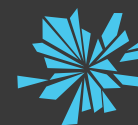


SUSTAINABILITY
REPORT
2020



LUCARA
DIAMOND

A RESILIENT OPERATION

2020 HIGHLIGHTS



381,706 carats
DIAMONDS PRODUCED



\$125.3 million
REVENUES



\$125.78 million
BOTSWANA BENEFIT¹



1,108
TOTAL WORKFORCE



> 99%
BATSWANA



31%
FEMALE WORKFORCE



0.09
LOST TIME FREQUENCY RATE



No Freshwater Used²
IN PROCESSING

1 – Comprises: Procurement in Botswana, Royalties and Corporate Taxes, Employee Compensation, and Community Spend. 2 - TDS of pit dewatering groundwater is well over >2,000 mg/l.



This is our Communication on Progress in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.



02 OVERVIEW

- 01 2020 Highlights
- 03 Lucara's Profile
- 03 About This Report
- 04 Women Lead Here
- 05 Our Mission

06 LUCARA DIAMOND CORPORATION

- 07 Message from President & CEO
- 10 2020 Performance Summary
- 13 Governance & Commitment
- 13 Product Stewardship
- 14 Economic Performance
- 15 Diamonds of Botswana

17 LUCARA BOTSWANA

- 18 Message from the Managing Director
- 19 Message from the General Manager

21 OPERATIONS

- 22 Essential & Resilient
- 22 Operational Performance
- 23 Procurement
- 24 Security & Loss Control
- 24 Underground Expansion
- 25 Tailings Facilities

26 OUR PEOPLE

- 27 Growing Our Workforce
- 28 Diversity and Gender
- 28 Employee Development
- 28 Employee Benefits
- 29 Labour Engagement
- 29 Labour Grievance

30 HEALTH, SAFETY & WELLNESS

- 31 Our Approach
- 31 Systems & Standards
- 31 Risk Management
- 31 Community First Aid Training
- 32 Training & Communication
- 32 Health & Wellbeing
- 32 Occupational Diseases

33 PARTNERSHIP & ENGAGEMENT

- 34 COVID-19 Response
- 34 Approach
- 34 Engagement
- 36 Partnerships
- 36 Gender Equality & GBV Awareness
- 38 Karowe Village Initiatives

39 ENVIRONMENTAL PERFORMANCE

- 40 Water Context
- 40 Management Approach
- 41 Dewatering the Pit
- 41 Water Quality
- 41 Water Use & Recycling
- 41 Wastewater Treatment

- 42 Energy Use & GHG
- 43 Energy & GHG Management
- 43 Energy Consumption
- 43 Energy Efficiency
- 43 Rooftop Solar PV
- 43 GHG Emission
- 44 Climate Change Risk
- 44 TCFD Review
- 45 Dust & Air Quality
- 45 Land Management
- 45 Biodiversity
- 46 Non-Mineral Waste
- 46 Decommissioning
- 46 Compliance & Grievances

47 CLARA

- 48 About Clara
- 48 Innovating the Supply Chain
- 48 COVID-19 and Decarbonization
- 48 Intellectual Property
- 48 Ensuring Provenance
- 48 RJC Certification Plans

- 50 Materiality Review
- 53 Summary ESG Performance Data
- 55 Assurance Report
- 58 Cautionary Note Regarding Forward Looking Statements



LUCARA'S PROFILE

Lucara Diamond Corp. (Lucara) is a publicly listed Canadian diamond mining company headquartered in Vancouver, operating the 100% owned Karowe Diamond Mine (Karowe) in Botswana. We sell our diamonds through HB Antwerp, Clara Diamond Solutions Limited Partnership (Clara), our digital sales platform, as well as through quarterly tenders in Gaborone and Antwerp. We are a certified member of the Responsible Jewellery Council, a participant of the UN Global Compact, and a founding member of the Natural Diamond Council. Lucara's revenue comes from the sale of natural diamonds mined by its indirect, wholly-owned subsidiary Lucara Botswana. 100% of the diamonds sold from Lucara Botswana are natural, untreated, ethically-sourced diamonds originating from the Karowe Diamond Mine in the Boteti Sub-District in Botswana.

ABOUT THIS REPORT

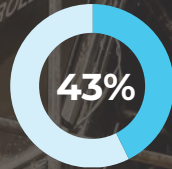
This is Lucara's 9th consecutive, annual sustainability report. It covers our performance for the 2020 calendar year. The report was prepared in accordance with the GRI Standards, Core option, and has been subject to third-party assurance. We also started to incorporate the Sustainability Accounting Standards Board (SASB) Standards for Metals and Mining, and conducted a self-assessment using the Mining Association of Canada's Towards Sustainable Mining program. As part of the 2020 reporting efforts, we reviewed the recommendations of the Task Force for Climate-related Disclosure (TCFD). A 3-year data series for selected indicators is annexed to this report. The GRI index and additional information is web-posted: <https://www.lucaradiamond.com/>.

Lucara recognized in
The Globe & Mail's

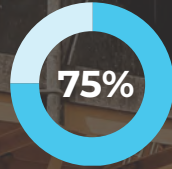


2020 & 2021

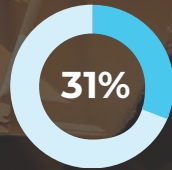
REPORT OF BUSINESS WOMEN LEAD HERE



Board Directors



Corp Executives



Workforce

Mining is a male dominated sector globally, engaging only approximately 16% women in the workforce. We have broken that mold. Our total workforce includes 31% women, almost twice the global industry average.

The Globe & Mail's first and second benchmark of female leadership in corporate Canada, published in early 2020 and 2021, recognized Lucara as being among the companies positioned at the forefront. Gender diversity is also a feature of Lucara's board of directors, which includes 43% women. In Botswana, 19 (36%) women serve in leadership roles across our business operations.



OUR MISSION

USING INNOVATION, CREATING VALUE,
MAKING A DIFFERENCE ACROSS THE DIAMOND INDUSTRY



In 2018, Lucara held workshops at the Vancouver head office, Gaborone head office and the Karowe Diamond Mine to review the company's vision and mission statements, values and priorities. Since that time, the values and priorities have featured as themes for awareness programs at Karowe and in our communities.

In 2020, Lucara uncovered an exceptional 549 carat white gem diamond named "Sethunya" (meaning flower) from the Karowe Mine in Botswana



LUCARA DIAMOND CORPORATION



MESSAGE FROM THE PRESIDENT & CEO

2020 marks the 9th year in Lucara's sustainability journey, committed to operating our 100% owned Karowe diamond mine safely and reliably, focused on protecting the environment and maximizing local employment and social benefits within our communities of interest. 2020 was an unprecedented and challenging year around the world and Lucara worked quickly to implement a crisis management plan in respect of the COVID-19 pandemic at the end of the first quarter. Designated an essential service by the Government of Botswana, we all adapted and the Karowe Diamond Mine remained fully operational. This report highlights how innovation, collaboration, increased health, safety and wellness measures, operational excellence and strong engagement with both internal and external stakeholders all contributed to the continued successful operation of Karowe.

As participants of the UN Global Compact, we are committed to implementing, disclosing and promoting its principles of human rights, labour, anti-corruption and environmental

responsibility. This report serves as our Communication of Progress.

Resiliency through COVID-19

Early in the year, we conducted a business impact assessment related to the emerging pandemic. Critical elements of our supply chain were assessed to identify key suppliers and potential alternatives. In March, we implemented our crisis management plan which focussed on how to keep our workforce safe. Working together with our employees and contractors to address their concerns of employment loss as well as exposure risk, we implemented policies and practices addressing safe working distances, adequate hygiene stations, monitoring stations, testing as well as identifying those employees who could work remotely from home. Mental health has been of the utmost importance and to address this we have ensured that on-going counselling has been made available to the workforce and their families.

We focussed our community investments to assist with the COVID-19 response. Contributions to the government's COVID-19 relief fund, provision of food hampers, hygiene products, and first aid training, as well as other initiatives, are highlighted throughout this report.

Through this challenging time, we have learned that we are resilient, there are many innovative ways to remain productive, and that we have been able to continue operations with no loss of jobs.

Strong Performance

Despite the challenges faced during COVID-19, Karowe continued to build on strong operational successes of previous years. Through strategic management we were able to meet our production guidance in terms of tonnes mined, milled and carats recovered. We also had a record year in respect of the recovery of large diamonds greater than 10.8 carats in size referred to as specials which typically contribute 70% of our annual revenues. Rough diamond prices, however, came under significant pressure and after Q1, we made a deliberate decision not to sell any of our large, +10.8 carat rough diamonds into the weak prevailing rough diamond market. Instead, we negotiated and secured a committed supply agreement with HB Antwerp to manufacture our +10.8 carat rough diamonds and sell polished diamonds. In addition, we were able to ramp up on sales of -10.8 carat rough diamonds through Clara, our secure web-based digital marketplace for diamonds that uses technology to transform the sales process and eliminates the need for customers to travel.

Product Stewardship

Lucara takes pride in adhering to the Kimberley Process and being a member of both the Responsible Jewellery Council and Natural Diamond Council. The way rough diamonds are transacted today has remained largely unchanged for over 100 years and is inefficient, inflexible and reliant on physical, visual inspections by industry experts. In 2020, restrictions on travel compounded the rationale for modernizing this antiquated sales process and became an important catalyst for sales through Clara, Lucara's innovative, technology driven, digital marketplace for buying and selling rough diamonds. Besides eliminating the need to physically inspect the diamonds in person, Clara's sales process uses technology to

create a more efficient process, unlocking significant value for all participants and enhancing traceability within the supply chain. In Clara, each manufacturer bids on individual rough diamonds fingerprinted at source (the mine site) that are optimal to fulfill its polished requirements, stone by stone. These diamonds can then be tracked through the pipeline, providing assurance on diamond provenance. This allows customers and consumers the ability to purchase diamonds from companies with demonstrated strong license. During the pandemic, the number and frequency of sales through Clara increased significantly and the number of participants on the platform increased by 178%.

Social Licence

Strong, local engagement with 19 communities in and around our minesite continues to drive our community investment priorities and programs. Although our investments in 2020 were heavily focussed on providing assistance in response to the pandemic, we were also able to advance three important community projects under our Karowe Village Initiative. These projects are community identified, driven and owned, and are aimed at improving the lives and livelihoods of the people living in those communities. We also continued construction of the sports complex in Letlhakane, one of our largest investments to date. Our goal remains to invest in, and support initiatives in order that they will become sustainable and continue beyond the life of the mine.



Positioning for Growth

Although progress on the underground expansion project was necessarily slowed during 2020 because of COVID-19, we were able to advance with detailed engineering design work, procurement of critical long-lead items, and preparatory surface earth works. Subsequently, we have made significant progress on securing a supplemental debt financing in support of the project and are working towards full project sanction in the second half of 2021. The underground opportunity, which would extend the mine life to 2040, will provide benefits to employees and stakeholders through continued mining activities, training and skills development.

