LUCARA
DIAMOND

ANNUAL INFORMATION FORM
(FOR THE YEAR ENDED DECEMBER 31, 2018)

DATED: MARCH 20, 2019

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DEFINITIONS

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

AIF means this Annual Information Form dated March 20, 2019

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

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

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

Board means the Company's Board of Directors

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

CDN$ means Canadian dollars

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

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum

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

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

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

cpht means carats per hundred tonnes

CSR means corporate social responsibility

DMS means dense media separation

EIA means Environmental Impact Assessment Study

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

EMP means Environmental Management Plan

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

FS means feasibility study

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

Karowe Technical Report means the National Instrument 43-101 Technical Report for the Karowe Mine: Updated Mineral Resource Estimate dated August 7, 2018

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

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

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

LDD means large diameter drilling hole

LDR means Large Diamond Recovery

LOM means life of mine

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

masl means meters above sea level

MD&A means Management's Discussion and Analysis

MDR means the Mega Diamond Recovery project

Mothae Project was the name of the project to evaluate the Mothae Kimberlite located in Lesotho that was 75% owned indirectly by the Company and 25% by the Government of Lesotho. Lucara has relinquished its interest in such project.

NEX means the separate board of the TSX Venture Exchange

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

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

PwC means PricewaterhouseCoopers LLP

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

Sarine means Sarine Technologies Ltd.

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

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

TSX means the Toronto Stock Exchange

Union means the Botswana Mine Workers Union

US$ means United States dollars

Water Rights has the meaning ascribed in the Karowe Technical Report

XRT means X-Ray Transmission

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made in this AIF and in documents incorporated by reference constitute forward-looking statements as defined in applicable securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projects, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved are not statements of historical fact and may be forward-looking statements.

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

Forward looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. The Company is subject to the following risks and uncertainties, among others:

- *general global financial and economic conditions;*
- *future market prices for diamonds;*
- *the supply and demand for rough diamonds;*
- *ability to access capital;*
- *fluctuations in interest rates, foreign currency exchange rates and tax rates;*
- *inherent hazards and risks associated with mining operations;*
- *estimations of Lucara's production and sales volume for the Karowe Mine;*
- *operational costs, including costs of power and diesel;*
- *operational difficulties, including power failures, failure of plant, equipment or processes to operate in accordance with specifications or expectations;*

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

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

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

INTRODUCTION

1.1 DATE OF INFORMATION

All information in this AIF is as of December 31, 2018 unless otherwise indicated.

Currency

The Company reports its financial results and prepares its financial statements in United States dollars. If not indicated otherwise, all currency amounts in this AIF are expressed in United States dollars. The Bank of Canada exchange rates for the purchase of one United States dollar with Canadian dollars for the specified period ends are as follows:

