drill programs were completed in 2017 to support further evaluation of the deeper portion of the South Lobe between 400 and 600 masl and to provide geotechnical information on host rock stratigraphy and physical properties. A total of 12,272 m were completed from 15 drill holes. For certain holes survey of azimuth and dip could not be completed (5 holes) to the base of the hole due to hole collapse and compression. Survey of azimuth and dip also produced highly irregular results in 2 holes. These drill holes with unreliable survey data were not used to support geological modelling.

During 2018 and 2019, a total of 37 core holes were drilling for geotechnical and delineation purposes. The drilling provided geological information below 400 masl within the South Lobe to support further evaluation and geotechnical data in connection with the Underground Project. Drilling was also conducted to provide geotechnical information on host rock stratigraphy and geotechnical data on potential underground infrastructure.

Sampling, Analysis and Data Verification

Sample material recovered from drilling from LDD holes by De Beers during the periods from 2003 to 2007 was de-slimed to +1.0 mm at the drill using a vibrating screen. The sample was collected from the screen in cubic meter sample bags, under the supervision of a geologist. It was then transported to DMS plant at the De Beers Lethlhakane camp by truck, also under the charge of a geologist. At the camp, the responsibility for the samples was passed to the processing plant foreman.

All petrography samples collected in 2017 and 2019 were labelled with the drill hole number, depth and way-up direction by Boteti or Lucara Botswana geologists. Petrography samples were shipped to Vancouver Petrographics Ltd. (2017) and Precision Petrographics Ltd. (2019) for processing under the 'dry' petrographic sample preparation method. All bulk density sample processing in 2017 was carried out on site by Boteti geologists. Sample masses were recorded at an on-site laboratory and sample volumes were determined by a water-immersion method. No preparation of microdiamond samples collected in 2017 or 2019 was carried out on site. Samples of whole core were collected, securely bagged and packaged into 20 L drums for shipping to the Saskatchewan Research Council (the

“SRC”) Geoanalytical Laboratory in Saskatoon, Canada, which uses a systematic quality control system. Sample drums were sealed with security tags prior to shipping and were verified by the SRC upon receipt.

In 2013, the Karowe Mine plant process was reviewed and quality assurance/quality control procedures in place were considered to be within or better than industry standards. Quality control checks are in place for all plant processes, including (but not limited to): weekly belt cut testing and calibration of weightometers; weekly tracer testing of DMS cut point and recovery X-ray efficiency; daily particular size distribution granulometry studies at key points in the process stream; and regular data capture and monitoring of process related information at hourly, daily and weekly levels as required.

Recent (2018/2019) drill holes were surveyed by one or more magnetic-based, inertial or north seeking gyroscope tools for use in a geological model update to estimate Mineral Resources in connection with the Underground Project. SRK examined original and reviewed datasets following comprehensive quality assurance and quality control by Lucara. The data verification methods used are considered by SRK to be appropriate and consistent with industry best practice. After their review, SRK concluded that the data produced was comprehensive, reliable and suitable for use in the generation of a geological model of appropriate confidence.

Mineral Processing and Metallurgical Testing

The Karowe processing plant has been treating unweathered South Lobe ore since 2015 and mineral processing characteristics are very well understood. The FS conducted two confirmatory tests to verify compatibility of the ore at depth in the current processing plant.

A comminution test program was conducted to test the milling characteristics of the South Lobe material below the open pit to determine if the mill is suitable for deeper ore. The comminution results were evaluated by Alex G. Doll Consulting Ltd. to determine if the material planned to be mined is different from the current material being treated in existing facilities. The samples tested are amendable to milling in the existing process plant.

The second test involved testing of XRT machines and associated software to determine their ability to differentiate between diamonds, coal, carbonaceous shale and other waste rock. to test the ability of the Tomra XRT technology’s ability to differentiate, and therefore separate, coal, carbonaceous shale and other host rock lithologies from diamonds, samples of South Lobe kimberlite and waste host rock were sampled and shipped to Tomra’s laboratory in Germany. The results of the tests determined that the coal and carbonaceous shales, as well as all other host waste rock lithologies could be identified and separated by the XRT machines from the diamonds and that the current Tomra system at the mine is suitable for the proposed UG ore. For more information regarding the mining method selected for the Underground Project, please see the subheading “*Mining Operations*” contained in this Section 4.2.1 of this AIF.

Mineral Resource and Reserve Estimates

The 2019 Mineral Resource update for the Karowe Mine incorporates historical drilling and sampling data obtained prior to 2018 and additional drilling and sampling information obtained in 2018 and 2019 which targeted the delineation of the deep extension of the South Lobe (deeper than approximately 600 m from surface). The 2019 update also includes geological information and production data derived from open pit mining to the end of June 2019. Historic and current geological data was used to develop an updated internal geology model for the South Lobe and updates to the external contacts for the South, Centre and North Lobes.

The internal geology of the South Lobe is comprised of two dominant domains, identified as the M/PK(S) and EM/PK(S) domains. A single diamond size frequency distribution (“SFD”) and diamond value model was used prior to 2019 to evaluate the South Lobe. Incremental open pit production of EM/PK(S) material was initiated in early 2018 and sufficient data has since been amassed so that distinct SFD and diamond value distribution models are now defined for both the M/PK(S) and EM/PK(S) domains in the 2019 Mineral Resource update.

The 2019 mineral resources for the Karowe Mine have been classified as either Indicated or Inferred Mineral Resources, according to CIM Guidelines. Mineral Resources reported are inclusive of those portions of the Mineral Resources that have been converted to Mineral Reserves.

Mineral Resources

| Karowe 2019 Mineral Resource Statement (effective date of July 1, 2019) | | | | |
|--|------------------|--------------------|----------------------|---------------------|
| Classification | Resource | Tonnes (Mt) | Carats (Mcts) | Grade (cpht) |
| Indicated | South – M/PK(S) | 27.81 | 3.01 | 10.8 |
| | South – EM/PK(S) | 22.10 | 4.68 | 21.2 |
| | Centre | 3.28 | 0.50 | 15.1 |
| | North | 1.08 | 0.13 | 11.8 |
| Total Indicated | | 54.27 | 8.32 | 15.3 |
| Inferred | South – M/PK(S) | 0.31 | 0.03 | 10.5 |
| | South – EM/PK(S) | 4.18 | 0.87 | 20.9 |
| | South – KIMB3 | 0.94 | 0.10 | 10.9 |
| Total Inferred | | 5.42 | 1.01 | 18.6 |

Notes:

1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect accuracy of estimate. Base of Indicated is 250masl, base of Inferred is 66masl.
2. Mineral Resources are in-situ Mineral Resources and are inclusive of in-situ Mineral Reserves.
3. Mineral Resources are exclusive of all mine stockpile material.
4. Mineral Resources are quoted above a +1.25 mm bottom cut-off and have been factored to account for diamond losses within the smaller sieve classes expected within the current configuration of the Karowe Mine process plant.
5. Inferred Mineral Resources are estimated on the basis of limited geological evidence and sampling, sufficient to imply but not verify geological grade and continuity. They have a lower level of confidence than that applied to an Indicated Mineral Resource and cannot be directly converted into a Mineral Reserve.
6. Average diamond value estimates are based on 2019 diamond sales data provided by the Company.
7. Mineral Resources have been estimated with no allowance for mining dilution and mining recovery.

A mine plan has been developed to extract the economic portions of Indicated Mineral Resources of the Karowe Project. The South Lobe is planned to be mined through a combination of open pit and underground mining methods. The North and Centre Lobes are planned for extraction by open pit mining methods only. All Mineral Reserves in the table that follows are classified as Probable Mineral Reserves. The Qualified Person preparing the Mineral Reserve Estimate, Gord Doerksen, P. Eng., did not identify any extraordinary risk, including legal, political or environmental that would materially affect potential Mineral Reserves development.

Mineral Reserves

| Karowe Mine Mineral Reserve Estimate (effective date of September 26, 2019) | | | | |
|---|------------------|-------------|-------------------|--------------|
| Lobe | Reserve Category | Ore (Mt) | Carats ('000s ct) | Grade (cpht) |
| Open Pit | | | | |
| North | Probable | 0.6 | 56 | 10.0 |
| Centre | Probable | 3.2 | 478 | 15.1 |
| South – EM/PK(S) | Probable | 3.6 | 850 | 23.9 |
| South – M/PK(S) | Probable | 10.2 | 1,098 | 10.8 |
| Open Pit | Total | 17.4 | 2,481 | 14.2 |
| Underground | | | | |
| South – EM/PK(S) | Probable | 16.3 | 3,246 | 19.9 |
| South – M/PK(S) | Probable | 17.1 | 1,807 | 10.6 |
| Underground | Total | 33.5 | 5,053 | 15.1 |
| Stockpiles | | | | |
| North | Probable | 0.4 | 51 | 12.7 |
| Centre | Probable | 0.4 | 54 | 12.8 |
| South – M/PK(S) | Probable | 1.6 | 151 | 9.5 |
| Mixed | Probable | 4.0 | 198 | 5.0 |
| Stockpile | Total | 6.4 | 454 | 7.1 |
| Combined | | | | |
| All | Total | 57.3 | 7,988 | 13.9 |

Notes:

1. Prepared by Gord Doerksen, P. Eng., JDS Energy & Mining Inc.
2. CIM Guidelines were followed for Mineral Reserves
3. Mineral Reserves are estimated based on an UG mining cost of US\$9/t, a processing cost of US\$16/t and a G&A cost of US\$6/t. Process recovery of the diamonds was assumed to be 100% as the recoveries were included in the mineral resource block model assumptions and therefore have taken recoveries into account. All of the kimberlite material in the South Lobe is above the cut-off value. Base of Probable is 310 masl.
4. Diamond valuation was derived from historical sales adjusted for current and estimated future values.
5. Tonnages are rounded to the nearest 100,000 tonnes; diamond grades are rounded to one decimal place. Tonnage and grade measurements are in metric units; contained diamonds are reported as thousands of carats.
6. All numbers have been rounded to reflect accuracy of estimate.