Clara, our secure web based digital marketplace, also represents an important growth opportunity for the Company. In 2020, demand outstripped available supply from Karowe, and Clara began selling diamonds from third party suppliers. A top priority in 2021 is to increase volumes of third-party supply to meet this growing demand.

Looking Ahead

In 2021, the continued health and safety of our workforce and communities will remain a top priority as we work to navigate the ongoing uncertainty in relation to the global pandemic. The underground expansion project will remain a key focus area operationally, and we anticipate moving into full project sanction and shaft sinking in the second half of the year once project financing has been secured.

Our approach to sustainability remains foundational to everything that we do and in 2021, climate action will be a key focus area as we continue to progress the work that we have started under each of the United Nations' Sustainable Development Goals we have identified. I am extremely proud and grateful to all of our employees for their collaborative efforts and resiliency in responding to a challenging, dynamic and un-precedented period of operations, and I would also like to acknowledge the strong ongoing support of our senior leadership and Board.

Eira Thomas, President and CEO Lucara Diamond Corp.

**MATERIAL
TOPIC**

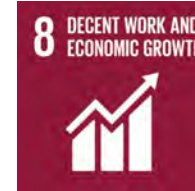
**Innovation & Economic
Performance**



**Product
Stewardship**



**National Content:
People & Supply Chain**



METRICS

Extend Life of Mine
Digital sales channels
Financial performance

Kimberley Process
RJC certification

Batswana Nationals
National Procurement
Taxes and Royalties

**2020 PERFORMANCE
HIGHLIGHTS**

Continued operations
Revenues \$125.3 million (\$335/ct)
Record year for Specials (+10.8 carats)
Clara's customers grew by 178%
Partnered with Louis Vuitton and HB Antwerp
Mining license extended to 2046

Kimberley compliance
Certified RJC member
Participated in short film "Diamonds of Botswana" screening and panel discussions in USA and UK, raising awareness about the good governance and economic policies in the country, and the importance of the diamond mining industry to the socio-economic progress in Botswana.

Over >99% Batswana
National Procurement: \$91.42 million (88% of total procurement)
Taxes and Royalties¹: \$14.1 million
Training hours: 3,424
Engaged UNDP for local supplier development

1 – Lucara discloses payments to foreign governments in compliance with Canada's Extractive Sector Transparency Measures Act. In addition to corporate tax payments, we also withhold and remit payroll, non-resident and value-added taxes in the jurisdictions in which we operate. Only corporate tax payments, on a consolidated basis, are included in the table above.

MATERIAL TOPIC

Community Development



Sustained investments
Community Grievances

\$1.24 million for village farms, abattoir, sanitation and other

Broke ground on \$3.2 million sports complex and a school

Mokubilo Farm produced 115,322 eggs, reached two area schools with 1,200 students

Recorded and resolved one grievance

Board approved Human Rights policy in Q1/2021

Health, Safety & Wellness



Lost time injury frequency
(see overleaf for COVID-19)

Lost Time Frequency Rate: 0.09

Grew OSHA 18001 score to 91%

Adapted to COVID-19

Delivered 33 courses

Trained 850 attendees

Continued adoption of ISO 45001

Partnerships



Generate and magnify SDG impacts

Partnered with council & communities on projects

COVID-19 support to government & communities

Collaborative regional groundwater model

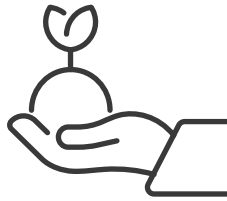
Supplied excess water to neighboring mine

Engaged UNDP for local supplier development

2020 PERFORMANCE HIGHLIGHTS

**MATERIAL
TOPIC**

**Environmental
Stewardship**



COVID-19



**Climate
Change**



METRICS

Regulatory compliance
Resource use, emissions, wastes
and spills

Testing
Positivity Rate
Additional Support

GHG emissions
Explore TCFD

**2020 PERFORMANCE
HIGHLIGHTS**

Zero regulatory non-compliance
No freshwater¹ used in processing
Maintained zero discharge
Updated environmental
management plans
Continued adoption of ISO 14001
Developed tailings management
policy
Conducted MAC TSM²
self-assessment
Total GHG³ 74,135 tCO₂e
Zero non-compliance, spills, & fines

Rapidly adapted to COVID-19
2,478 PCR tests
(positivity rate: 0.7%)
Offered additional counselling
services
\$540,000 for pandemic & GBV⁴
Response awareness raising
Additional COVID safety
measures & training

Identified efficiency & GHG
reduction options
Q1/2021 Activities:
Climate Change Risk Assessment
TCFD⁵ review
Initiated decarbonization strategy
Added Climate Change to
Responsible Mining Policy

1 – As per GRI and SASB Standards, freshwater defined as water containing < 1,000 mg/l total dissolved solids, Karowe's pit dewatering produces groundwater with TDS ranging from > 2,000 to >15,000 mg/l. 2 – MAC TSM – Mining Association of Canada Towards Sustainable Mining. 3 – Total GHG comprises Scope 1 (diesel fuel, explosives and sewage treatment added in 2020) and Scope 2 (grid-power). 4 – GBV – Gender Based Violence. 5 – TCFD – Task Force on Climate-related Financial Disclosure.

GOVERNANCE & COMMITMENTS

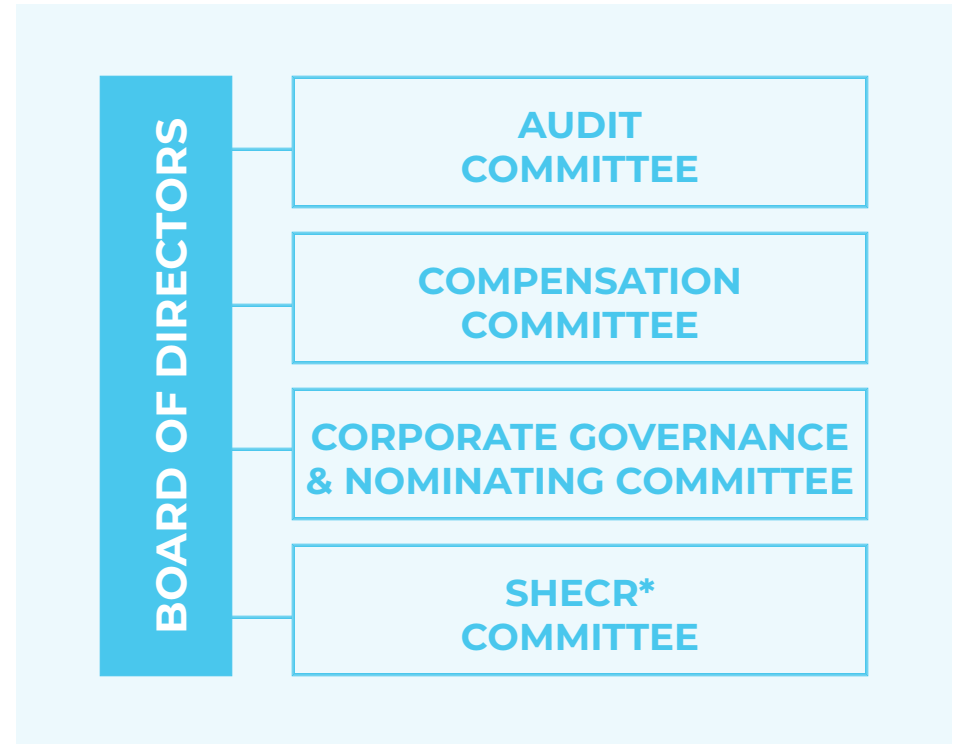
We believe in conducting our business in a transparent manner that complies with applicable laws, respects human rights, protects the environment, and safeguards our employees, contractors, and communities.

As our primary listing is in Canada, our corporate governance structure and disclosures are aligned with the requirements of the Toronto Stock Exchange. We maintain a standing [Safety, Health, Environmental and Community Relations \(SHECR\) Committee](#). Our [Board-approved guidelines and policies](#) include a [Gender Diversity Policy for Board and Executive Officers](#), and a [Responsible Mining Policy](#).

In 2020, a site-level Tailings Management Policy was introduced at the Karowe Mine. In early 2021, the Board approved a new [Human Rights Policy](#), further codifying our approach aligned with good international practice. Our policies are posted on our website.

As part of our sustainability reporting efforts, we reviewed our Climate-related governance and disclosures against the recommendations of the Task Force for Climate-related Financing (TCFD) during Q1/2021. We will develop a decarbonization strategy and a climate action plan in 2021.

Since 2018, Lucara has been a Participant of the United Nations Global Compact. This means that we are committed to implementing its Ten Principles focused on Human Rights, Labour, Environment and Anti-Corruption. We also support the United Nations Sustainable Development Goals.



* Safety, Health, Environmental and Community Relations

PRODUCT STEWARDSHIP

We are a certified member of the Responsible Jewellery Council, the world's leading standard setting organisation for the jewellery and watch industry. We adhere to the Kimberley Process, an international certification scheme which regulates trade in rough diamonds. Lucara is also a founding member of the Natural Diamond Council, which seeks to advance the integrity of the modern diamond jewelry industry and inspires, educates, and protects the consumer.



381,706 carats
DIAMONDS RECOVERED



\$125.3 million
REVENUES



\$125.78 million
BOTSWANA BENEFIT¹



\$26.3 million
NET LOSS



+178%
CLARA CUSTOMER



**Louis Vuitton,
HB Antwerp**
NEW PARTNERSHIPS

¹ - Includes National Procurement, Payments to Government, Employee Compensation, and Community Investments; see also data annex and corporate reporting required by Canada's Extractive Sector Transparency Measures Act

ECONOMIC PERFORMANCE

Despite the COVID-19 pandemic, 2020 marked a record-setting year in terms of recovery of Specials. These are rough diamonds exceeding 10.8 carats and contribute 60 to 70 percent of our revenues. During the reporting period, a total of 34 stones in excess of 100 carats each were recovered, including the 549 carat "Sethunya" (meaning flower) and a still unnamed 998 carat diamond.

During 2020, we entered into unique collaboration agreements with Louis Vuitton, a leading fashion house and luxury goods company, and HB Antwerp, a diamond manufacturer with innovative technology. The purpose of this partnership is to create a high jewellery collection from the historic 1,758 carat "Sewelô" (meaning a rare find), the largest diamond ever mined in Botswana, and the 549 carat "Sethunya" (meaning flower).

We also entered into an innovative supply agreement with HB Antwerp for the highest value part of Karowe's production. This will lead to regular cash flows and the opportunity to participate in additional revenue generated from the sale of polished diamonds.

With global restrictions impeding travel for many diamantaires, interest in Clara, our safe, digital sales platform, grew significantly in 2020. The number of buyers on the platform increased from 27 to 75, and Clara began selling stones on behalf of third-party sellers.

During 2020, we invested \$18.7 million to progress the underground expansion project at Karowe. In March 2021, we executed a mandate for a senior secured project financing package of up to US\$220 million to fund the underground expansion of Karowe. A syndicate of five international financial institutions, including ING Bank N.V., Natixis, Societe Generale, London Branch, Africa Finance Corporation, and Afreximbank will act as the Mandated Lead Arrangers. Closing of the facilities is targeted to be mid-2021, with financing in place for the second half of 2021.