As at December 31	2018	2017	2016
Close	1.3631	1.2552	1.3442

Accounting Policies and Financial Information

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

Classification of Mineral Reserves and Resources

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

ITEM 2 CORPORATE STRUCTURE

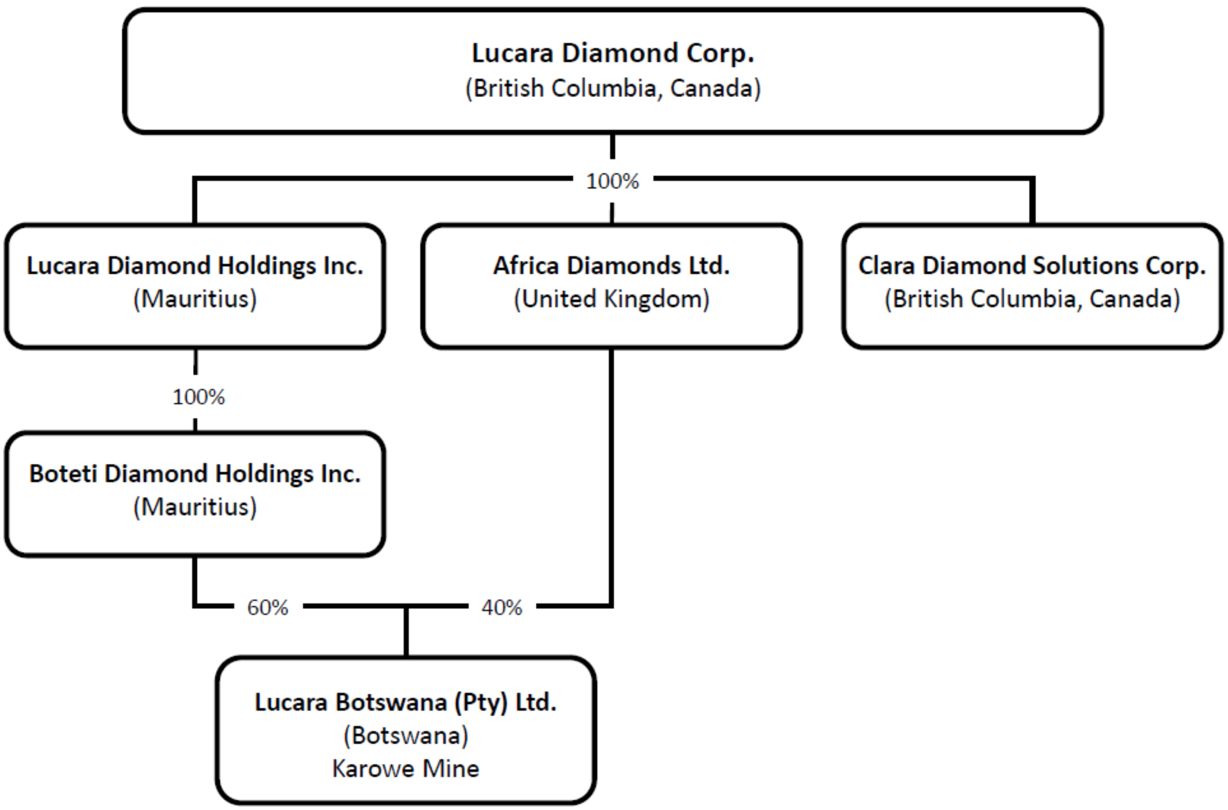
Incorporation and Registered Office

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

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

Intercorporate Relationships

Substantially all of Lucara's business is carried on through its various subsidiaries. The following chart illustrates the Company's main subsidiaries as of March 20, 2019, including where they are incorporated. All of these subsidiaries are wholly owned.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

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

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

2016

- Lucara's focus in 2016 was to consolidate and initiate further process plant improvements at the Karowe Mine and to maximize value for the two Exceptional Stones, the 1,109 carat and 813 carat stones, recovered in the last of quarter of 2015.

- In February 2016, Lucara announced a contest to name, by the citizens of Botswana, the 1,109 carat Exceptional Stone. The name given to the stone was "Lesedi La Rona".
- On March 31, 2016, the Company completed the relinquishment of its 75% interest in the Mothae Project by transferring its shares in Mothae Diamond Pty Ltd. and the site bulk sample plant associated with the Mothae Project to the Government of Lesotho. In consideration, the Government of Lesotho provided a release to the Company of its rehabilitation liability for the Mothae Project.
- In April 2016, Lucara announced the results from the year's first exceptional stone tender. The sale consisted of 10 diamonds totaling 1,525 carats for $51.3 million ($33,632 per carat); 7 diamonds sold for more than $2.0 million each, including 4 stones which sold in excess of $5.0 million each.
- In May 2016, the Company sold the 813 carat diamond for $63.1 million ($77,649 per carat), a record for a rough diamond to Nemesis International DMCC. The stone was named the Constellation diamond.
- The Company retained Sotheby's to auction the Lesedi La Rona on June 29th, 2016. Prior to the auction, Lucara showcased the stone in Singapore, Hong Kong, Dubai, New York, Geneva, Antwerp and London. The reserve price set for the stone was not met at the auction.
- In July 2016, Lucara announced, in addition to its 2016 quarterly dividend of CDN$0.015 per share, the approval of a special dividend of CDN$0.45 per share to shareholders of record on September 2, 2016.
- In August 2016, the Company announced the installation of four new XRT diamond recovery units to target diamonds in the finer size fraction between 4mm and 8mm. This upgrade was completed in Q2 2018.
- In October 2016, the completion of the first stage of plant modification to upgrade the Large Diamond Recovery ("LDR") circuit was completed at Karowe.
- In November 2016, the second exceptional stone tender was completed resulting in the sale of 12 single stones totaling 1,098 carats yielding gross revenue of $38.7 million ($35,230 per carat). Five diamonds sold for more than $2.0 million each.
- In November 2016, the Company provided 2017 guidance of a planned annual dividend of CDN$0.10 per share to be paid in four equal payments at the end of each financial quarter.
- In December 2016, Lucara terminated its contract with Eqstra Botswana, the mining contractor at its Karowe Mine, and initiated plans to transition to a new contractor. During the transition period, the plant at Karowe was fed with stockpiled material with no material impact on production. A new mining contractor for the Karowe Mine, Aveng Moolmans, was appointed in January, 2017.
- Lucara completed the year by announcing a milestone achievement of exceeding sales totaling $1.0 Billion from its Karowe Mine. The Karowe Mine, at that point, had yielded 1.8 million carats at an average of $566 per carat. The mine also surpassed the 5,000,000 "Lost Time Injury Free" hour mark.