For additional details on the extent to which the Mineral Resources and Mineral Reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues, please see the section titled “*Risks and Uncertainties*” contained in this AIF.

Mining Operations

The Karowe Mine is an existing open pit operation which has been in production since 2012. Conventional open pit drill and blast mining with diesel excavators and trucks provide an average annual 2.6 Mt of Kimberlite feed to the mill. The open pit mine operation is expected to terminate mid-2025 at an elevation of approximately 700 masl.

There are substantial resources remaining below the economic extents of the open pit that may be extracted by underground mine methods. Each of the North, Centre and South Lobes are outcropping, dip vertically and vary in diameter and depth. The South Lobe is the largest of the three and its indicated resources extend approximately 950 mbs (from 1,010 masl to 66 masl). The North and Centre Lobes extend below the planned open pit limit but have

been excluded from the Underground Project. The geologic features of the South Lobe drive several mine plan design decisions which focus on accessing the deeper, higher-value resource early in the underground mine life.

The Underground Project, a 7,200 t/d shaft operation utilizing an LHS mining method, is proposed to provide an additional 13 years of mine life to the Karowe Mine after a five-year construction period commencing in 2020. The LHS method is planned to systematically drill and blast the entire lobe on a vertical retreat basis. The method can be thought of conceptually as a fully assisted cave. In LHS, the blasted muck is left in the excavation during stoping to stabilize the host rock with only the swell extracted/pulled during the drill and blast phase. Mucking takes place from draw points at the bottom of the mine on the 310 Level (310 masl). As ore is blasted, it swells beyond its in-situ volume, and this volume is mucked/pulled from the draw points to maintain a blasting void within the excavation. Once the ore is fully blasted to the bottom of the open pit, the South Lobe is drawn empty by mucking the draw points.

Processing and Recovery Operations

The initial processing plant constructed in 2012 was a simple circuit designed to process and recover diamonds from the weathered near surface ore which constitutes the upper 70 m of the AK6 orebody. The fresher ore at depth is significantly harder than the weathered ore already processed. In addition, the more competent unweathered ore has a higher density, which results in a higher DMS yield to the recovery plant.

The Karowe Mine was upgraded in 2015 with the inclusion of XRT machines installed ahead of the DMS in order to protect and enhance recovery of large diamonds and process high DMS yielding ore. With implementation of the XRT circuits there is no constraint on ore feed on the basis of DMS yield. This upgrade included the construction and commissioning of a new secondary crusher, XRT sizing and XRT diamond recovery circuits. Further upgrades were made to enhance comminution performance to maintain design and minimize recovery yields when treating fresh, dense, kimberlite. In 2017, the mega diamond recovery project was completed, which included adding XRT sorting technology. The objective of this project was to sterilize the feed of liberated diamonds above 50 mm by adding a recovery step prior to the main milling circuit.

Infrastructure, Permitting and Compliance Activities

The Underground Project will include the use of existing and new infrastructure at the Karowe Mine. Project infrastructure is designed to support the operation of a 2.6 Mt/a mine and a 2.7 Mt/a processing plant. The Underground Project will make use of existing infrastructure including the processing plant, site access road, airstrip, pit dewatering pipeline, maintenance facility and bulk fuel storage.

The site layout for the Underground Project was designed to minimize additional land disturbance, minimize impact on existing operations during construction, provide security-controlled site access, minimize construction costs and optimize operational efficiency. Existing infrastructure will be utilized to the maximum extent possible but will be expanded or upgraded to include a potable water plant, a sewage treatment facility, site substation and power distribution, a coarse residue facility and a fine residue storage facility.

New surface infrastructure will be required to support the Underground Project during development and production. This infrastructure includes, but is not limited to, a new power supply line feeding the project site, underground surface substation and power distribution from the existing site substation, a camp complex to support the construction workforce, temporary power supply to support construction, a change house for underground personnel, infrastructure pads and roadways, a surface sediment pond for managing underground dewatering, and buildings and facilities to support the operation, including an underground office complex.

ML2008/6L was approved by the Botswana Department of Environmental Affairs. An EIA and EMP were submitted and approved in 2008 and 2010, respectively. The mine was commissioned in October 2011 with the commissioning of the processing facilities commencing in April 2012. The initial EIA was granted with conditions, all of which the Karowe Mine, in the opinion of previous Qualified Persons evaluating the operation, met or continues to meet. The site continues to operate under this licence and meet all conditions set out in the EIA and EMP. The EMP was updated

in 2013 and again in 2016 to comply with the requirements of Botswana's evolving environmental legislation, notably the *Environmental Assessment Act of 2011 (Botswana)* and to assess the activities and associated impacts of the expansion of the process plant and the Bulk Sample Plant.

The 2016 EMP update set out mitigation measures and impact management and monitoring activities that the mine should undertake to maintain compliance with the EMA during the operational, and later the closure, phase of the project. Lucara Botswana continues to monitor the following in relation to the Karowe Mine:

- Air quality (dust);
- Groundwater quality;
- Surface water and storm water control infrastructure;
- Waste management; and
- Environmental incidents.

As incidents occur, they are logged, addressed and closed out. Where monitoring results indicate the need for correction actions, these are developed and implemented over time.

The EMP is currently being updated and will be submitted for regulatory approval in early 2020 to address Underground Project. The approved EIA included a Social Impact Assessment ("SIA") and outlined specific engagement activities and tools for the Company's community relations personnel. The SIA highlighted that economic opportunities associated with the mine's operations and expansion as well as eventual closure are the primary concern for the majority of stakeholders. In order to continue to strengthen the engagement process, a stakeholder engagement plan was developed in 2019 which meets the IFC Performance Standards and includes a grievance resolution procedure.

A CSR programme has been developed and implemented with focus on entrepreneurship development and support, local community infrastructure, protection of vulnerable groups, and wildlife conservation. Lucara participates in CSR activities within the Letlhakane sub-district and these are driven by Lucara's CSR charter as set out in Section 4.3.2 below.

Capital and Operating Costs

(all amounts in U.S. Dollars unless otherwise stated)

Capital Costs

Sustaining capital and existing project expenditures are expected to be up to \$25.0 million in 2020, including expenditures associated with the construction of an additional slimes dam (a multi-year project), upgrades to the XRT recovery circuit and a provision for the implementation of body scanning technology to enhance security which had originally been planned for 2019, subject to receipt of the regulatory approval.

In addition, a budget of up to \$53 million has been approved for early works related to the Underground Project. An investment decision, subject to receipt of all required authorizations and the arrangement of financing, is expected in H2 2020. Following the positive results of a FS announced on November 4, 2019 and based on the Company's ability to fund these initial capital expenditures from operating cash flow, a program of early works, including detailed engineering and design work, has been approved to mitigate key risks related to schedule.

Total LOM capital costs are estimated to be \$722 million, including costs to develop the planned underground and current and future sustaining costs for the existing site and open pit operations. Pre-production capital costs associated with developing the underground mine amount to \$514 million. Sustaining capital costs during production years total \$208 million. Contingency for the project totals \$69 million. Closure costs amount to \$34 million and were assumed to occur in the two years immediately after plant closure.

| Summary of Capital Cost Estimate for LOM | | | |
|--|----------------------|--------------------------|--------------|
| Capital Costs | Pre-Production (M\$) | Sustaining/Closure (M\$) | Total* (M\$) |
| Mining | 321.7 | 38.1 | 359.8 |
| Bulk Earthworks | 18.8 | - | 18.8 |
| Process Plant | 0.1 | 87.9 | 88.0 |
| Fine and Coarse Residue Deposition | - | 30.7 | 30.7 |
| Onsite Infrastructure | 5.9 | - | 5.9 |
| Buildings & Facilities | 1.6 | - | 1.6 |
| Offsite Infrastructure | 19.6 | - | 19.6 |
| Project Indirects | 47.7 | - | 47.7 |
| Owner's Costs | 46.9 | 34.0 | 80.9 |
| Subtotal | 462.1 | 190.7 | 652.9 |
| Contingency | 51.4 | 17.8 | 69.2 |
| Total Capital Costs | 513.7 | 208.5 | 722.2 |

*Numbers may not add due to rounding.

Operating Costs

The Karowe Mine's 2020 estimated Open Pit cash cost per tonne of ore processed is expected to be between \$32.00 and \$36.00, including waste mining. The average strip ratio in 2020 is forecasted to be approximately 1.0. The cost per tonne mined is expected to be between \$4.40 and \$4.90 and the estimated processing cost per tonne processed is expected to be between \$11.50 and \$12.50, mostly offsetting the increase in cost per tonne mined which results from higher rates from the mining contractor appointed in mid-2018.