DIAMONDS OF BOTSWANA

Botswana's citizens are aware that diamond mining and exports, combined with good governance and economic policies, lifted Botswana to an upper middle-income country in Africa. To help inform the broader public, we participated in the development and screening of the short film [Fashionscapes: The Diamonds of Botswana](#), and contributed to panel discussions in the USA and the UK.

In February 2020, our Naseem Lahri, Managing Director, and Kgalalelo Mokgweetsi, Community Liaison Officer, attended the premier of the film in New York. Alongside dignitaries, such as H.E. The First Lady of the Republic of Botswana, Mrs. Neo Masisi, we contributed to panel discussions which explored the role and importance of the diamond mining industry to Botswana and its socio-economic progress.

In March 2020, ahead of the International Women's Day, we also participated in the screening of the film and associated panel discussions held at the Secretariat of the Commonwealth of Nations, in London, UK. Following the screening, an expert panel including (from left to right in the picture) Pat Dambe, Head of Corporate Affairs at The De Beers Group, Baroness Margaret Omolola Young of Hornsey OBE, Livia Firth, Co-Founder and Creative Director of Eco-Age, Secretary-General of the Commonwealth, Patricia Scotland, H.E. The First Lady of the Republic of Botswana, Mrs. Neo Masisi, Naseem Lahri and Kgalalelo Mokgweetsi, Lucara Botswana's Managing Director and Community Relations Officer, discussed how natural diamonds have contributed to the sustainable development of Botswana, turning finite resources into enduring opportunities.





LUCARA BOTSWANA

Lucara Botswana, headquartered in Botswana, is a wholly owned subsidiary of Lucara. The Karowe Mine is our sole mining asset. It continued operations throughout 2020 and is pursuing a proposed underground expansion project with a projected life of mine to 2040, and potentially beyond.



MESSAGE FROM THE MANAGING DIRECTOR

When I think about 2020, the words resilience, adaptability, innovation and community immediately come to mind. The year tested us all, in every aspect of our work and personal lives. The Government of Botswana deemed mining to be an essential service, and, despite the challenges created by the COVID-19 pandemic, Lucara Botswana was able to stay fully operational through the exceptional efforts of our entire workforce.

We adapted early in the year, implementing our crisis management plan which focussed on keeping our workforce safe by strengthening hygiene measures, reducing on-site staffing by identifying those positions that could work remotely, introducing travel restrictions and adopting safe working distances. We installed thermal monitors to screen individuals as they entered and exited Karowe and conducted a COVID-19 baseline assessment using PCR Testing. Recognizing the importance of mental health during the pandemic, we provided on-going counselling for our workforce and their families. I am proud to report that all of the policies, practices and efforts made have resulted in zero job loss.

This year we successfully completed the XRT upgrade. The upgrade ensures continued success in diamond recovery. We had a record year in 2020, with 34 diamonds recovered weighing over 100 carats each, and a record volume of specials (diamonds exceeding 10.8 carats in weight). In addition to this we successfully insourced our processing, engineering and procurement functions at the plant and changed our ERP to SAP Hana. This was the first cloud based and remote implementation done in the world.

With a total workforce of 1,108, which comprises nearly 99% Botswana, we remain extremely proud of our continued contributions to the socio-economic development of Botswana. Our financial contributions totalled \$125.78 million, including royalties, taxes and community investment (\$14.73 million), employee compensation (\$19.64 million), and national procurement (\$91.24 million).

While much of our community investment was directed toward COVID-19 assistance and relief, we were able to continue to support the Letlhakane Abattoir and three Karowe Village Initiative (KVI) projects: the Mokubilo Integrated Farm; Khwee Small Stock Farm; and, the Mmadikola Hardware Store. In early 2020, we commenced construction of the Letlhakane Sports Complex.

Sadly, Botswana has witnessed an increase in incidence of gender based violence (GBV) during the pandemic.

In response, we supported workshops to promote gender equality, initiated a GBV campaign mobilizing 20 villages in our surrounding area, and rolled out a GBV awareness raising campaign for our employees and contractors at Karowe. We remain vigilant in helping to eradicate GBV. We have also launched the National GBV Campaign lead by the Former President HE Festus Mogae. The aim of the campaign is to aid the country with education on GBV, rape kits, one stop rape service centres, assist volunteers and centres. This has been set up in collaboration with other private sector companies led by Lucara Botswana.

At the time of publishing of this report, COVID-19 remains a threat in Botswana. We continue to work closely with the Government of Botswana to ensure that our workforce, suppliers and communities remain safe and healthy. We remain fully operational and continue to implement health and safety measures. I am proud of what my team has accomplished and how they have conducted themselves in responding to the challenges faced due to the pandemic. We remain committed to demonstrating to all Batswana, as well as the rest of the world, that Lucara Botswana is a responsible miner that ensures the sustainability of its operations, environment and the community it works in. In 2020 we particularly focused on our people as a result of the pandemic. The safety of our people and communities was front and centre in 2020.

Naseem Lahri, Managing Director – Lucara Botswana



MESSAGE FROM THE GENERAL MANAGER

In 2020, ensuring the health and safety of our workforce, their families and our communities was paramount. In response to the emerging pandemic, we implemented our crisis management plan which focussed on the health, safety and well being of our employees, contractors and their families. The Government of Botswana deemed mining an essential service and through collaboration with the government, workers' union, employees, contractors and stakeholders, and the implementation of additional health and safety measures, we were able to continue operations at Karowe safely. The entire Lucara family remains committed to ensuring a safe environment at the workplace, and also takes exemplary conduct off site.

Despite the challenges we faced during the COVID-19 pandemic, we were able to lay considerable groundwork toward becoming ISO 45001 certified. Such traction, will see us being assessed for certification by an external party towards the end of 2021. As if that is not enough, we are setting our

eyes on aligning to the Global Industry Standard on Tailings Management. This has further enhanced our safety system, protocols and programs, and strengthens our continued commitment to zero harm.

In light of the pandemic, we made adjustments to our operational plan to ensure COVID-19 safe work protocols and as a cost saving measure. Through strategic planning, we were able to continue our strong operational performance, demonstrating a great sense of resilience as we navigated through, among other things, inclement weather characterised by above normal rainfall.

Although hampered by the pandemic, we were able to continue to advance the underground project in 2020 with the commencement of early earth works and procurement of long-lead items. The underground expansion will extend the life of the mine to beyond 2040, providing significant on-going benefit to all stakeholders. In 2020, we received our mining license extension to 2046.

We worked with the executive members of the Botswana Mine Workers Union on the implementation of COVID-19 protocols that addressed the health and safety of the workforce to allow the mine to continue to operate as an essential service to Botswana.

In 2020, the Botswana Chamber of Mines (BCM) together with the Mining Association of Canada, facilitated a process that landed us toward adopting the Towards Sustainable Mining (TSM) initiative, a corporate social responsibility program geared towards improving environmental and social practices in the mining industry. In response, we began the journey of adopting

TSM and initiated a self-assessment, the first step in the process toward external verification. TSM requires mining companies to annually assess their performance across six important areas, including tailings management, community outreach, safety and health, biodiversity conservation, crisis management, and energy use and greenhouse gas emissions management.

In 2020, our community engagement focussed, necessarily, on responding to needs arising from the pandemic. Our sustainability team distributed food hampers, hygiene products, PPE and first aid supplies in our communities. In 2020, the Makgaba settlement became the 19th village which we consider to be part of our local communities. Although much of our community investment was focussed on COVID-19 relief and aid, we were able to continue with our work through our Karowe Village Initiative projects and commenced construction on the Letlhakane Sports Complex. We maintained our community engagement, respecting travel restrictions and following COVID-19 protocols. Additionally, our sustainability team set up messaging app groups with community leadership and held virtual meetings when face to face meetings were not possible.

I am extremely proud of our entire team. Their resiliency, dedication, and commitment to working safely, and in line with our values like being visionary, adaptable and responsible makes one to reflect on the achievements of 2020 with pride and confidently adopts a very positive outlook for 2021

Johane Mchive, General Manager – Karowe Diamond Mine

OPERATIONS



Operation Continued
COVID-19



3.0 million tons
ORE MINED



2.7 million tons
ORE MILLED



381,706 carats
DIAMONDS PRODUCED



34 stones +100 carats
RECORD YEAR



License to 2046
MINING LICENSE EXTENDED



ESSENTIAL & RESILIENT

The COVID-19 pandemic tested our operation, employees, contractors, and local communities. Designated an essential service by the Government of Botswana, we all adapted and Karowe remained fully operational. We also initiated community investments to assist with the COVID-19 response, as detailed in this report.

In January 2020, prior to Botswana's first COVID-19 lockdown in April, we conducted a business impact assessment related to the emerging pandemic. We reviewed the critical elements of our supply chain at risk from cross-border restrictions to identify key suppliers and alternatives.

In March, we implemented our crisis management strategy. We strengthened hygiene measures, implemented travel and other restrictions, and reduced on-site staffing. Despite initial cross-border restrictions, we continued to receive fuel and other essential goods.

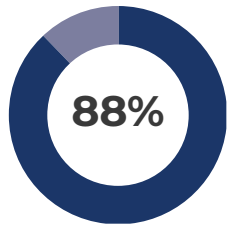
In December, continuing to prepare for an uncertain future, we conducted a virtual crisis management simulation exercise. Over 40 Lucara team members spread across Canada, UK, Botswana, and South Africa attended and helped strengthen our internal crisis management capacity.



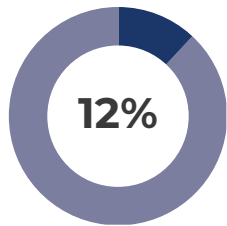
OPERATIONAL PERFORMANCE

In light of uncertainties arising from the pandemic, we adjusted and reprioritized our operational activities. We successfully completed the XRT upgrade, a key component of the diamond recovery unit. And we set a record year with over 34 diamonds recovered weighing over 100 carats each. In addition to this we successfully insourced our processing, engineering and procurement functions at the plant and changed our enterprise resource planning to SAP Hana. We also deferred two million tons of waste rock stripping to 2022/2023 as a cost saving measure.

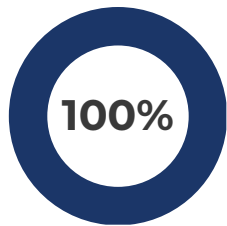
Our operations did not experience any strikes or lockouts during the reporting period.



\$91.24 million
NATIONAL PROCUREMENT



\$12.93 million
INTERNATIONAL PROCUREMENT



\$123.98 million
TOTAL PROCUREMENT

UNDP partnership
SUPPLY CHAIN DEVELOPMENT



PROCUREMENT

Rough diamonds are at the start of the supply chain of the diamond trading, polishing and the jewellery sector. Our participation in the UN Global Compact, adherence to the Kimberley Process, as well as being a certified member of the Responsible Jewellery Council, demonstrates our commitment to responsible mining practices. It also assures the provenance or origin of our rough diamonds, and enables traceability along the diamond value chain from mine to finger.