- During 2016, a total of 353,974 carats from the Karowe Mine were sold generating gross revenues of $295.5 million.

2017

- In February 2017, the Company's new mining contractor, Moolman Mining Botswana (Pty) Ltd, a subsidiary of Aveng Moolmans, commenced mobilization and mined ore from stockpile during its ramp up.
- A drilling program at the Karowe Mine to test the AK6 Kimberlite at depths below 400m was completed in February 2017. Mineral Services Canada was contracted to assist in the development of the sampling program and internal geology updates that will be utilized for an updated resource estimate for the inferred portion of the Karowe Mine resource estimate, between a depth of 400 to 600m below surface (600 to 400masl).
- During Q1 2017, further work was conducted on the exploration sites BK02, AK11, AK13 and AK14. Based on the grade and yield information from the exploration activity, the Company determined that it would not continue additional work on BK02 or AK14.
- During Q2 2017, the Company's mining contractor, Moolmans, experienced equipment availability issues, which resulted in lower than planned ore and waste mined. As a result of the reduced ore mined volumes, the Company reduced forecasted carats recovered to between 265,000-285,000 carats and carats sold to between 260,000-275,000 carats.
- In September 2017, the Company announced the completion of two diamond recovery capital projects: the Mega Diamond Recovery ("MDR") project and Sub-middles XRT project within budget and ahead of schedule. The commissioning of the MDR and Sub-middle circuits advanced the Company's ability to recover diamonds prior to the comminution process where diamond damage may occur and thus maximize value for its exceptional diamonds.
- In September 2017, the Company announced the sale of the 1,109 carat Lesedi La Rona for $53 million.
- During Q3 2017, Moolman's ramp up to full capacity was longer than anticipated, and the Company and Moolman worked to address and improve operating inefficiencies. As a result, the Company focused on waste mining and lower grade stockpile was substituted for fresh ore which led to lower carats recovered during the year. Due to this change, the Company decreased 2017 revenue guidance to between $165 million and $175 million, excluding the sale of the Lesedi La Rona.
- During Q3 2017, the Company transitioned to a new mine processing contractor at the Karowe Mine which increased capabilities of Karowe's new diamond recovery technology.
- In November 2017, the Company announced the results of its Preliminary Economic Assessment for underground development at the Karowe Mine (the "Karowe Underground PEA"). As a standalone underground project, the Karowe Underground PEA reported after-tax undiscounted net cash flow of $820 million and an after-tax NPV (5%) of $451 million and IRR of 38.9% with a total Life-of Mine ("LOM") production of 2.72 million carats.

- On December 15, 2017, the Company filed an updated Technical Report for the Karowe Mine which summarized the results of the Karowe Underground PEA in accordance with NI 43-101.
- During Q4 2017, final sampling of drill core was completed for density, petrography, and microdiamond analysis. The Company progressed the updated geological and resource model for AK6. This program is designed to increase confidence in the geological model for the south lobe of the AK6 Kimberlite and provide sufficient data and material for the updated resource which was completed in 2018.
- The Company paid four quarterly dividends in 2017 of CDN$0.025 per share for a total annual dividend of CDN$0.10 per share.
- During 2017, a total of 249,767 carats from the Karowe Mine were sold generating gross revenues of $220.8 million, including $53 million from the sale of the Lesedi la Rona.

2018

- In February 2018, the Company announced the acquisition of Clara, a company whose primary asset is a secure, digital sales platform for the sale of rough diamonds, for up-front consideration of 13.1 million shares of Lucara and further staged equity payments totaling 13.4 million shares that become payable upon the achievement of performance milestones related to total revenues (revenues from rough diamonds bought and sold) generated through the Clara Platform. The Company also agreed to a profit-sharing mechanism whereby the founders of the Clara technology, and management of Clara, will retain 13.33% and 6.67%, respectively, of the annual EBITDA generated by the platform, to a maximum of $25 million per year, for 10 years. Management subsequently waived their right to receive EBITDA based payments on goods produced from the Karowe Mine sold on the Clara platform until 2020.
- In February 2018, the Company announced William Lamb's retirement as the Company's CEO. Eira Thomas, a founder of both Lucara and Clara, was appointed as CEO and Catherine McLeod-Seltzer, also a founder of both Lucara and Clara, was appointed as a Director.
- In April 2018, a 472 carat top light brown gem diamond was recovered. Subsequently named "Serowa" by Lucara Botswana's employees, the fourth largest diamond ever recovered from the Karowe Mine. Later in April, a 327 carat top white gem diamond was recovered.
- Further management changes were announced during Q2 2018, with Zara Boldt appointed as CFO & Corporate Secretary as of April 1st, Naseem Lahri promoted to Managing Director of Lucara's wholly owned subsidiary Lucara Botswana on May 1st and Ayesha Hira assuming the newly created role of Vice-President, Corporate Development in June 2018.
- In June 2018, Lucara held its 12th exceptional stone tender, consisting of ten single stone lots, ranging from 40 carats to 472 carats, totaling 1,453 carats. Gross revenues of $32.48 million were achieved ($22,356/carat) and all ten diamonds tendered sold for more than $1 million. Four diamonds sold in excess of $3 million each and the 327 carat stone sold for $10.1 million ($30,900/carat).