Exchange Rate Forecast for 2020 Capital and Operating Costs

The capital and operating costs for 2020 have been forecast using foreign exchange rates of BWP10.60:US\$1.00 and ZAR14.00:US\$1.00, where applicable.

Tax Rate Forecast 2020

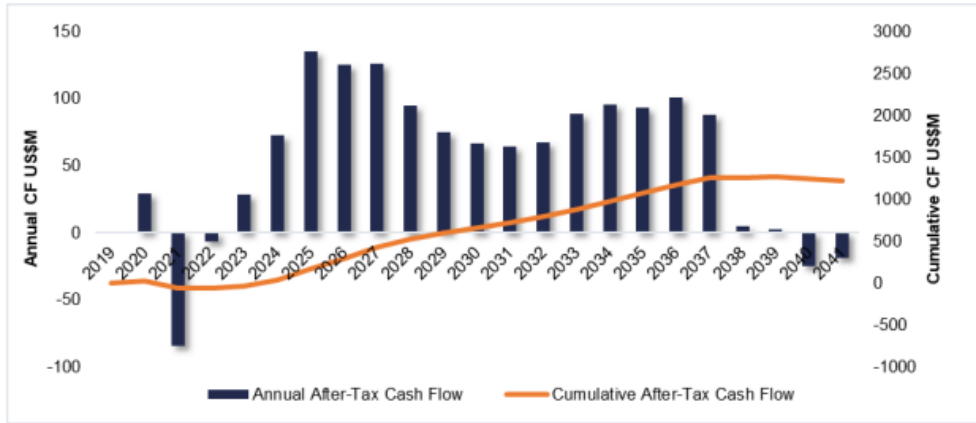
Lucara Botswana's progressive income tax rate computation allows for the immediate deduction of operating costs, including capital expenditures in the year they are incurred. Lucara Botswana's income tax rate was 22% in 2019. Based on 2020 revenue guidance of \$180-\$210 million, the expected tax rate is 22% for 2020 but could decrease depending on the amount and timing of capital expenditures during the year.

Economic Analysis

An economic model was developed to estimate annual cash flows and sensitivities of the Underground Project, analysing a combined underground and open pit LOM scenario. The Karowe Mine LOM, including the development of the Underground Project, was found to be economically viable with an after-tax net present value using an 8% discount rate of \$532 million, based on baseline diamond prices.

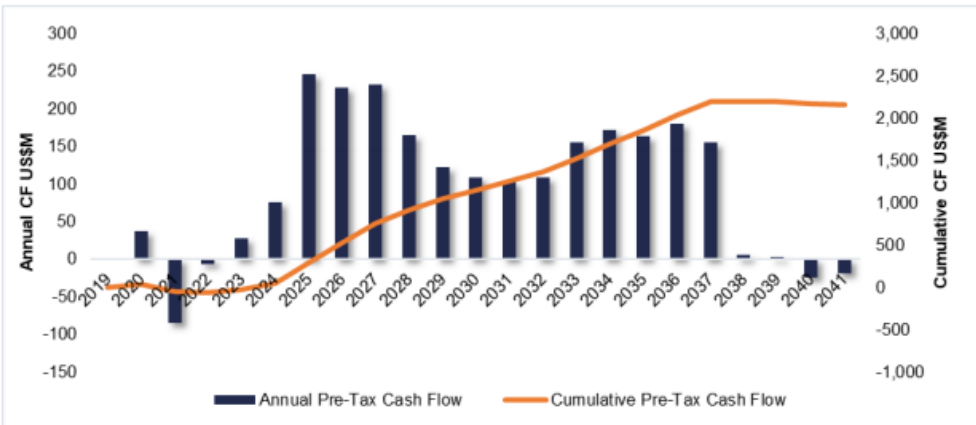
The graphs immediately below summarize the projected cash flows of the Underground Project pre-tax and after-tax.

After-Tax Cash Flows



Source: JDS (2019)

Pre-Tax Cash Flows



Source: JDS (2019)

The chart immediately below summarizes the economic results of the Underground Project. The after-tax break-even average diamond price is approximately US\$414/carats, based on the LOM plan presented in the technical report. This is the diamond price at which the Project NPV8% discount rate is zero. The life of mine all-in sustaining cost (AISC) is US\$397/ct. The straight AISC cost is calculated by adding the sales & corporate, royalty, operating, and capital and closure costs together and dividing by the total payable carats.

The LOM economic model does not calculate a meaningful Internal Rate of Return (IRR), as capital costs are partially offset by operating revenue during the years they are incurred. An underground specific economic model was developed to evaluate the incremental value provided by the development of the project. In the underground only evaluation, the Project showed pre- and after-tax IRR's of 20.8% and 16.0% respectively.

| LOM Economic Results | | | |
|-----------------------------|------------------|------------------------|-------------------------|
| Parameter | Unit | Pre-Tax Results | Post-Tax Results |
| NPV _{0%} | US\$M | 2,156.7 | 1,220.4 |
| NPV _{8%} | US\$M | 945.3 | 535.4 |
| IRR | % | N/A | N/A |
| Payback period | Production years | 2.8 | 2.8 |

Exploration, Development and Production

The overall development period for the Underground Project is estimated to be five years from the start of detailed engineering to the underground reaching over 60% production capacity. Activities completed in 2020 will include detailed engineering and permitting, site preparation, camp development and surface infrastructure construction, implementation of the grout curtain and the completion of the pre-sink for both shafts. Work will continue to ramp up in 2021 as the sinking of the shaft progresses, dewatering activities progress and the powerline is constructed. The shaft sinking will reach the extraction level at the end of 2022, when lateral development will begin. Level development will be complete mid-2024 and production will start to ramp up in Q4 2024, with the underground reaching full production in Q1 2025.

4.2.2 PROSPECTING LICENSES – BOTSWANA

Lucara’s wholly owned subsidiary, Lucara Botswana, holds a precious stone prospecting license, the AK11/13/24 license (PL371/19, 25km²), within the OKF in close proximity to its Karowe Mine.

PL371/19 (Block E) is 25km² in area and located immediately to the south and east of Debswana’s Orapa Mine lease and approximately 15km to the north of Lucara’s Karowe Mine. The prospecting license holds 5 known Kimberlite occurrences (AK11, 12, 13, 14, and 24).

The Company relinquished the prospecting license at the end of Q3 2019.

4.3 SOCIAL AND ENVIRONMENTAL POLICIES

Lucara is committed to conducting its business responsibly and in a manner designed to protect its employees, adjacent communities and the natural environment. This commitment is evident in both the Company’s Corporate and Social Responsibility Charter, the Responsible Mining Policy that it has adopted and the Company’s Environmental Policy, which are included as Schedules to this AIF. These documents are fundamental to Lucara’s business and have been approved by the Board. Compliance is monitored by the SHECR. Consistent with its Corporate and Social Responsibility Charter, the Company has initiated projects with local communities in Botswana. Partnering with the Lundin Foundation, the objective of these programs is to assist these communities by generating wealth and employment needed to alleviate poverty on a sustained basis. SHECR planning is part of the Company’s business planning processes and the potential effects of activities on the environment and on local communities are integrated into operational decisions and processes.

The RJC is a not-for-profit standards setting organization, which defines responsible ethical, human rights, social and environmental practices for businesses in the jewellery supply chain via a Code of Practices. In 2017 Lucara was independently audited against the RJC Code of Practices and received its RJC member certification. Further information on the RJC and its Code of Practices can be found at www.responsiblejewellery.com.

On an annual basis, the Company publishes a Sustainability Report for its stakeholders which is structured in accordance with the Global Reporting Initiative’s fourth generation guidelines (GRI-G4) and underlines the

Company's desire to operate transparently with regard to social and environmental matters. A copy of Lucara's current Sustainability Report can be viewed at the Company's website at www.lucaradiamond.com.

ITEM 5 RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties, including but not limited to those listed below. If any of the events described below actually occur, Lucara's operations could be materially and adversely affected. There are also additional risks and uncertainties that are currently not known to the Company or that the Company currently views as immaterial that may also materially and adversely affect the business.

Diamond Prices and Marketability

The diamond industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of rough diamonds recovered. The value of the Company's shares, its financial results and its mining activities are significantly affected by the price and marketability of diamonds. Numerous factors beyond the control of the Company may affect the price and marketability of any diamonds produced which cannot be accurately predicted, such as: international economic and political trends; global or regional consumption; demand and supply patterns; availability of capital for manufacturers; increased production of other diamond producers, especially due to the small concentration of producers in the market; and increased competition from the sale of synthetic diamonds as described below. There is no assurance that the sale price of diamonds produced from any diamond deposit will be such that they can be mined at a profit.

Loss of Diamond Value

The Company is exposed to the risk of value loss from both theft and diamond breakage. While the Company has implemented security measures to reduce the risk of loss from theft, it is not possible to mitigate this risk entirely. Loss of value also occurs from damage to diamonds through the recovery process. The Company evaluates observed diamond damage and will make adjustments to the processing plant in an effort to reduce the risk of future damage, particularly to large, potentially high-value diamonds.