Our procurement objectives include sourcing materials and services from within Botswana to generate local and national socioeconomic benefits. To support this effort, we initiated a new Citizen Economic Empowerment Policy to emphasize our local and national contracting preferences. This policy is expected to be completed in 2021. We also set up cross functional teams to assist with our due diligence process by reviewing suppliers' background and work performance. Our security team also contributes to the vetting process.

We are engaged in a partnership with the United Nations Development Program (UNDP) to support our localization efforts. In 2020, we piloted this initiative with two suppliers in Letlhakane. We plan to include an additional six suppliers into this program in 2021.

Our main contractors are required to adhere to contractual clauses which are consistent with our Code of Business Conduct and Ethics. These clauses include provisions for Human Rights and harassment free working environment. Our purchase orders prominently display contact details for a whistleblower hotline to further deter any corrupt practices. Contractors also undergo the same orientation and training as our employees.

Our main contractors, such as Trollope Botswana Pty (mining), and Marung Development Services (drilling), represent our most significant service providers. We collaborate closely with our top-tier service providers to ensure their adherence to our codes, charters and policies.

SECURITY & LOSS CONTROL

In 2020, we adapted our surveillance system to enhance monitoring and mitigation measures to help manage COVID-19 risks in our offices in Gaborone and at the Karowe mine. For example, we introduced thermal cameras to identify symptomatic workers, and utilized video analytics to further enhance compliance with COVID-19 health and safety protocols. We also continued investing in, and optimizing, our artificial intelligence tools, designed to further strengthen security and safety protocols throughout our operations.

In order to rapidly adjust and respond to the changing conditions and restrictions imposed by the COVID lockdown, we also continued our engagement and collaboration with governmental stakeholders, such as the Diamond and Mineral Protection Unit, Directorate of Intelligence Service, and the Botswana Police Services during COVID lockdown and restrictions, in order to rapidly adjust and respond to the changing conditions.

We have aligned our security program – and associated training - with the Voluntary Principles on Security and Human Rights, and the United Nations Guiding Principles on Business and Human Rights. Hampered by COVID-19 restrictions, 58% of our security staff had been trained by the end of 2020. We expect to train the remainder of our security personnel and external security providers during 2021.

UNDERGROUND EXPANSION

The feasibility study on extending the life of Karowe by transitioning from an open pit to an underground mining operation was published in December 2019. This expansion project, which has an estimated capital cost of \$514 million, continued to advance in 2020 focused on time critical-path items, detailed engineering and design, and limited earth works and geotechnical studies. During 2020, we invested \$18.7 million to progress the underground expansion project at Karowe.

Effective January 4, 2021, we received approval of our application for our mining license renewal and extension to 2046. In March 2021, we executed a mandate for a senior secured project financing package of up to US\$220 million to fund the underground expansion of Karowe. A syndicate of five international financial institutions, including ING Bank N.V., Natixis, Societe Generale, London Branch, Africa Finance Corporation, and Afreximbank will act as the Mandated Lead Arrangers. Closing of the facilities is targeted to be mid-2021, with financing in place for the second half of 2021.



TAILINGS FACILITIES

Our tailings facilities are located in a generally flat-laying, semi-arid to arid region, where evaporation exceeds precipitation. There are no permanent surface water bodies or communities in the influence zone from a potential breach of our tailings facilities.

Coarse waste rock is placed in designated storage areas, without impoundment walls or dams. The fine tailings, often referred to as slimes, are pumped as a slurry and discharged to a fine residue deposit. This is contained by a rectangular waste rock impoundment wall. There are a total of four cells (paddocks) within the fine residue deposit which are filled on a rotating basis. The paddocks are raised from time to time to provide additional storage volume. Deposition of the fine tailing is done in a manner to maximize water capture and

recycling back to the process plant. The design criteria used are based on applicable South African National Standards (SANS 10286), which is also utilized in Botswana. Inspections are conducted according to Botswana's Mines, Quarries, Works and Machinery Act, which prescribes internal and external (independent) inspections.

In 2020, we developed a site-level tailings management policy, introduced a governance structure, conducted a dam breach analysis to determine the zone of influence, and started a self-assessment using the Mining Association of Canada's Towards Sustainable Mining Tailings Management Protocol. During 2021 we will register our tailings facilities with the Investor Mining and Tailings Safety Initiative hosted by the Church of England Pensions Board, and the data will be available digitally through the Global Tailings portal. Furthermore in 2021 we will be working to align disclosure and governance of our tailings facilities with the Global Mine Tailings Standard released in August 2020.

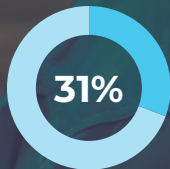
Although no residents live in the zone of influence of our fine tailings facility, a potential breach could affect our workforce, the open pit and portions of the mine plant. In accordance with the criteria outlined in the South African National Standards 10286:1998 "Code of practice, Mine residue", the facility is classed as a high hazard facility. This means that there is potential for the flow slide from a breach to cause harm to the mine plant, the pit to the north of the facility, and workers who may be present at those locations. The Emergency Response Plan will be updated in 2021 to reflect the impacts of a potential breach and provide mitigation measures. During 2021 we plan to conduct a further emergency response simulation.

OUR PEOPLE

1,108
TOTAL WORKFORCE

19 (36%)
WOMEN IN LEADERSHIP

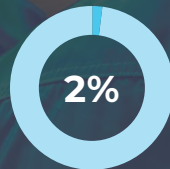
545
EMPLOYEES



Total
Women



Batswana



Staff
Turnover

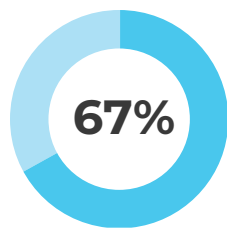


GROWING OUR WORKFORCE

Due to in-sourcing of previously outsourced services, the number of directly employed workers at Lucara Botswana increased by 41 percent to a total of 545. By the end of 2020, the size of our total workforce – including contractors - was 1,108. This represents a 27 percent increase from 2019. Botswana nationals remained at over 99 percent of our total workforce. Our staff turnover for 2020 remained very low at only two percent. Our organizational strategy focus for 2020 was on performance management, trainee development, and succession planning.

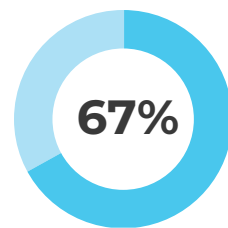


WOMEN AT LUCARA BOTSWANA



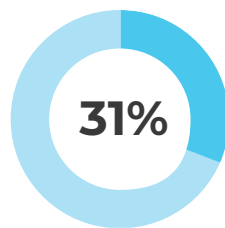
4 of 6

BOARD MEMBERS



2 of 3

EXECUTIVE OFFICERS



WORKFORCE



MS KGOLAGANO ORAPELENG

Following Her Passion into Mining

Ms Kgolagano Orapeleng was always fascinated by big trucks. As a child, she would sit by the roadside watching them drive to a mining operation nearby. Her first job at a mine was in the cafeteria. Soon afterwards, she successfully applied to become a dump truck operator at the same mine. When it closed, she lost her job.

When a job opportunity at the Karowe mine opened up, she successfully applied and became a dump truck operator at Trollope, one of Lucara's main contractors. Her message to other women is that "it's time women assume roles such as mine, roles which were traditionally thought to be reserved for men." She encourages other women to follow their passion and explore opportunities in the mining sector.



SAMUEL MITI

A Role Model

In 2011, Samuel commenced his career as a Groundsman at Lucara, working in Security and, later on, in the Finance Department. He also assisted as a driver, participated in various training programs, ranging from handling snakes to defensive driving, became a fire marshall, and eventually applied to join the Engineering Department as a crane operator trainee in 2018.

Now, fully certified, he does a lot of heavy lifting around the Karowe mine. He also serves as an inspiration to his colleagues, encouraging them to challenge themselves and taking full advantage of professional development opportunities Lucara has to offer.

DIVERSITY AND GENDER

We promote equal opportunities as part of our recruitment process. By the end of 2020, the ratio of women in our workforce (including contractors) reached 31 percent. This is approximately twice the average ratio of the mining sector of southern Africa. Our female leadership includes 19 women, comprising over 36 percent of the senior leadership positions.

EMPLOYEE DEVELOPMENT

We held career development discussions with our employees to identify and formalize growth opportunities. In 2020, we provided or financed over 3,424 training hours across all departments to continue to up-skill our employees. Examples of our employees who started as unskilled laborers and moved to skilled labor positions include Samuel Miti. He was a former grounds keeper and is now a licensed and experienced crane operator. We also actively encourage women to apply for all of our positions, including those available at our contractors. A good example is Ms. Kgolagano Orapeleng who is a dump truck operator with Trollope, one of our main contractors.

EMPLOYEE BENEFITS

Those with a permanent contract receive a housing allowance, medical aid subsidy, group life insurance, and statutory workers compensation. Instead of a pension scheme, employees are paid a gratuity every three years. Our benefits include 12 national holidays annually. Instead of the statutory 25 percent of pay during maternity leave, we pay 100 percent of wages for up to three children. Our employee handbook covers issues such as disciplinary code, statutory labour requirements, labour case law, good labour practice, and our tiered grievance procedure.



LABOUR ENGAGEMENT

We uphold the freedom of association, the elimination of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

With our assistance, the Lucara Branch of the Botswana Mine Workers Union was established in 2018. By the end of 2020, 49 percent (269) of our direct employees had joined the union. Our main contractors have formed their own union branches to represent their workforce.

In 2020, we continued our regular consultation and negotiation meetings, to further strengthen our relationship with the Union. We continue to support the Union to attend conferences, and provide time off work to attend union-related activities. Our operations did not experience any strikes or lockouts during the reporting period.

LABOUR GRIEVANCE

We maintain a formal grievance procedure. Employees are encouraged to first approach their line manager or human resources representative; if concerns remain unresolved the grievance is escalated to the General Manager or Managing Director. Union members may also pursue their grievances through their union representative.

In 2020, one employee grievance was recorded and resolved during the first stage of the grievance process amicably and in a timely manner. We did not register any complaints of discrimination or other types of violations of labour rights.

HEALTH, SAFETY & WELLNESS



ISO 45001 Introduced
OHS MANAGEMENT SYSTEM



0
FATALITIES



1
LOST TIME INJURIES



0.09
LTI FREQUENCY RATE



0.34
TOTAL RECORDABLE INCIDENT RATE



27,648
NEAR MISSES

LTI – Lost Time Injury, see annex and GRI Index for additional data



OUR APPROACH

Our core values include health and safety. A board-level Safety, Health, Environmental and Community Relations Committee conducts oversight. As detailed in our integrated Responsible Mining Policy, we are resolute in our effort to achieve Zero Harm by putting the health and safety of our employees and contractors first and foremost in everything we do.

SYSTEMS & STANDARDS

Starting in 2019, we started transitioning from the Occupational Health and Safety Assessment Series (OHSAS) 18001 to the International Organization for Standardization (ISO) 45001:2018 management system. We continue to improve and conduct quarterly internal audits. These showed that we closed 2020 with over 81 percent alignment with our ISO 45001:2018 adoption plan. Our management system covers all employees and contractors at Karowe. The Botswana Mine Workers Union, which represents 49 percent of our employees, is a member of the Safety, Health and Environment Committee at Karowe. Our main contractors are also fully integrated into our health and safety programs and culture.

RISK MANAGEMENT

We use a systematic process to identify hazards and assess risks. These are minimized by applying a hierarchy of controls. All work-related incidents, illnesses and near misses are reported. This triggers investigation of root causes to prevent recurrence. Our workforce is required to generate Near Misses or Stop & Fix notifications and actions. In 2020, these totaled 27,648 and supported our accident prevention philosophy as evidenced by our low lost time injury frequency rate. We continue to strive for improvement.

COMMUNITY FIRST AID TRAINING

We invited 31 teachers, coaches, village district councils, and youth from Khwee, Letlhakane, Mmadikola, Mmatshumo, Mmea, Mokubilo, Mokoboxane, Mopipi, Mosu, Rakops, Toromoja, and Xhumo to attend two training events. Members from six additional villages will be provided with similar training opportunities in 2021. We also plan to provide each village with First Aid supplies.

COVID-19 BASELINE ASSESSMENT



2,478

COVID-19 TESTS



0.7%

POSITIVITY RATE

Since installing thermal monitors in June 2020, we screened an average of 21,886 and 711 individuals per month entering and exiting Karowe and our offices in Gaborone, respectively. In October 2020, we completed a COVID-19 baseline assessment using PCR Testing. This involved 2,478 tests and resulted in a positivity rate of approximately 0.7%. This assessment identified 17 individuals testing positive for COVID-19. They only experienced mild symptoms, did not require hospitalization, and returned to work after being fully recovered.



Selected Health & Safety Training in 2020



985
**Hazard Identification
& Risk Assessment**



985
Fire Safety Awareness



168
Snake Awareness



125
First Aid Training

TRAINING & COMMUNICATION

All employees and contractors receive safety training at commencement of employment, and regularly throughout their career with Lucara. By adjusting our training to COVID-19 safety protocols, we were able to deliver a total of 33 courses and provide training to 850 employees during 2020. Selected examples are highlighted below. We also continued daily toolbox talks, weekly and monthly meetings, and formal management-worker meetings. All of these efforts are designed to support our commitment to promote and achieve Zero Harm.

HEALTH & WELLBEING

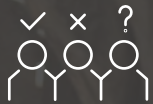
We promote a culture of health and wellbeing. We maintain a part-time clinic at Karowe. It is staffed by two consulting doctors offering primary health care, a wellness program, and occupational health services to the entire workforce. We also maintain an on-site health care unit. It is permanently staffed by a registered nurse. Additional emergency services are contracted to be available, when required.

In addition to conducting pre-employment and periodic medical exams, the medical and health program also covers HIV/AIDS, tuberculosis, obesity, diabetes, and hypertension. In response to COVID-19, we also introduced a counselling service for our workforce.

OCCUPATIONAL DISEASES

The employment-related medical examinations did not identify respiratory illnesses, occupational dermatitis, noise induced hearing loss, or musculoskeletal disorders during the reporting period.

PARTNERSHIP & ENGAGEMENT



20

KGOTLA VILLAGE MEETING



\$91,000

IMPACT INVESTING



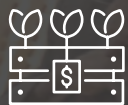
20 villages

GENDER & GBV EVENTS



\$540,000

COVID-19 CONTRIBUTIONS



2,528

COMMUNITY FOOD HAMPERS



1

GRIEVANCES

GBV – Gender Based Violence





COVID-19 RESPONSE

In 2020, we implemented a crisis management strategy to protect the health and well-being of our entire workforce while continuing to operate the Karowe Mine. We also committed over \$540,000 toward the Government of Botswana's COVID-19 Relief Fund, the establishment of a quarantine and testing facility for the Boteti Region, as well as distribution of food hampers, masks, and other supplies. We offered additional support to refurbish and restock Gender-Based Violence Shelters in Gaborone and Letlhakane, which will be implemented in 2021.

APPROACH

Guided by our core values, Responsible Mining Policy, supported by a structured Stakeholder Engagement Plan, we engage with our communities, local government, civil society, media, and others in a spirit of integrity and respect. Through collaboration, we identify benefit sharing opportunities. Annually, we invite the traditional leadership of our villages to a workshop. This allows us to be accountable, and learn about their expectations and concerns.

ENGAGEMENT

We attended traditional Kgotla meetings at 18 villages. We also welcomed the Makgaba settlement to become part of our local communities. The initiatives developed in response to what we have learned, such as the development of the Karowe Village Initiative, are highlighted further below. We also had the opportunity to highlight our mission, vision, and values. We reported our safety performance, highlighted our code of conduct, and detailed our community development and training initiatives. We also relayed the government's public health message related to COVID-19 at these Kgotla meetings.

In Letlhakane, the main village nearest to our mining operation, we welcome everyone who would like to learn more about our activities and employment opportunities, or to raise questions or concerns. Pro-actively, we also reach out to our local communities. At these and other meetings, we listen and learn how we can further strengthen our relationship, discuss community investment opportunities, identify issues of concern about our operations, and highlight our hiring processes and statistics.



PARTNERSHIPS

In 2019, we partnered with Dream Choice, a local contractor, Medupi Plant Hire, Trollope, one of our main contractors, and the local Council to construct an ablution block within the Letlhakane shopping center. That year, we also constructed a state-of-the-art public outdoor gym in Letlhakane. In 2020, we focused on the Mokubilo Farm project (see further below), and conducted feasibility studies to identify new community investment opportunities. Other contractors have co-sponsored the annual General Manager Cycle Challenge.

We continued to support the publicly owned Letlhakane abattoir. This is one of Lucara's signature community investments dating back to the start of the Karowe Mine. It is also an important revenue generator for the sub-district. We commenced the construction of a sports complex, with a total investment, once completed, of approximately \$3.2 million and a school in the Letlhakane village.

In 2020, we piloted a partnership with the United Nations Development Program to support our localization efforts with two local companies to help them become bigger suppliers of Lucara. We plan to include an additional six suppliers in 2021.

In collaboration with Debswana, we also completed a regional groundwater modelling exercise to better understand and manage the future impacts of the three diamond mining operations in the area which rely on groundwater for their operations.



GENDER EQUALITY & GBV AWARENESS

Each year, we host themed campaigns and sponsor important events. In 2020, we supported three Nna Ke Naledi (meaning "I am a Star") workshops to promote gender equality. This initiative is championed by and featured H.E. The First Lady of the Republic of Botswana, Mrs. Neo Masisi, as a keynote speaker.

Concerned about the high prevalence of Gender Based Violence (GBV), we launched a national GBV campaign with the Former President HE Festus Mogae and others mobilizing 20 villages in our area.

We also rolled out a GBV awareness raising campaign for our employees and contractors at Karowe.

In 2020, Lucara commenced the construction of a sports complex, with a total investment, once completed, of approximately \$3.2 million, and a school in the Letlhakane village.





KAROWE VILLAGE INITIATIVES

In response to requests by our local communities, we developed the Karowe Village Initiative. Its features include community-ownership and governance, and a focus on vulnerable communities.

In 2020, we invested approximately \$91,000 to develop and further expand the Mokubilo and Kwee co-operative farms, respectively, and establish a hardware store at the Mmadikola village.



Needs-based projects identified by communities:

Mokubilo Farm

Since 2018, we have supported the development of an integrated model farm (3.5 hectare cultivated) to target malnutrition and youth unemployment at the Mokubilo village, which has a population of 2,245. During the COVID-19 lock-down, the farm continued to operate, and employed six workers. Its bounty of eggs (115,322) and produce contributed to the supply of food hampers and reached two area schools (1,200 students).

In 2020, we supported the expansion of the solar-powered water irrigation system, provided additional net-shading, and introduced mini-tunnels to increase production under a pest and weather protected environment. We also provided a vehicle and supported capacity building. These focused on benchmarking, record keeping, customer service, and pest and disease management.

Khwee Farm

The success of the Mokubilo Farm encouraged us to replicate this model at the Khwee village, with a population of 1,417. Activities completed in 2020 include fencing of the 25-hectare community farm, drilling and commissioning a borehole in partnership with Epiroc Botswana, fencing of small stock corrals, and the installation of water storage tanks. The project will be completed and handed over to the community in 2021.

Hardware Store at Mmadikola

In 2020, we also supported the refurbishment and electrical wiring of a building to serve as a hardware store for the Mmadikola village, which has a population of 983, and surrounding areas. The project will be completed and handed over to the community in 2021.

ENVIRONMENTAL PERFORMANCE



No Freshwater Used*
IN PROCESSING



Zero Discharge
NO EFFLUENTS DISCHARGED



440,135 GJ
ENERGY USE



1,153 GJ/1,000 carats
ENERGY INTENSITY



74,135 tCO₂e
GHG (SCOPE 1 & 2)



194 GJ/1,000 carats
GHG INTENSITY

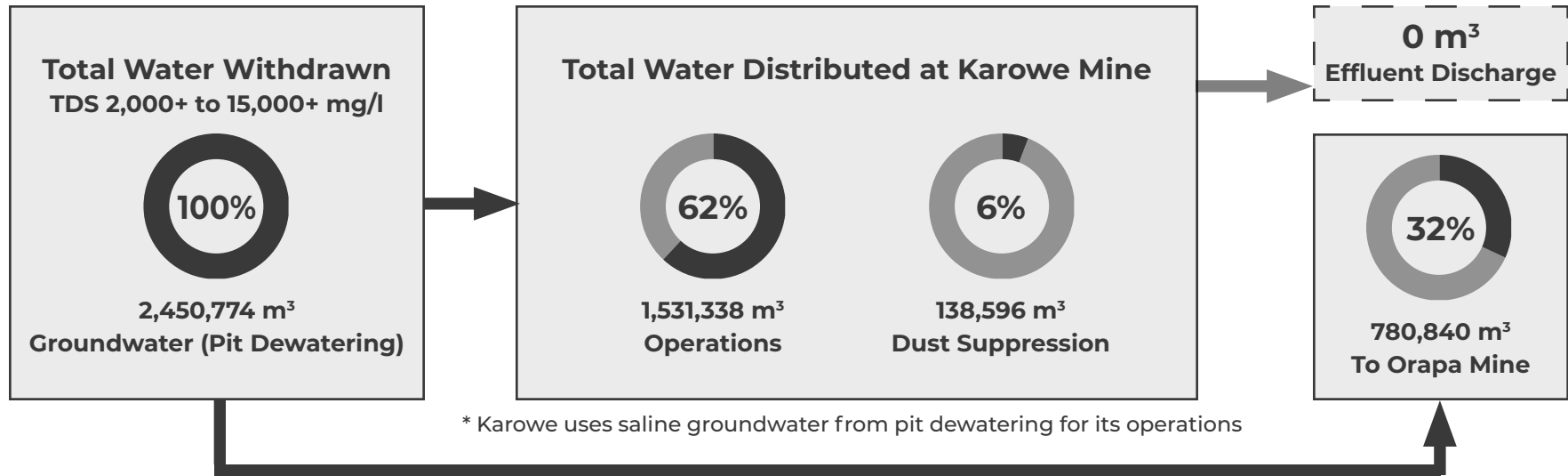


Zero Non-Compliance
NO REPORTABLE SPILLS

* TDS over 2,000 mg/l;
GHG – Greenhouse Gas; tCO₂e – tons of carbon dioxide equivalent



NO FRESHWATER* USE AT THE KAROWE MINE



WATER CONTEXT

The area hosting the Karowe Mine is characterized by a semi-arid to arid climate with hot, wet summers and cold, dry winters. There are no permanent water bodies near the operation. Groundwater produced from shallower aquifers (well depths approximately 50 to 100 meters) is generally the main water source for domestic use, livestock and agriculture. Karowe’s pit dewatering typically targets deeper aquifers, also exhibiting higher salinity or total dissolved solids. The World Resources Institute’s Aqueduct, a tool which identifies and evaluates water risks around the world, categorizes the Central District of Botswana, which hosts the Karowe mine, as a “High Baseline Water Stress” area.