Novel Coronavirus

Early in 2020, the novel coronavirus (COVID-19) was identified and has spread globally. The spread of this virus has negatively impacted global markets, in particular the Chinese market. The Chinese market is a significant source of global demand for luxury commodities, which includes jewelry containing diamonds. A sustained slowdown in China's growth or demand, or a significant slowdown in other markets such as the United States, could have an adverse effect on the price and/or demand for our rough diamonds.

In addition, efforts to contain COVID-19, including restrictions on travel and other advisories, if significant and prolonged, may have a negative impact on costs, operations, diamond prices or demand in global markets and potentially broader impacts on the global economy. The Company's diamonds are predominantly sold through a tender process in which clients travel to Botswana to view the goods. These restrictions may have a negative impact on competition for the Company's goods sold through tender.

The current outbreak of COVID-19, and any future emergence and spread of similar pathogens, could have an adverse impact on global economic conditions which may adversely impact the Company's operations, and the operations of the Company's suppliers, contractors and service providers and may negatively impact future fiscal periods in the event of prolonged disruptions associated with the outbreak. Additionally, as a result of the current outbreak of COVID-19, jurisdictions in which the Company operates and distributes may restrict non-essential business interrupting retail operations worldwide and ceasing certain operations. Further, it is also possible that the transportation of diamonds may be subjected to delays or other constraints in relation to the COVID-19 crisis. The impact of COVID-19 on the Company is uncertain.

The ongoing developments with travel restrictions related to COVID-19 may impact Lucara's ability to complete tenders within Botswana for a period of time. Given the fast-changing response of governments to the COVID-19 pandemic, it is difficult to predict whether the currently scheduled tenders will occur in Botswana as planned, may be permitted to be held outside the country or if they will need to be deferred. Any inability to sell the diamonds produced, resulting from a lack of demand, the inability to conduct a sale or some other factor(s), will have a negative impact on Lucara's financial results and our ability to operate in accordance with the 2020 budget and operating plan.

Dependence on Single Mine

While the Company has commercialized the Clara Platform, while it grows to become a more significant business unit, it is currently solely dependent upon the Karowe Mine in Botswana for its revenue and profits.

Mining and Processing

The Company's mining operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water, power, surface conditions, pit stability problems, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, weather conditions which can materially and adversely affect among other things: production quantities and rates, development, costs and expenditures and production commencement dates.

The Company periodically reviews its LOM planning. Significant changes in the LOM plans can occur as a result of experience obtained in the course of carrying out its mining activities, changes in mining methods and rates, process changes, investments in new equipment and technology, diamond price assumptions and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment may be required to write down the carrying value of its mine or development property. This process continues for the economic life of the mines in which the Company has an interest.

The Company relies on the use of external contractors to manage its mining, blasting and processing activities at its Karowe Mine. If there is a dispute with such contractors, the Company's operations could be materially impacted.

Unionization of Workforce

In 2019, the Union, formed pursuant to Section 48 of the *Trade Unions & Employers' Organizations' Act* (Botswana), and management negotiated an initial two-year collective agreement, expiring in March 2021. As a result of any potential labour agreement, the Company may incur increased costs for human resources with a corresponding reduction in profitability and potential impact to operations. When a collective agreement expires, labour disruption, including work stoppage may occur as part of the Union's or the Company's bargaining tactics. Such stoppages may have a material adverse effect on the Company's results from operations due to disruption of the Company's business.

Licenses, Permits and Approvals

The Company's mining operations require licenses, permits and approvals from various governmental authorities. As noted above, the Company is in possession of a mining license for the Karowe Mine. The Company believes that it currently holds and is presently complying in all material respects with all licenses and permits that are required under applicable laws and regulations to conduct its current operations including compliance with the terms of its key mining license. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. More specifically, the Karowe mining license is due to expire in October 2023. Additional licenses, permits or license/permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these licenses and permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval

and permitting or licensing processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn.

There can be no guarantee the Company will be able to obtain or maintain all the necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain Karowe's operations that economically justify the cost.

Infrastructure

The Karowe Mine is located in a remote mining area in Botswana and the availability of adequate infrastructure is critical. Reliable roads, bridges, power and water supply are important determinants which affect capital and operating costs and the ability to execute planned production. Power shortages have been experienced in Botswana which increase the infrastructure risk. Infrastructure failures as well as sabotage, government or other interference in the maintenance of provision of such infrastructure and/or the consumption of infrastructure resources, such as power and water, by other mines in proximity to the Karowe Mine could adversely affect activities and profitability of the Company.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future charges in environmental regulation will not adversely affect the Company's mining operations. As well, environmental hazards may exist on a property that the Company holds an interest in, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present.

Operations at the Company's Karowe Mine are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls and health and safety. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Climate Change

In Botswana, climate change could affect rainfall patterns, soil erosion and groundwater recharge. Climate change may have an adverse effect on our operations or on the demand for our products. Botswana already has a challenging climate with risks to agricultural production, food security and water availability. Extreme weather events have the potential to disrupt operations at the Company's Karowe Mine. Water availability is crucial to operation of the process plant; extreme periods of rain can cause difficulty extracting ore from the mine.

As part of the December 2015 Paris Agreement to combat Climate Change, Botswana communicated its intent to achieve an overall emissions reduction of 15 percent by 2030, using 2010 as the base year. Botswana also communicated it would be targeting mainly the energy and transport sectors for mitigation of greenhouse gas emission reductions. Projected effects of climate change in Botswana and its government's policy responses are not expected to materially impact Lucara Botswana's operations in the near to medium term. We will continue to monitor the emerging renewable energy landscape in Botswana as it may provide opportunities to reduce our greenhouse gas emissions footprint.

Although we make efforts to anticipate potential costs associated with climate change to mitigate the physical risks of climate change, and work with governments to influence regulatory requirements regarding climate change, there can be no assurances that these efforts will be effective or that climate change or associated governmental action will not have an adverse impact on our operations and therefore our profitability.

Rehabilitation Funds and Mine Closure Costs

Changes in environmental laws and regulations can create uncertainty with regards to future rehabilitation costs and affect the funding requirements. Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Currency Risk

Currency fluctuations may impact the Company's financial performance. Diamonds are sold in US dollar with the Company's costs and expenses being incurred in Botswana Pula, South African Rand, Canadian, U.S. dollar currencies and Great Britain Pounds Sterling. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction. Hedging activities taken by the Company may decrease the currency risk but positive currency returns will be foregone.

Foreign Operations Risk

The Company's current significant operation is located in Botswana. This country exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, restrictions on production, labor, price controls, environmental protection, land use, water use, health safety, currency remittance, and maintenance of mineral tenure and expropriation of property. For example, changes to regulations in Botswana relating to royalties, allowable production, importing and exporting of diamonds and environmental protection, may result in the Company not receiving an adequate return on investment capital.

Although the operating environment in Botswana is considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to expropriation, hostage taking, military repression, terrorism, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes in these countries may also adversely affect the Company's business. In addition, there may be greater exposure to a risk of corruption and bribery (including possible prosecution under the CFPO). Also, in the event of a dispute arising in foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts and may be hindered or prevented from enforcing its rights.

Intellectual Property Rights

The success of the Clara Platform depends, in part, upon the ability of the Company to protect its intellectual property rights. The steps the Company takes to protect intellectual property rights may be inadequate. In order to protect the Company's intellectual property rights, the Company may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of the Company's intellectual property. Furthermore, the Company's efforts to enforce intellectual property rights may be met with defenses, counterclaims and countersuits attacking validity and enforceability. The Company's failure to secure, protect and enforce its intellectual property rights could seriously harm its ability to successfully generate profitable operations from the Clara Platform.

Intellectual Property Infringement

Any number of entities and individuals may claim that the Clara Platform infringes their intellectual property rights. Any such assertion may result in litigation or may require the Company to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. In addition, such litigation could be disruptive to the Company's ability to generate revenue. Even if successful, any litigation regarding intellectual property could be costly and time-consuming and divert the attention of management and key personnel from core operations. Any of the foregoing could have a significant adverse effect on the business and operating results of the Company.

Uncertainties Related to Mineral Resource Estimates

There is a high degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, no assurance can be given to the actual quantity of mineral resources and grades. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a diamond project is complicated and involves a number of variables. It involves extensive geo-statistical analysis due to the highly variable nature of diamond distribution in kimberlite pipes and the fact that both diamond grade and average diamond value play important roles in determining the viability of any given diamond project. Since no two diamonds are exactly alike, a significant parcel of diamonds is needed to gain confidence levels on diamond size distribution and average diamond value necessary to make any realistic decisions regarding future development.

Synthetic Diamonds

Synthetic diamonds are diamonds that are laboratory grown as opposed to natural diamonds, which are created by geological processes. Synthetic diamonds are becoming a larger factor in the market and are being marketed by their producers as environmentally superior. Should synthetic diamonds be offered in significant quantities or consumers begin to readily embrace synthetic diamonds on a large scale, demand and prices for natural diamonds may be negatively affected.

Market Acceptance of the Clara Platform

The Clara Platform must achieve market acceptance in order for the Company to recoup its investment. The Clara Platform could fail to attain sufficient market acceptance from buyers and sellers of rough diamonds for many reasons, including, without limitation, the following:

- a failure to accurately respond to market supply and demand;
- defects, errors or failures in the platform;
- negative perception about the platform's performance or effectiveness;
- the introduction of competing products;
- failure to achieve positive pricing and matching results; or
- dissatisfaction from buyers with the rough diamonds purchased.

If the Clara Platform does not achieve adequate acceptance in the market, the Company's competitive position, revenue and operating results could be harmed.

Development and Maintenance of Clara Platform

The success of the Clara Platform will depend in part on the Company's ability to address technological developments. Technological advances in the industry may lead to changes in the Company's customers' requirements, and to remain competitive, the Company will need to continuously develop new or upgraded systems that address these evolving technologies.

If the Company is unsuccessful in identifying new technological opportunities in a timely or cost-effective manner, or if the Company's developments do not achieve the necessary market penetration or price levels to be profitable, the business and operating results of the Company could be adversely affected.

Taxes

The Company is subject to routine tax audits by various tax authorities and future audits may result in additional tax and interest payments. There is no assurance that future changes in taxes, or the interpretation of tax laws, in any of the countries in which the Company has a presence, including Canada, Botswana, and the United Kingdom, will

not adversely affect the Company's operations. Botswana is implementing transfer pricing tax regulations that may have an effect on the Company's ability to receive deductions for its expenses in certain jurisdictions in future.

Access to Capital and Indebtedness

To fund growth, and in difficult economic times, to ensure continued operations, we may need to secure the necessary capital through loans or other forms of permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company and our projects. The Company has a working capital facility of \$50 million which expires in May 2020. The working capital facility contains a number of restrictive covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in the Company's best interests. The Company has submitted a formal notice to its lender requesting an extension of the working capital facility. There can be no guarantee that the extension request will be granted, and should it not be granted, that other financing options will be available.

Financing may not be available when needed or, if available, may not be available on terms acceptable to us. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay or indefinite postponement of exploration, development or production on any or all of our properties.

The proposed underground expansion at Karowe has an estimated initial capital cost of \$514 million. The Company anticipates using a combination of cash flow from operations and external financing for this expansion project, subject to receipt of the required authorizations for construction and formal approval by the Lucara Board. In the event that the Company's operating cash flow is less than anticipated, the quantum of financing required will increase. There can be no guarantee that financing will be available when required to maintain the project expansion schedule. A significant delay in financing could result in a material delay in the project schedule and cost overruns.

Personnel

The Company is depending on a relatively small number of key senior management employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

In addition, due to the remoteness of the Company's Karowe Mine and its location in a country with a relatively small population, there is competition for personnel. The degree to which the Company is not successful in retaining and developing employees at its mine sites could lead to a lack of knowledge, skills and experience required to operate the mine effectively.

Conflicts of Interest

The Company's directors and officers serve as directors or officers or may be associated with other public companies or have significant shareholdings, in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transactions.

If a conflict of interest arises, directors and officers are subject to the Company's Code of Business Conduct and Ethics and applicable corporate legislation. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Share Price Volatility and Future Sales by Existing Shareholders

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance

that such fluctuations will not affect the price of the Company's securities. Also, subject to compliance with applicable securities laws, the Company's officers, directors, significant shareholders may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the Company's securities. The future sale of a substantial number of common shares by the Company's officers, directors, principal shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

Mineral Exploration and Development

The business of exploring for diamonds and mining is highly speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing diamond properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a diamond bearing deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

The Company is exploring the development of underground operations at its Karowe Mine. There is no assurance that this project will be pursued and a decision not to pursue may have a negative impact on the market price for the Company's securities. If the Underground Project is developed there is no assurance that the assumptions in the FS will be met nor the estimated development costs, expected start-up timing, expected exploration and development plans and/or expected production costs be achieved, projected net tax benefits are achieved or that the required regulatory approvals will be received.

Nature of Underground Mining

Particularly with underground mining operations, inherent risks include variations in rock structure and strength as they impact on mining method selection and performance, de-watering and water handling requirements, achieving the required crushed rock-fill strengths and unexpected local ground conditions. Hazards, such as unusual or unexpected rock formations, rock bursts, pressures, collapses, flooding or other conditions, may be encountered during mining. Such risks could result in personal injury or fatality; damage to or destruction of mining properties, processing facilities or equipment; environmental damage; delays; suspensions or permanent reductions in mining production; monetary losses; and possible legal liability.

Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial position. Unfavourable economic conditions could also increase the Company's financing costs, decrease estimated income from current and prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

Competition

The mining industry, especially in diamonds, is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. The Company continues to compete with a number of companies for the acquisition of mineral properties. The ability for the Company to replace or increase its mineral reserves and mineral resources in the future will depend on its ability to develop its present properties and also to select and acquire economic producing properties or prospects for diamond extraction.

Title Matters

Any changes in the laws of Botswana relating to mining could have a material adverse effect to the rights and title to the interests held in Botswana by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Community Relations

The Company's relationships with the communities close to its mining operations and other stakeholders are critical to ensure the future success of its existing operations and any future construction or development activities. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company's operations, or the mining industry generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

The Company has been and is actively engaged in certain community projects close to its mining operations to improve both local employment opportunities and local quality of life. Such projects may negatively impact the Company's relationships with such local communities if the projects fail to provide the expected benefits.

Uninsured Risks and Insurance Coverage

The mining business is subject to a number of risks and hazards that may not be insured including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability.

The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim. The Company maintains insurance for risks relating to the physical security of diamonds held as inventory or in transit. The amount of insurance is based on forecast value of inventory to be held at any one time. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Legal Proceedings

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicated with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurance that these matters will not have a material adverse effect on the Company's business.

In the event of a dispute involving the foreign operations of the Company, the Company may be subject to the exclusive jurisdiction of foreign courts. The Company's ability to enforce its rights or its potential exposure to the enforcement in Canada or locally of judgments from foreign courts could have an adverse effect on its future cash flows, earnings, results of operations and financial condition.

Compliance with Legislation, including ESTMA, and Public Company Obligations

The Company, headquartered in Vancouver, Canada and its Botswana mining operations are subject to various laws and regulations in Canada and in Botswana. These laws include compliance with the *Extractive Sector Transparency Measures Act*, which requires companies to report annually on payments made to all levels of governments both in Canada and abroad. The Company is also required to comply with anti-corruption and anti-bribery laws, including the CFPO, as well as similar laws in Botswana. In addition, as a publicly traded company with listings on stock exchanges in Canada, Botswana and Sweden, the Company is subject to additional laws and regulations, compliance with which is both time consuming and costly. If the Company and/or its operations are subject to an enforcement action or are found to be in violation of any such laws, this may result in significant penalties, fines and/or sanctions which could have a material adverse effect on the Company, which could cause a significant decline in the Company's stock price.

The legal and regulatory requirements in Botswana are different from those in Canada. The Company relies, to a great extent, on the Company's local advisors in respect of legal, environmental compliance, banking, financing and tax matters in order to ensure compliance with material legal, regulatory and governmental developments as they pertain to and affect the Company's operations in Botswana. Despite these resources, the Company may fail to comply with a Botswana legal or regulatory requirement, which may lead to the revocation of certain rights or to penalties or fees and in enforcement actions thereunder.

Natural Disasters and Health Risks

The occurrence of one or more natural disasters such as a pandemic outbreak or unusually adverse weather conditions could disrupt mining operations and have a material adverse effect on the Company. Health risks such as HIV and AIDS are more prevalent in African countries, including Botswana, and therefore there is an increased risk to the Company's African operations.

Information Technology Systems and Cybersecurity

The Company's operations rely on secure information technology ("IT") systems. IT systems are depended upon to, process and record financial and operating data, assist in the sales process of rough diamonds including through the Clara Platform, manage diamond inventory, estimate resource and reserve quantities and to communicate with employees and third-party partners. In the event these IT systems are compromised there could be a material adverse impact on the Company.

The Company applies technical and process controls in line with industry-accepted standards to protect information, assets and systems; however, these controls may not adequately prevent cyber-security breaches. There is no assurance that the Company will not suffer losses associated with cyber-security breaches in the future, and may be required to expend significant additional resources to investigate, mitigate and remediate any potential vulnerabilities. Cybersecurity breaches or defects in hardware or software could result in a failure of IT systems which could translate into operational delays, loss of data, plus negative impacts on the effectiveness of the Company's internal controls and reputation.

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at the date of this AIF a total of 396,896,733 common shares were issued and outstanding. The holders of common shares of the Company are entitled to receive notice of and attend all meetings of shareholders with each common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of common shares are entitled to dividends if, as and when declared by the Board. The holders of common shares

are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

6.2 DIVIDENDS

In 2019, the Company declared three quarterly dividend payments of CDN\$0.025 per share for a total annual dividend payment of CDN\$0.075 per share. In 2018, the Company declared four dividend payments of CDN\$0.025 per share for a total annual dividend payment of CDN\$0.10 per share. In 2017, the Company declared four quarterly dividend payments of CDN\$0.025 per share for a total annual dividend payment of CDN\$0.10 per share.