MANAGEMENT APPROACH

Our Responsible Mining Policy emphasizes the need for conservation of natural resources. Karowe’s 2013 Environmental Impact Assessment and Environmental

Management Plan already incorporated a site-wide water balance, which was last updated as part of a 2019 feasibility study and further fine-tuned in 2020 to help plan the planned underground mining operation. Our Emergency Response Plan covers water-related aspects, such as spills and floods.

For our 2020 reporting, we restated our water reporting in line with the GRI’s updated Water and Effluent Standards (effective 2020), and SASB’s Mining and Metals Disclosures (2018). Considering the background quality of our groundwater resource, which is brackish to saline, abstraction rates dictated by mine safety concerns, and Karowe being a “zero discharge” operation, we have not identified water-related goals and targets. However, we continue to remain engaged with key stakeholders and continue to provide surplus water to a neighboring mining operation. In addition, we have collaborated with neighboring mining operations to construct a regional groundwater model to better monitor and manage groundwater resources.

DEWATERING THE PIT

The aquifers we pump from, at over 100 meters depth, are extensive across central Botswana. Our water usage does not adversely affect neighboring farm wells. As part of our underground mining plans, and an updated regional groundwater model, we plan to introduce water level monitoring equipment at neighboring farms to better track and manage future impacts, if any.

WATER QUALITY

The groundwater extracted at Karowe is metered and exhibits significantly elevated total dissolved solids (TDS), ranging from over 2,000 mg/l to over 15,000 mg/l. This defines the groundwater quality as brackish to saline. In contrast, freshwater is defined by TDS concentrations below 1,000 mg/l.

Our main water losses occur through entrapment in tailings materials and evaporation, as well as dust suppression (evaporation). We collect and meter decant water from the fine tailings (slimes) storage facility which is returned to the processing plants for reuse. Given relatively small quantities involved and significant evaporation, we do not report rainfall captured within our operational footprint as part of our water balance.

Similarly, we do not report the municipal or tap water consumption in our offices in Vancouver, London and Gaborone, which serve a combined workforce of less than 50 individuals, or the 117 company-sponsored houses used by our workforce in Mahube (10) and Lethlakane (107). The estimated annual freshwater consumption is 9,689 m³ (<0.6% of Lucara's total water use).

WATER USE & RECYCLING

The volume of groundwater withdrawn to dewater the open pit varies over time. It is dictated by our mining activities and variable hydrogeological conditions encountered. In 2020, extraction from tailings allowed us to recycle 724,991 m³ of water, slightly less than our performance from 2019. As in 2019, we continued to have surplus water from our dewatering activities.

In 2020, as part of our collaboration with the Water Utilities Corporation and the Debswana Diamond Mining Company, we were able to direct 780,840 m³ of surplus water to Debswana's Orapa Diamond Mine. We also used 138,596 m³ of water for dust suppression on the access road to our mine.

WASTEWATER TREATMENT

Our wastewater treatment plant, servicing the Karowe mine and company-sponsored housing in Lethlakane, collects and treats sanitary effluents to meet surface water discharge standards, including disinfection of pathogens. The pond used for treated effluent storage is lined. Treated water is used to irrigate lawns and gardens around our office buildings at the Karowe mine. Solid waste from wastewater treatment is either incinerated or stored as fertilizer for future land restoration areas. In 2020, the plant treated 10,706 m³ of effluents.

ENERGY USE & GHG



245,638 GJ
DIRECT (DIESEL)



194,497 GJ
INDIRECT (POWER)



440,135 GJ
TOTAL ENERGY



1,153 GJ/1,000 carats
ENERGY INTENSITY



18,692 tCO₂e
GHG SCOPE 1



55,443 tCO₂e
GHG SCOPE 2



74,135 tCO₂e
TOTAL GHG



194 GJ/1,000 carats
GHG INTENSITY



ENERGY & GHG MANAGEMENT

Karowe is connected to the national power grid and operates a diesel-fueled mobile mining fleet. We monitor our power and fuel consumption closely due to their importance in terms of our operating cost. We have also been disclosing our energy use and intensities, our greenhouse gas (GHG) emissions and intensities, and identified potential transition and physical risks since our first sustainability report for 2012.

In October 2019, the Government of Botswana published its Third Communication to the United Nations Framework Convention on Climate Change. It contains two Climate Change scenarios to determine impacts by the year 2050, as well as laying out an adaptation response. The Government published its intention to achieve an overall emission reduction of 15% by 2030, taking 2010 as the base year.

With these and other global developments, we have identified Climate Change as a potential material risk. As part of our 2020 sustainability reporting efforts, we reviewed our public disclosure against the recommendations of the Task Force for Climate-related Financing (TCFD). We expect to develop a Climate Action Plan in 2021.

ENERGY CONSUMPTION

In 2020, lower tonnage of materials moved and processed resulted in approximately 18% and 1.6% lower fuel and power consumption compared to the previous year, respectively. During the year, we recorded two significant grid-power outages triggered by above-average rainfall events. Although COVID-19 created temporary disruptions at the borders, our fuel supply from South Africa remained intact.

ENERGY EFFICIENCY

We have identified a series of energy efficiency measures we plan to prioritize and start implementing in 2021. These include switching to LED lighting, introducing additional switches and controls, trialing smart switches for lights and air conditioners, utilizing higher efficiency motors, and using variable speed centrifugal pumps.

ROOFTOP SOLAR PV

In November 2020, the Government of Botswana commenced its rooftop solar program to create an enabling environment for domestic, commercial, and industrial users to generate electricity and sell any surplus to the Botswana Power Corporation. We are planning the installation of 100 kWh of rooftop solar PV on our administration building at Karowe in 2021.

GHG EMISSIONS

Botswana's national grid electricity is generated by the Botswana Power Corporation's Morupule coal power plants, diesel-fueled generators, and imports from neighboring member countries of the Southern African Power Pool. In 2020, due to a decline in our fuel and power consumption, our GHG emissions declined by approximately 8% compared to 2019. We also improved our GHG reporting by quantifying contributions from explosives and sewage treatment. We learned that, together, they contributed approximately 0.45% of our total GHG emissions in 2020.

EXPLORING TCFD



CLIMATE CHANGE RISK

Botswana, a semi-arid country, is vulnerable to Climate Change risks. The Government's scenario planning indicates hotter temperatures, marginal change of precipitation, increased evaporation, and more use of groundwater. Livestock productivity is expected to decrease, while crop yields can both increase and decrease, depending on the type and location of activities. Adverse health impacts are expected to include an increase in malaria and malnutrition. We will

engage with our communities – and other stakeholders - to explore relevant intervention opportunities to support Climate adaptation required by our local farmers and livestock holders.

In Q1/2021, we also completed a Climate Change Risk Assessment and further reviewed transition and physical risks to our operations. Physical risks may include disruption of power supply due to unusual seasonal rainfall events. We experienced such impacts during above-average rainfall events in 2020 and in previous years. The feasibility study for our underground expansion plans already includes an investment of over \$17 million to provide for a new transmission line and reduce such power interruption risks. Other examples include carbon-related cost escalation and competitive or market pressure, both of which could be mitigated by including renewable power into our power mix at Karowe.

Climate-related opportunities include cost savings by adopting solar PV and battery storage as part of our power mix. Other opportunities relate to Clara, our digital sales platform. It can support buyers to reduce or eliminate the need for in-person viewing of rough diamonds, thus reducing travel-related GHG emissions. In 2020, pandemic-related travel restriction and other intrinsic benefits of the Clara platform resulted in a growth of its customer base from 27 in 2019 to 75 in 2020.

TCFD REVIEW

In Q1/2021, we benchmarked our governance, risk management, strategy, and metrics and targets using the recommendations of the Task Force for Climate-related Financing (TCFD) as our benchmark. We also started developing a decarbonization strategy and a Climate Action Plan.

DUST & AIR QUALITY

The nearest community receptors are situated approximately 4 km from the Karowe mine. We conduct monthly dust deposition measurements at 12 sites around Karowe, and at the access road leading to Lethlakane. Mitigation measures applied to reduce dust include dust filtering and extraction technology at our process machinery, applying water for dust suppression on roads, and maintaining speed limits on the unpaved mine access road.

Monitoring during 2020 shows that the dust deposition rates were generally below the residential and industrial limit values stipulated by applicable Botswana standards. No grievances concerning dust fallout were recorded during 2020.

The Karowe mine is grid connected and does not routinely use back-up generators for its electric power needs. We do not routinely quantify or report on sources of NO_x and SO_x, including those associated with the diesel-fueled mobile mining fleet (which uses 50 ppm low-sulfur diesel) and explosives.

LAND MANAGEMENT

The license area for Karowe remains unchanged at 1,523 hectares. The total disturbed areas within the license area continue to gradually grow as waste rock, tailings deposits and other infrastructure continue to grow as planned over the life of the mine. In 2020, the size of the newly disturbed land was 161 hectares, bringing the total disturbed area to 744 hectares. To date, no land was rehabilitated or handed over to the local government.

BIODIVERSITY

The licensed and fenced-in Karowe Diamond Mine comprises an area of 1,523 hectares. This area is characterized as a modified habitat. The operation is located within a distance of approximately 12 km from the Letlhakane village. It has over 27,000 inhabitants and is surrounded by livestock grazing, farming, as well as other diamond mining operations. The nearest area of high biodiversity value is the Orapa Game Park, at a distance of approximately 30 km from our operation.

A biodiversity survey for Karowe was conducted in 2020. It did not identify any IUCN species of special conservation concern. One succulent plant species, *Hoodia currorii*, categorized by IUCN as Least Concerns, but as Vulnerable in Botswana's National Red List, has been identified at the mine site. The distribution of this plant is along an east-west belt spanning 600 km within Botswana. It is also found in South Africa, Zimbabwe, and elsewhere.

We are in the process of updating our Biodiversity Management Plan. We are considering opportunities to relocating the *Hoodia currorii* to an alternative site, building a nursery for *Vachellia* (previously *Acacia erioloba*), and limiting the growth or removal of invasive species.

NON-MINERAL WASTE

We segregate our waste in line with our environmental management plan. We maintain five waste management facilities within the mine lease area: a licensed landfill, a sewage treatment plant, a salvage yard, and two fixed incinerators, the latter mainly used for disposal of oily rags. Waste statistics, including recycling of scrap metal, are provided in the annex of this report. Some recycling activities were delayed from 2020 to 2021 in response to COVID-19 restrictions.

We also used 156 liters of acids, caustic soda, and methanol at our diamond cleaning facility in Gaborone. The resulting liquid waste is neutralized before authorized discharge to the municipal industrial wastewater facility.

We continue to store waste tires on-site until suitable disposal options have been identified by the Botswana Chamber of Mines with other government authorities.

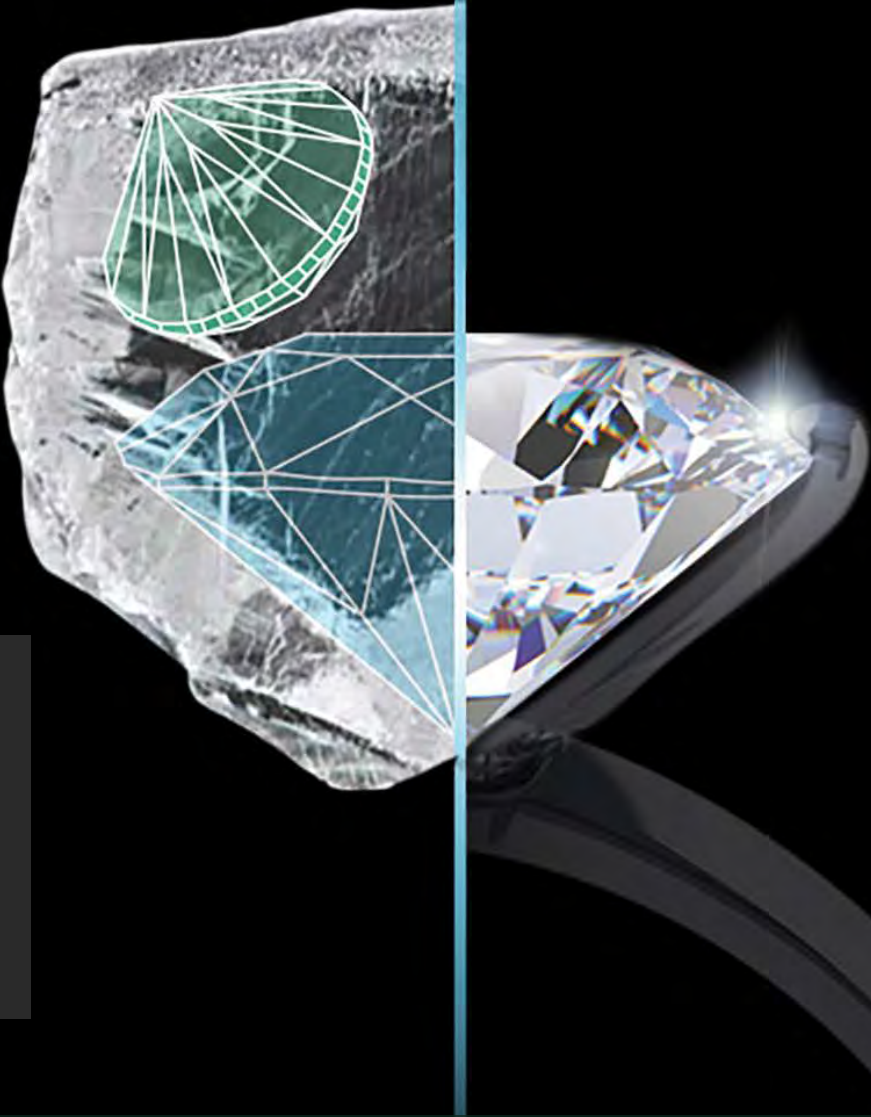
DECOMMISSIONING

The Mining License for the Karowe Mine was extended in December 2020 for 25 years, and permits both open pit and underground mining activities until January 2046. Open pit mining is expected to cease in 2026 while the proposed underground mine would extend mining activities at Karowe until 2040. As of December 31, 2020, the estimated reclamation liability was US\$33.7 million on an undiscounted basis (US\$27.1 million in fiscal 2019). Lucara Botswana has provided financial guarantees totaling BWP 243.4 million for reclamation obligations, consisting of cash on deposit of BWP 43.4 million and a BWP 200 million standby letter of credit.



COMPLIANCE & GRIEVANCES

In 2020, we recorded one water-related grievance from a neighboring farm. Upon investigation, an electrical fault was identified and resolved, resulting in amicable closure of the grievance. We did not record any incidents of non-compliance associated with water quality permits, standards, or regulations during the reporting period.



75
CUSTOMER BASE



178%
CUSTOMER GROWTH

CLARA

DIAMOND SOLUTIONS



ABOUT CLARA

Clara Diamond Solutions (Clara) is a modern, secure, web based digital marketplace for rough diamonds that uses technology to modernize how rough diamonds are sold, driving efficiencies, unlocking value, and providing assurance on diamond provenance from mine to finger. Clara is 100% owned by Lucara Diamond Corp.

INNOVATING THE SUPPLY CHAIN

More specifically, Clara uses state of the art scanning and planning technology together with proprietary analytics to eliminate the traditional way of selling rough diamonds in batches or assortments through in-person sites or tenders. Instead, Clara delivers individual rough diamonds to fulfill specific polished orders placed by our buyers anywhere in the world, at any time, without the requirement to travel.

Traceability is enhanced as rough diamonds are fingerprinted at source (the mine site) and sold individually so they can be tracked through the pipeline to the consumer.

COVID-19 AND DECARBONIZATION

The restrictions placed on travel during the COVID-19 pandemic tested the traditional in-person viewing and purchasing model and compounded the rationale behind our industry's need to modernize. In 2020, Clara's customer base grew by 178% to 75. We also expect that buyers eager to reduce their travel-related carbon footprint will increasingly consider Clara as their preferred digital sales channel.

INTELLECTUAL PROPERTY

Clara has developed and protects the intellectual property which underpins its digital sales platform. We also respect and support our strategic partner, Sarine Technologies Ltd, to protect its intellectual property which is incorporated into Clara's sales platform.

ENSURING PROVENANCE

Clara's automated scanning and sorting of individual diamonds, along with the use of a cloud-based digital blockchain system, enhances the transparency and traceability of diamond provenance for each diamond.

RJC CERTIFICATION PLANS

With a growing interest for Clara to market rough diamonds on behalf of third parties, we are now planning Clara's certification under the Responsible Jewellery Council in 2021.

Members of our Sustainability Team, from left to right: George Ramatoboro, Phillip Radithupa, Lebonyeng Mpang, Lame Kebeilwe, Angel Smith, Lettie Selawe, Phatsimo Kemiso, Kgalalelo Mokgweetsi, Ewetse Mathaba, Isaiah Oagile Mokgethisi, Peace Mothusi, Kesego Kereemang, Monaiwa Maletle, Tshidiso Moitoti, Lesego Tlhalerwa, Ndumalo Ndulamo, Bakhulu P. Khohliwe, Boikobo Motsamai, Lindiwe Gilika, Seeletso Moseletlhanyane





MATERIALITY REVIEW

In line with the GRI Standards, we define our material topics as those which reflect our significant economic, environmental, and social impacts, or could substantively influence the decisions of our key stakeholders. In 2020, we also started adopting relevant Metals and Mining Standards from the Sustainability Accounting Standard Board (SASB).

Our materiality analysis benefits from our annual sustainability reporting efforts since 2012. Our latest internal and external materiality workshops, including with local communities, were conducted in early 2019. Our management team deems the findings of these workshops to continue to be valid for the 2020 reporting period.

We added two additional material topics: Climate Change and COVID-19. The Government of Botswana's Climate scenario planning, published in late 2019, and the growing need for the mining sector to reduce its carbon footprint, highlights the importance of the Climate Change topic. The impact of the pandemic on local communities, a temporary disruption of the diamond market, and the impact on sales and revenue, elevated COVID-19 to a material topic.

The material topics incorporated into Lucara's 2020 reporting are presented below.

OUR 2020 MATERIAL TOPICS	WHY IMPORTANT?	Lucara Diamond Corp.	Lucara Botswana	Clara
Innovation & Economic Performance	Enables sustainable growth and adaptation to Climate Change risk.	●●●	●●●	●●●
Product Stewardship	Aligned with our Responsible Mining Policy, host country requirements, and RJC certification.	●●●	●●●	●●●
Local Content: People & Supply Chain	Creates positive local economic impacts and shared value.	●	●●●	
Community Development	Supporting local communities is essential to maintain our social license, generate SDG benefits, and leave a positive legacy.	●●	●●●	
Health, Safety & Wellness	Core value, enabled continued operations during COVID-19 pandemic, aligned with regulatory requirements; Clara improved safety by offering digital sales channels without need for travel during the COVID-19 pandemic.	●●	●●●	●●
Partnerships	Generates and magnifies SDG impacts. Business partnerships improves our cashflows and profitability. Water partnership enables supply of surplus water to Orapa mine.	●●	●●●	●●
Environmental Stewardship	Core value, aligned with host country requirements and RJC certification.	●●	●●●	●
COVID-19 Pandemic	Material adverse impact on local communities. Temporary disruption of the diamond market, delaying sales and revenue. Travel restriction helped Clara grow its customers base by 178%.	●●	●●●	●●●
Climate Change	Mining is a significant energy consumer and emitter of GHGs, Botswana is vulnerable to Climatic risks and has virtually no renewable power plants, financial sector advocates GHG reduction. Clara can help buyers reduce travel-related GHG footprint.	●●	●●●	●●

●●● = strong link; ●● = important link; ● = some link; Blank = no or limited link

The success of the Mokubilo Farm encouraged us to adopt and replicate this model at the Khwee village, with a population of 1,417. Activities completed include fencing of the 25-hectare community farm, drilling and commissioning a borehole, fencing of small stock corrals, and the installation of water storage tanks.