Since the inception of a regular dividend payment in June 2014, a total of \$271.1 million (C\$348.8 million) has been returned to shareholders. Following the positive FS for development of an underground mine at Karowe in Q4 2019 and after careful consideration of the best use of the Company’s available cash, the Board of Directors has elected to suspend the quarterly dividend payment as of Q4 2019.

6.3 CONTINGENT SHARE PAYMENTS

In 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totalling 13.4 million shares become issuable upon the achievement of performance milestones related to total revenues (revenues from rough diamonds bought and sold) generated through the platform. Eira Thomas, the CEO and a current director of Lucara, and Catherine McLeod-Seltzer, a founder of Clara and a current director of Lucara, may be issued additional shares of Lucara pursuant to these contingent share payments, although no shares have been issued as of the date hereof. Further details are discussed in the section entitled "*Interest of Management and Others in Material Transactions*" in this document.

ITEM 7 MARKET FOR SECURITIES

7.1 EXCHANGE LISTING

Lucara’s common shares are traded under the symbol “LUC” in Canada on the TSX, in Botswana on the Botswana Stock Exchange and in Sweden on the Nasdaq Stockholm Exchange.

7.2 TRADING PRICE AND VOLUME

The following table provides information as to the monthly high and low trading prices and respective aggregate monthly volumes of the Common Shares traded on the TSX during 2019:

| Month | High (CDN\$) | Low (CDN\$) | Volume |
|-----------|--------------|-------------|------------|
| January | 1.67 | 1.40 | 7,600,756 |
| February | 1.87 | 1.60 | 10,180,880 |
| March | 1.73 | 1.54 | 20,025,971 |
| April | 1.76 | 1.50 | 2,410,349 |
| May | 1.66 | 1.40 | 3,835,764 |
| June | 1.63 | 1.47 | 3,523,420 |
| July | 1.59 | 1.48 | 3,206,346 |
| August | 1.52 | 1.04 | 6,015,055 |
| September | 1.20 | 1.04 | 2,149,341 |
| October | 1.18 | 1.02 | 3,680,360 |
| November | 1.10 | 0.81 | 4,837,363 |
| December | 0.91 | 0.78 | 10,885,480 |

7.3 PRIOR SALES

Except with respect to stock options issued under the Company's stock option plan and share units under the Company's share unit plan as set out in the table below, the Company did not issue any securities in our most recent financial year that are of a class that is not listed or quoted for trading on a marketplace in 2019.

| Type of Security | Date Granted | Number | Exercise Price (CDN\$) |
|----------------------------|--------------------|-----------|------------------------|
| Share Units | February 25, 2019 | 439,000 | N/A ⁽¹⁾ |
| Share Units ⁽²⁾ | April 11, 2019 | 19,822 | N/A ⁽¹⁾ |
| Share Units ⁽²⁾ | June 20, 2019 | 16,641 | N/A ⁽¹⁾ |
| Share Units ⁽²⁾ | September 19, 2019 | 23,283 | N/A ⁽¹⁾ |
| Stock Options | February 25, 2019 | 1,437,000 | 1.64 |

(1) Share units granted in accordance with the Company's Share Unit Plan vest in 36 months and do not have a conversion price

(2) Dividend share units issued. Quarterly dividend payment was CAD\$0.025 per share.

7.4 ESCROWED SECURITIES

There are no securities held in escrow.

ITEM 8 DIRECTORS AND OFFICERS

8.1 NAME AND OCCUPATION OF DIRECTORS AND OFFICERS

Directors

The Board is currently comprised of seven directors who are elected annually. Each director holds office until the next annual meeting of shareholders or until a successor is duly elected or appointed. The next annual meeting of the Company is scheduled to be held on May 8, 2020. The following table provides the names and residence of each of the directors, the date they commenced serving on the Board, their principal occupation as of March 27, 2020 and for the preceding five years.

| Director | Principal Occupation or Employment For Past 5 Years | Served as director since |
|---|--|--------------------------|
| Richard P. Clark London, United Kingdom | <ul style="list-style-type: none"> August 2016 to present – Chief Executive Officer, Orca Gold Inc. (resource company) April 2013 to May 2015 – President & Chief Executive Officer, RB Energy Inc. (resource company) | February 19, 2010 |
| Paul K. Conibear British Columbia, Canada | <ul style="list-style-type: none"> September 2018 to present – Corporate Director July 2011 to September 2018 – President & Chief Executive Officer, Lundin Mining Corp. (resource company) | April 5, 2007 |
| Brian D. Edgar British Columbia, Canada | <ul style="list-style-type: none"> 2010 to present – Board Chair, Silver Bull Resources Inc. (resource company) | April 5, 2007 |

| Director | Principal Occupation or Employment For Past 5 Years | Served as director since |
|---|---|--------------------------|
| Marie Inkster Ontario, Canada | <ul style="list-style-type: none"> September 2018 to present – President, CEO & Director of Lundin Mining Corp. May 2009 to September 2018 – Chief Financial Officer, Lundin Mining Corp. | June 9, 2014 |
| Lukas H. Lundin Geneva, Switzerland | <ul style="list-style-type: none"> Mining Executive, Board Chair of numerous resource based companies April 2007 to present – Board Chair of the Company | April 5, 2007 |
| Catherine McLeod-Seltzer British Columbia, Canada | <ul style="list-style-type: none"> October 2005 to present - Board Chair of Kinross Gold Corp. (Board Chair since January 2019) April 2000 to present - Co-chair of Bear Creek Mining Corp. | February 25, 2018 |
| Eira M. Thomas London, United Kingdom | <ul style="list-style-type: none"> February 2018 to present - Chief Executive Officer of the Company March 2013 to July 2016 – President & Chief Executive Officer, Kaminak Gold Corporation (resource company) | August 4, 2009 |

Officers

The following table provides the names, provinces and countries of residence of each of Lucara’s Executive Officers, their current position with the Company and their principal occupation(s) within the last five years. Ms. Thomas, the Chief Executive Officer of the Company, is discussed under “**Directors**” above.

| Officer | Principal Occupation or Employment for Past 5 Years |
|--|---|
| Zara Boldt Chief Financial Officer & Corporate Secretary London, United Kingdom | <ul style="list-style-type: none"> Professional Accountant (CPA, CGA) Assumed current position April 2018 December 2002 to June 2018 - CFO & Corporate Secretary for Strongbow Exploration Inc. (exploration company) January to July 2016 – CFO & Corporate Secretary for Kaminak Gold Corp. (resource company) May 2007 to March 2015 – Vice-President, Finance & CFO Stornoway Diamond Corporation (resource company) |
| Dr. John Armstrong Vice President, Technical Services London, United Kingdom | <ul style="list-style-type: none"> Ph.D, P. Geol. Assumed current position September 2013 2005 to September 2013 - Senior Geologist Stornoway Diamond Corporation (resource company) |
| Ayesha Hira Vice President, Corporate Development & Strategy London, United Kingdom | <ul style="list-style-type: none"> Chartered Financial Analyst Assumed current position June 2018 May 2014 to Sept 2016 - Senior VP Global Metals & Mining Specialist Sales Jefferies International, London UK |

8.2 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at March 27, 2020, the directors and officers of the Company held, as a group, a total of 86,692,148 common shares, representing approximately 22.2% of the number of common shares issued and outstanding.

8.3 COMMITTEES OF THE BOARD

The following table lists the committees of the Board and their members as at March 27, 2020.

| Committee | Members |
|---|--|
| Audit | Marie Inkster (Chair) Brian D. Edgar Catherine McLeod-Seltzer |
| Compensation | Paul K. Conibear (Chair) Richard P. Clark Brian D. Edgar |
| Corporate Governance and Nominating | Brian D. Edgar (Chair) Paul K. Conibear Catherine McLeod-Seltzer |
| Safety, Health, Environment and Community Relations | Catherine McLeod-Seltzer (Chair) Richard P. Clark Eira Thomas |

8.4 CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

Except as noted below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Lucara), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

Bankruptcies

Except as noted below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Lucara) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder

Exceptions – Corporate Cease Trade Orders and Bankruptcies

RB Energy Inc.

From January 2014 to May 2015, Mr. Clark was President, Chief Executive Officer and a director of RB Energy Inc. ("RBI"). In October 2014, RBI commenced proceedings under the *Companies' Creditors Arrangement Act* (the "CCAA"). CCAA proceedings continued in 2015 and a receiver was appointed in May 2015. The TSX de-listed RBI's common shares in November 24, 2014 for failure to meet the continued listing requirements of the TSX. Mr. Clark resigned as a Director and ceased employment as President and CEO of RBI on May 8, 2015.

Messrs. Lundin and Conibear were never directors, officers or control persons of RBI. Messrs. Lundin and Conibear were directors of one of the amalgamating companies that formed RBI, Sirocco Mining Inc. ("Sirocco"). On January 31, 2014, Mr. Lundin and Mr. Conibear resigned as directors of Sirocco at which time Sirocco was financially solvent. However, as a result of the legal effect of the subsequent amalgamation (within 12 months of their resignation from the board of Sirocco) of Canada Lithium and Sirocco to form RBI, Messrs. Lundin and Conibear are considered to have been directors of an issuer within a period of 12 months prior to it filing for CCAA protection.

Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

8.5 CONFLICTS OF INTEREST

Some of the directors of the Company serve as directors or officers or have significant shareholdings in other resource companies or companies ancillary to the resource industry. This may result in conflicts of interest. In particular, other resource companies or companies ancillary to the resource industry may participate in ventures in which Lucara may also participate. However, the Company is unaware of any such pending or existing conflicts.

In the event a conflict of interest does arise, the directors of Lucara are required by law to act honestly and in good faith with a view to the best interests of Lucara, to disclose any interest which they may have in any project or opportunity of Lucara, and to abstain from voting on such matter. Conflicts of interest that arise are subject to and governed by the procedures prescribed in the Company's Code of Business Conduct and Ethics and by the BCBCA. Eira Thomas and Catherine McLeod-Seltzer, if conflicted, shall abstain from voting in matters regarding certain contingent share payments as further discussed in the section entitled "***Contingent Share Payments***" and "***Interest of Management and Others in Material Transactions***" in this document.

ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Company is not currently a party to, nor was it a party to during the last financial year, and none of the Company's property is or was the subject of, any material legal proceedings, and the Company knows of no such legal proceedings that are contemplated. However, from time to time, the Company may become party to routine litigation incidental to its business.

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

ITEM 10 AUDIT COMMITTEE

10.1 OVERVIEW

The Audit Committee of the Board is principally responsible for:

- recommending to the Board the external auditor to be nominated for election by the Company's shareholders at each annual general meeting and negotiating the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Company's annual and interim financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Company; and
- reviewing the Company's financial reporting procedures with respect to the public disclosure of financial information extracted or derived from its financial statements.

10.2 AUDIT COMMITTEE CHARTER

The Board has adopted an Audit Committee Charter which sets out the Audit Committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Audit Committee Charter is attached as Schedule A to this AIF.

10.3 COMPOSITION OF THE AUDIT COMMITTEE

Below are the details of each Audit Committee member, including his/her name, whether he/she is independent and financially literate as such terms are defined under NI 52-110 and his/her education and experience as it relates to the performance of his/her duties as an Audit Committee member. The qualifications and independence of each member is discussed below and in the Company's Management Proxy Circular, prepared in connection with the Company's annual meeting of shareholders, a copy of which will be available under the Company's profile on the SEDAR website at www.sedar.com.

| Member Name | Independent ⁽¹⁾ | Financially Literate ⁽²⁾ | Education and Experience Relevant to Performance of Audit Committee Duties |
|--------------------------|----------------------------|-------------------------------------|---|
| Marie Inkster (Chair) | Yes | Yes | <ul style="list-style-type: none"> • CPA, CA • Currently CEO of a public company, previously CFO • Degree in Accounting • Over 20 years of accounting experience including: <ul style="list-style-type: none"> ○ serving in executive finance positions with a number of public companies ○ experience in public accounting with Deloitte Canada |
| Brian D. Edgar | Yes | Yes | <ul style="list-style-type: none"> • Law degree, with extensive corporate finance experience • Practiced securities and corporate law for over 16 years • Has served on public company boards and on audit committees for over 30 years • Currently Chair of a public company • Held position of President and Chief Executive Officer of a public company from 2005 to 2011 |
| Catherine McLeod-Seltzer | Yes | Yes | <ul style="list-style-type: none"> • Degree in Business Administration • Canadian Securities Course • Over 30 years' experience in the finance industry • Currently Chair of a public company • Has served as a director on boards of a number of public companies |

⁽¹⁾ A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment or is otherwise deemed to have a material relationship under NI 52-110.

⁽²⁾ An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

10.4 AUDIT COMMITTEE OVERSIGHT

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

10.5 PRE-APPROVAL POLICIES AND PROCEDURES

Consistent with Section 4(f) of the Audit Committee Charter, audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

10.6 EXTERNAL AUDITOR SERVICE FEES

The following table discloses the fees billed to the Company by its external auditors, PwC, during the last two fiscal years.

| Fiscal Year Ending | Audit Fees CDN\$(¹) | Audit-Related Fees CDN\$(²) | Tax Fees CDN\$(¹) | All other Fees CDN\$(²) |
|--------------------|-------------------------------------|--|-----------------------------------|--|
| December 31, 2019 | 321,000 | 56,000 | Nil | 8,000 |
| December 31, 2018 | 300,000 | 55,000 | Nil | Nil |

⁽¹⁾ Audit fees represent the aggregate fees billed by the Company's auditors for audit services, rounded to the nearest thousand Canadian Dollars.

⁽²⁾ Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.

⁽³⁾ Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.

⁽⁴⁾ All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, to the best of the Company's knowledge, none of the directors, officers or principal shareholders of the Company, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

On March 2, 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totaling 13.4 million shares may become issuable. Such shares will be paid in the event certain performance milestones, related to total revenues (revenues from rough diamonds bought and sold) generated through the platform, are achieved. The Company has also agreed to a profit sharing mechanism whereby the founders of the Clara technology will retain 13.33% and the management of Lucara will retain 6.67% of the annual EBITDA generated by the platform, to a maximum of \$16.67 million and \$8.33 million per year, respectively, for 10 years. In March 2019, the EBITDA sharing agreement between Clara and management was amended. Under the terms of the amendment, management waived their respective rights to the EBITDA payment to the extent that such payment relates to net income earned by Clara on the sale of rough diamonds from Karowe Mine. This waiver is in effect from the date of the share purchase agreement in February 2018 through to December 31, 2020.

Eira Thomas, the CEO and a current director of Lucara, was a founder of Clara and was issued a total of 1,192,000 shares of Lucara in consideration for her shares of Clara. Ms. Thomas may be issued up to an additional 1,788,001 shares of Lucara. Such additional shares will only be paid upon Clara achieving the performance milestones or upon the occurrence of a change of control event.

Catherine McLeod-Seltzer was also a founder of Clara and, following Lucara's acquisition of Clara, was appointed to the Board. Ms. McLeod-Seltzer received 400,000 Lucara shares as consideration for her Clara shares. Ms. McLeod-Seltzer may be issued up to an additional 600,000 shares of Lucara. Such additional shares will only be paid upon Clara achieving the performance milestones or upon the occurrence of a change of control event.

John Armstrong, the Vice President, Technical Services of the Company and Zara Boldt, Chief Financial Officer and Corporate Secretary of the Company, effective April 1, 2018, were shareholders of Clara at the time of the Company's acquisition of Clara. Dr. Armstrong and Ms. Boldt each received 50,000 Lucara shares as consideration for their Clara shares. They may each receive a further 74,000 common shares of Lucara. Such additional shares will only be paid upon Clara achieving the performance milestones or upon the occurrence of a change of control event.

Pursuant to the profit-sharing mechanism described above, a total of 3.45% of the EBITDA generated by the platform, has been assigned to Ms. Thomas and Ms. McLeod-Seltzer with the remaining 3.22% of the EBITDA generated by the platform to be distributed to management, including Dr. Armstrong and Ms. Boldt at the discretion of Lucara's Compensation Committee based on key performance targets. Ms. Thomas and members of management have subsequently waived their right to receive EBITDA based payments on goods produced from the Karowe Mine up to and including December 31, 2020.

No profit sharing or additional equity thresholds have been attained and no additional shares or EBITDA payments have been made as of the date hereof under the performance milestones or profit sharing arrangements.

ITEM 12 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for Lucara's common shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia, Canada: 3rd floor, 510 Burrard, Vancouver, British Columbia, V6C 3B9.

ITEM 13 MATERIAL CONTRACTS

Lucara has not within the last financial year entered into any material contracts, nor are there any material contracts entered into before the last financial year that are still in effect, except for:

- (i) On May 5, 2017, as amended, the Company entered into an agreement with the Bank of Nova Scotia to renew its revolving term credit \$50 million facility. The facility now has a maturity date of May 5, 2020 with no scheduled repayments required before maturity. The facility is available to Lucara for general corporate purposes. Lucara may obtain credit from the facility by way of Base Rate Loans, LIBOR loans and letters of credit. The facility bears an interest rate margin, based upon the Company's leverage ratio above the Alternate Base Rate Canada or LIBOR, depending upon the type of loan it obtains. Lucara is required to comply with financial covenants, which are customary for a financing of this nature.

ITEM 14 INTERESTS OF EXPERTS

Lucara's auditors are PwC, Chartered Professional Accountants, who have prepared an independent auditor's report dated February 23, 2020 in respect of the Company's consolidated financial statements as at December 31, 2019 and December 31, 2018 and for years then ended. PwC has advised that they are independent with respect to the Corporation within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

The individuals who are qualified persons for the purposes of NI 43-101 are listed in the technical reports referenced in Item 4.2.1.1 of this AIF. To the knowledge of the Company, the persons or companies named or referred to under this Item 14 as qualified persons for the purposes of NI 43-101 hold beneficially, directly or indirectly, less than 1% of any class of the Company's securities.

ITEM 15 ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR website at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, securities authorized for issuance under equity compensation plans and corporate governance practices using the disclosure requirements in National Instrument 58-101, *Disclosure of Corporate Governance Practices* is contained in the Company's Management Proxy Circular prepared in connection with the annual meeting of shareholders of the Company.

Additional financial information is provided in the audited consolidated financial statements of the Company and MD&A for Lucara's most recently completed financial year.