SUMMARY ESG PERFORMANCE DATA

	UNITS	2020	2019	2018
ECONOMIC				
Diamonds Produced	Carats	381,706	433,060	364,581
Stones 100+ carats	Carats	34	31	33
Revenues	USD	125.3	192.5	176.2
Total Botswana Benefits ¹	USD	125.78	140.06	173.6
Clara Customer Base	Number	75	25	7
Women Leadership				
Lucara Corp Board	%	43	43	43
Lucara Corp Executives	%	75	75	75
Lucara Botswana Board	%	67	67	67
Lucara Botswana Executive	%	67	67	50
Lucara Botswana Senior Managers	%	36	-	-
Workforce in Botswana	%	31	18	16
Workforce	Number	1108	878	792
Batswana	%	99	99	98
Contractors	Number	563	549	515
Employees	Number	545	329	277
Training	Hours	3,424		
Union Membership/ Staff Members	%	49	65	49

	UNITS	2020	2019	2018
Occupation Health & Safety				
Fatalities	Number	0	0	0
Lost time Frequency Rate	per 200,000	0.09	0.16	0
Labour Grievances	Number	1	2	0
ENVIRONMENT				
Freshwater used in Karowe's Operations ²	m ³	0	0	0
Effluent Discharge	m ³	0	0	0
Total Energy Use	GJ	440,135	498,643	743,837
Total GHG emissions (Scope 1 & 2)	tCO ₂ e	74,135	78,850	95,615
Community				
Community Investments	USD	1.24	0.59	0.11
Karowe Village Initiative ³	Projects	3	2	1
COVID-19 Response	USD	540,000		
Food Hampers	Number	2,528		
Community Grievances	Number	1	0	1

1 - Botswana total Benefit: Royalty, Corporate Tax, Employee compensation, Local Procurement, Donations and Community Investments; 2 - Groundwater from pit dewatering used for operations at Karowe exhibits TDS >> 1,000 mg/l; 3 - Karowe Village Initiative supports needs-based projects requests by communities which also feature community ownership and governance



DANGER
CONTINUED SPACE
PERMIT REQUIRED
PRIOR TO ENTRY

PERMIT NO WORK
TO WORK MUST BE OBTAINED
ASSESSMENT MUST BE CARRIED
OUT ALL TIMES
AT ALL INCIDENTS
LIABILITY BEGINS WITH YOU
HARM

NO WORK

INDEPENDENT ASSURANCE REPORT TO THE MANAGEMENT AND STAKEHOLDERS OF LUCARA DIAMOND CORPORATION

INTRODUCTION

IBIS ESG Africa (Pty) Ltd (IBIS) was commissioned by Lucara Diamond Corporation (Lucara) to conduct an independent third-party assurance engagement in relation to the sustainability information in Lucara's Sustainability Report (the report) for the financial year that ended 31 December 2020.

IBIS is an independent licensed provider of sustainability assurance services. The assurance team was led by Petrus Gildenhuys with support from Adam Sutton-Pryce and Hsien Lou. Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with over 25 years' experience in sustainability performance measurement involving both advisory and assurance work.

ASSURANCE STANDARD APPLIED

This assurance engagement was performed in accordance with AccountAbility's AA1000AS v3 (2020) ("AA1000AS") and was conducted to meet the AA1000AS Type II Moderate level requirements.

RESPECTIVE RESPONSIBILITIES AND IBIS' INDEPENDENCE

Lucara, is responsible for preparing the report and for the collection and presentation of sustainability information within the report, notwithstanding any third-party support in compiling the report.

IBIS' responsibility is to the management of Lucara alone and in accordance with the scope of work and terms of reference agreed with Lucara. IBIS applies a strict independence policy and confirms its impartiality to Lucara in delivering the assurance engagement. This assurance engagement is

the fifth consecutive assurance engagement conducted for Lucara by IBIS.

ASSURANCE OBJECTIVES

The purpose of the assurance engagement was to provide the management of Lucara and their stakeholders with an independent moderate level assurance opinion on whether the report meets the following objectives:

- Adherence to the AA1000AP (2018) AccountAbility Principles of inclusivity, materiality, responsiveness and impact
- Lucara's alignment with the GRI Standards in respect of the 'core' reporting requirements (GRI Index: www.lucaradiamond.com/sustainability)
- Fair reporting on a selection of operational Key Performance Indicators (KPIs) as related to the identified material issues listed below:
 - Total amount of water used and water use intensity (p 40)
 - Total direct and indirect energy used and energy use intensities (p 42)
 - Scope 1 and 2 GHG emissions and intensities (p 42)
 - Waste disposed in the different categories (Additional environmental statistics: www.lucaradiamond.com/sustainability)
 - Number of fatal injuries (p 30)
 - Lost Time Injury Frequency Rate (LTIFR) (p 30)
 - Total Recordable Incident Rate (p 30)
 - Absenteeism rate (Additional health & safety statistics: www.lucaradiamond.com/sustainability)
 - Percentage of Botswana nationals in workforce (p 26)
 - Directly employed staff turnover (p 26)
 - Community development spend (p 53)

WORK PERFORMED BY IBIS

The following suitable assessment criteria were used in undertaking the work:

- AA1000AP (2018) (AccountAbility Principles) published criteria for inclusivity, materiality, responsiveness and impact respectively
- The Global Reporting Initiative (GRI) Standards
- Lucara's Sustainability Reporting Guideline

Our assurance methodology included:

- Obtaining supporting electronic evidence from the operation in the form of meeting minutes, scanned documents, registers and transaction documents.
- Inspection and corroboration of electronically received supporting evidence to evaluate the data generation and reporting processes against the assurance criteria.
- Submitting queries to the operation as they arose to provide an opportunity for explanation and data corrections prior to completion of the assessment process.
- Assessing the presentation of information relevant to the scope of work in the Sustainability Report to ensure consistency with the assurance observations.

ENGAGEMENT LIMITATIONS

IBIS planned and performed the work to obtain all the information and explanations believed necessary to provide a basis for the assurance conclusions for a moderate assurance level, in accordance with AA1000AS. The procedures performed in a moderate assurance engagement vary in nature from, and are less in extent, than for a high assurance engagement. As a result, the level of assurance obtained for a moderate assurance engagement is lower than for high assurance as per AA1000AS.

Due to the global Covid-19 pandemic related travel restrictions, no on-site interviews or inspection of operations were conducted. Evidence to support information reported was obtained electronically from Lucara for review and assessment to base our conclusion on. Readers of the report are cautioned to understand this inherent limitation.

ASSURANCE CONCLUSION

Based on the work undertaken for moderate assurance as described, we conclude that the subject matters in the scope of this assurance engagement have been prepared in accordance with the defined reporting criteria and are free from material misstatement in respect of:

- Lucara's adherence to the AA1000AP principles of inclusivity, materiality, responsiveness and impact.
- The report's alignment with the GRI Standards' core requirements.
- The selected disclosures identified under assurance objectives above and as presented in the published report.

KEY OBSERVATIONS AND RECOMMENDATIONS

Based on the work set out above, and without affecting the assurance conclusions, the key observations and recommendations for improvement are as follows:

In relation to the inclusivity principle

Lucara has a dedicated community relations team and maintained formal stakeholder engagement during 2020 focussing on consultation with a range of communities in the Boteti region. A structured Stakeholder Engagement Plan supports Lucara's approach to engaging with communities, local government, civil society, media and other key stakeholders. Continued engagement and record keeping is recommended.

In relation to the materiality principle

Lucara's materiality review process is aligned with the GRI Standards. In 2020, Lucara also adopted relevant Metals and Mining Standards from the Sustainability Accounting Standard Board (SASB). The material issues identified during the 2019 materiality workshops were reviewed and deemed still valid for the 2020 reporting period. Issues raised during these workshops have been considered and are duly reflected in the Sustainability Report. Continued focus on material sustainability issues are recommended.

In relation to the responsiveness principle

Traditional community meetings were held at key villages in the district to share information and record issues raised. Several Government stakeholders have also been included in engagement activities throughout the reporting period. Responses to issues raised were found to be directly related to the stakeholder concerns and were conducted in a timely, fair and appropriate manner without prejudice to any one stakeholder group. On-going dialogue with a broad range of stakeholders across the operation is recommended to maintain transparency, mitigate risks arising and create value for both Lucara and its stakeholders.

In relation to the impact principle

Lucara reports on a range of material environmental, social and governance topics based on its ongoing monitoring, measurement and evaluation of its impacts; both qualitatively and quantitatively. Ten of the UN SDGs that most closely align with Lucara's business have been adopted and reported on for 2020, demonstrating Lucara's impact related to the relevant topics. This is further supported by Lucara's product

stewardship commitments through the Kimberley Process Certification Scheme (KPCS), Responsible Jewellery Council (RJC) certification, and the Diamond Producers Association (DPA) membership. It is recommended that Lucara continue to report on the progress against its targets set in terms of the select SDGs as well as the impacts on its stakeholders and on Lucara's business itself.

In relation to GRI reporting

A review of the report against the GRI Standards indicated that Lucara effectively reports in accordance with the GRI Standards - "core" disclosure requirements.

In relation to the selected KPIs

IBIS is satisfied with the final data accuracy in the assurance scope as reported. Inconsistencies noted were corrected prior to data finalization. It is recommended that continued regular review of sustainability data is carried out by the sustainability team in order to limit the risk of data errors occurring.



Petrus Gildenhuis

Director, IBIS ESG Africa (Pty) Ltd
Johannesburg, 16 June 2021



The assurance statement provides no assurance on the maintenance and integrity of sustainability information on the website, including controls used to maintain this. These matters are the responsibility of Lucara.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

Certain of the statements made and contained herein and elsewhere constitute forward-looking statements as defined in applicable securities laws. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved.

Forward-looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable, but no assurance can be given that these expectations will prove to be accurate and such forward-looking information included herein should not be unduly relied upon.

In particular, this report may contain forward looking information pertaining to the following: the impact of COVID-19 pandemic on the Company's operations and cash flows and its plans with respect to the Karowe underground expansion project; the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Diamond Mine; estimated costs for capital expenditures related to the Karowe Diamond Mine; production costs; exploration and development expenditures and reclamation costs; expectation of diamond prices and the potential for the supply agreement with HB Antwerp to achieve both higher prices from the sale of polished diamonds and to provide more regular cash flow than in previous periods; estimates of variable consideration receivable pursuant to the HB supply agreement; changes to foreign currency exchange rates; assumptions and expectations related to the possible development of an underground mining operation at Karowe including associated capital costs, financing strategies and timing; expectations in respect of the development and functionality of the technology related to the Clara platform, the intended benefits and

performance of the Clara platform, including ability to complete sales without viewing diamonds, the growth of the Clara platform, the timing and frequency of sales on the Clara Platform, and the quantum and timing of participation of third parties on the Clara platform; expectations regarding the need to raise capital and its availability; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

There can be no assurance that such forward looking statements will prove to be accurate, as the Company's results and future events could differ materially from those anticipated in this forward-looking information as a result of those factors discussed in or referred to under the heading "COVID-19 Global Pandemic" in the Company's most recent MD&A and under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form, both available at <http://www.sedar.com>, as well as changes in general business and economic conditions, the ability to continue as a going concern, changes in interest and foreign currency rates, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, costs of power and diesel, acts of foreign governments and the outcome of legal proceedings, inaccurate geological and recoverability assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), and unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalations, unavailability of materials and equipment, government action or delays in the receipt of government approvals, industrial disturbances or other job actions, adverse weather conditions, and unanticipated events relating to health safety and environmental matters).

Accordingly, readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date the statements were made, and the Company does not assume any obligations to update or revise them to reflect new events or circumstances, except as required by law.



VANCOUVER CORPORATE OFFICE

Suite 502

1250 Homer Street

Vancouver, BC Canada V6B 2Y5

T: +1 604 674 0272

E: info@lucaradiamond.com

Contact: Investor and Public Relations