SCHEDULE "A"

AUDIT COMMITTEE CHARTER

1.0 Purpose of the Audit Committee

1.1 The Audit Committee represents the Company's board of directors (the "Board") in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries, and has general responsibility for oversight of internal controls, accounting and auditing activities and legal compliance of the Company and its subsidiaries.

2.0 Members of the Audit Committee

2.1 The Board shall appoint annually the members of the Audit Committee from among its members at the first meeting of the Board following the annual meeting of the shareholders. The Audit Committee shall be composed of three (3) directors or such other number not less than three (3) as the Board may from time to time determine.

2.2 Any member of the Audit Committee may be removed or replaced at any time by the Board. Any member of the Audit Committee ceasing to be a director or ceasing to qualify under subsection 2.3 shall cease to be a member of the Audit Committee. Subject to the foregoing, each member of the Audit Committee shall hold office as such until the next annual appointment of members to the Audit Committee after his or her election. Any vacancy occurring in the Audit Committee shall be filled at the next meeting of the Board.

2.3 Each member of the Audit Committee shall:

- (a) be a member of the Board;
- (b) not be an officer or employee of the Company or any of its affiliates;
- (c) satisfy the independence requirement applicable to members of audit committees under NI 52-110 and any other applicable laws and regulations; and
- (d) satisfy the financial literacy requirements prescribed by NI 52-110 by having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.4 The Audit Committee shall elect annually a chairperson from among its members.

3.0 Meeting Requirements

3.1 The Audit Committee will meet at least quarterly and will hold special meetings as it deems necessary or appropriate in its judgment. Meetings may be held in person or telephonically, and shall be at such times and places as the Audit Committee determines. Without a meeting, the Audit Committee may act by unanimous written consent of all members.

3.2 Notice of every such meeting to be given to Audit Committee members in writing not less than five (5) days prior to the date fixed for the meeting and shall be also given to the auditors of the Company. A member may waive notice of a meeting and attendance at a meeting is a deemed waiver of notice of the meeting. Meetings shall be convened whenever requested by the auditors or any member of the Audit Committee.



3.3 As part of each meeting of the Audit Committee at which it recommends that the Board approve the financial statements of the Company, and at such other times as the Audit Committee deems appropriate, the Audit Committee shall meet separately with the auditor to discuss and review specific issues as appropriate.

3.4 A majority of the members of the Audit Committee shall constitute a quorum.

4.0 Duties and Responsibilities

The Audit Committee's function is one of oversight only and shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and conditions or the responsibilities of the external auditors relating to the audit or review of financial statements. Specifically, the Audit Committee will:

- (a) be responsible for making recommendations with regard to the appointment, compensation, retention or discharge of the independent public accountants as auditors of the Company (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and discuss with management and the auditors the Company's audited financial statements and accompanying MD&A, including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles and report on them to the Board;
- (e) review and discuss with management the Company's interim financial statements and interim MD&A and report on them to the Board;
- (f) pre-approve all auditing services and non-audit services provided to the Company by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to the Company that are prohibited by applicable law or regulation;
- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board as to the auditor's compensation and nomination;
- (h) periodically review the adequacy of the Company's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on the Company's financial reports, and report on them to the Board;
- (j) oversee and annually review the Company's Code of Business Conduct and Ethics;
- (k) approve material contracts where the Board of Directors determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the audit or other accounting matters;
- (m) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the current and former external auditor of the Company;
- (n) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at the Company's expense to advise on material issues affecting the Company which the Audit Committee considers are not appropriate for the full Board;



- (o) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (p) review and monitor all related party transactions which may be entered into by the Company;
- (q) review and discuss with management the Company's Annual Information Form, including all financial information contained therein or incorporated by reference, and report on it to the Board; and
- (r) review annually the adequacy of its charter and recommend any changes thereto to the Board.

5.0 Miscellaneous

- 5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Audit Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Audit Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

6 Effective Date

- 6.1 Adopted by the Board on October 1, 2007, as amended December 22, 2010, March 22, 2012, and on February 21, 2019

END OF SCHEDULE "A"



**SCHEDULE “B”
CORPORATE AND SOCIAL RESPONSIBILITY CHARTER**

The Company’s Corporate and Social Responsibility Charter, is as follows:

Lucara Diamond Corp will initiate and promote ongoing dialogue with a broad range of stakeholders across our operations, maintained in a spirit of transparency and good faith. Lucara recognizes that effective stakeholder engagement can create value and mitigate risk for both the company and its stakeholders. We acknowledge that mining is, by definition, finite and therefore will work to provide lasting benefits in the communities where we live and work.

Lucara will:

- Work consultatively with community partners to ensure that our support matches their priorities;
- Ensure that our support is focused on sustainable community development rather than dependency;
- Impact positively on the quality of life of members of the local community;
- Seek opportunities to maximize employment and procurement for local communities through the provision of suitable training opportunities and resources; and
- Conduct our activities to meet or exceed accepted standards in the protection and promotion of human rights.

END OF SCHEDULE “B”



SCHEDULE "C" RESPONSIBLE MINING POLICY

The Company's Responsible Mining Policy is as follows:

The mission of Lucara Diamond Corp. and Lucara Botswana (Pty) Ltd. is to responsibly mine rough diamonds safely and profitably while creating meaningful value for our stakeholders. Our approach to responsible mining integrates environment, social and governance considerations into all aspects of our business. With one of our core goals being continual improvement, we are committed to the following principles:

Environmental Responsibility

We are committed to sustainable development. As part of this commitment we endeavor to minimize the short and long term adverse impacts.

- We promote environmental education, awareness and stewardship throughout the mining life cycle, emphasizing the conservation of land, air, water, biodiversity and energy resources.
- We assess the risks and impacts of our activities and integrate these considerations into our planning, operating and business decisions.
- We proactively plan for mine closure based on science, environmental protection and long-term community interests.

Social Responsibility

We will initiate and promote on-going dialogue with a broad range of stakeholders across our operations, maintained in a spirit of transparency and good faith. Lucara recognizes that effective stakeholder engagement can create value and mitigate risk for both the Company and our stakeholders.

- We are resolute in our effort to achieve Zero Harm and put the health and safety of our employees and contractors first and foremost in everything we do.
- We engage with our host communities to build trust-based relationships.
- We encourage local hire and procurement, and work with our stakeholders to advance socioeconomic development in the regions where we operate.
- We expect our employees, suppliers, customers, contractors and business partners to adhere to the principles of this policy when operating on our sites or on our behalf.
- We are accountable for meeting legal requirements and our commitments to stakeholders.

Governance

We believe in conducting our business in a transparent manner that complies with applicable laws, respects human rights and safeguards our employees, contractors, communities and stakeholders.

- We conduct our business in line with the United Nations Guiding Principles on Business and Human Rights.
- We are open to public scrutiny and conduct our business ethically. We empower our people to uphold our corporate values.



- We foster an inclusive and diverse workplace that does not tolerate harassment or discrimination of any kind.
- We respect the rights, interests and traditions of Indigenous peoples where we operate.
- We monitor, measure and publicly report our performance against internationally recognized reporting standards.
- We implement management systems, processes and training programs that support our commitment to responsible mining.

Planning for a Positive Legacy

We believe that engagement with stakeholders throughout the mine life cycle is critical for ensuring that our operations deliver positive economic and social benefits, while minimizing environmental impacts.

- We are signatories to the United Nations Global Compact and actively contribute to the Sustainable Development Goals applicable to us.
- We focus our investments on community-driven sustainable initiatives that address the needs of the communities.
- We strive for mining industry best practices in the design, safe operation and monitoring of facilities for managing water, tailings and other mineral wastes, as those practices are applicable to our operations.
- We review and update our Closure Plan on a regular basis.

END OF SCHEDULE "C"



SCHEDULE “D” ENVIRONMENTAL POLICY

The Company’s Environmental Policy is as follows:

Lucara Diamond Corp is committed to sustainable development, which requires that we seek ways to minimize the short and long term adverse impacts of our activities on the natural environment. We will achieve this through the development and approval of EIAs and effective implementation of our EMP’s at each of our operations.

Lucara promotes environmental awareness with all employees, contractors and visitors and encourages them to conduct themselves in ways that minimize their environmental impact. We actively seek opportunities for mitigation of adverse impacts on the environment through effective and efficient waste management, water use, energy use, biodiversity conservation, and implementation of our closure plans.

Lucara will:

- Conduct all our activities in compliance with our EIAs and EMPs, applicable legislation and other requirements to conserve and protect the environment, employees and the communities that are affected by our operations;
- Apply international best practices in the absence of legislation or more stringent local criteria, guided by Equator Principles and IFC guidelines, where Lucara believes these are needed to advance environmental protection and to minimize environmental risks;
- Integrate management of the environment into company business practices and planning;
- Protect the environment through the wise use of resources and prevention of adverse environmental impacts, including pollution prevention;
- Implement, maintain and improve appropriate management systems and programs to achieve effective and efficient waste management, water use, energy use, biodiversity conservation, and implementation of our closure plans and to continually improve environmental performance through a process of regular reviews;
- Ensure that all operations are aware of the EMP and develop local policies and procedures that embody and support Lucara’s corporate objectives; and
- Communicate openly with governments, employees, local communities and the public to sustain mutual understanding of Lucara’s environmental commitments and performance.

END OF SCHEDULE “D”