- Also, in June 2018, Lucara released the results of an updated mineral resource estimate. Highlights from that study included:
    - the remaining Indicated Mineral Resource for Karowe's AK6 Kimberlite includes 7.9 million carats hosted in 57.85 million tonnes (in situ and stockpile) at an average grade of 13.7 carats per hundred tonne (cpht) with an average modelled diamond value of $673 per carat
    - a 54% increase in Indicated Resources within the South Lobe, from 4.42 Mct to 6.78 Mct and confirmation that the EM/PK(S) material is volumetrically the dominant unit at depth within the South Lobe;
    - the successful reclassification from Inferred to Indicated Resources for the AK6 Kimberlite between 600 and 400 masl. The new base of the Indicated Mineral Resources is at 400 masl (600 metres below surface). In situ Indicated Mineral Resources (calculated as of December 31, 2017) increased by 44%;
    - 51% of the remaining South Lobe recoverable Indicated carats and 35% of the tonnage is attributable to the EM/PK(S) unit, in comparison with 12% carats and 8% tonnage from the previous estimate;
    - 75% of the South Lobe Indicated recoverable carats between 600 and 400 masl is attributable to EM/PK(S)
    - The remaining Indicated Mineral Resource for Karowe's AK6 Kimberlite includes 7.9 million carats hosted in 57.85 million tonnes (in situ and stockpile) at an average grade of 13.7 carats per hundred tonne (cpht) with an average modelled diamond value of $673 per carat.
- In July 2018, the Botswana Mine Workers Union ("Union") notified Karowe Mine Management that a sufficient number of eligible Karowe employees had been recruited to join the Union. During the remainder of 2018, representatives from Management and the Union negotiated the terms of a Memorandum of Agreement (expected to be executed in 2019).
- In August 2018, Trollope Mining Services assumed full responsibility for ore and waste mining at the Karowe Mine, following months of equipment availability issues and challenges meeting production targets experienced by the previous mining contractor. Production numbers increased significantly following this change and continued at the same level through to the end of the year.
- Also in August, Lucara's wholly-owned subsidiary Clara entered into an exclusive collaboration agreement with Sarine. The agreement provides Clara with exclusive use of customized interfaces and versions of Sarine's Galaxy® inclusion mapping technology and its Advisor® optimal rough planning for use with Clara's 100% owned, proprietary digital diamond sales platform.
- In September 2018, Lucara held its first blended sales tender in which both regular and exceptional diamonds were made available for sale. This change is expected to decrease the inventory time for large, high value diamonds and will generate a smoother revenue profile, that better supports price guidance on a per sale basis. As part of this new approach, Lucara will retain the optionality of tendering truly unique and high value diamonds through special tenders, outside of the scheduled quarterly tenders.

- In Q3 2018, it was determined that the updated 2018 resource estimate, in conjunction with geotechnical and hydrogeological field programs already underway in 2018 were sufficiently detailed to support conversion of the planned pre-feasibility study into a feasibility study. The feasibility study is expected in H2 2019.
- No lost time injuries were recorded during 2018 and the Company ended the year with 587 days (about 5.5 million man-hours) without a lost time injury.
- The first sale on the Clara Platform was successfully completed in December 2018.
  - A total of seven manufacturers participated in the sale, five of whom matched and received their orders. In total, diamonds successfully matched to orders generated revenue of $660,865, achieving +8% over Lucara's market price and +15% over Lucara's reserve price for these goods.
  - The objective of the first sale was to demonstrate that Clara can unlock significant value throughout the diamond pipeline, by facilitating rough diamond sales on a stone by stone basis, based on specific polished demand. Results from this inaugural sale will be used to help optimize the quantity and selection of rough diamonds offered in the short term, as the platform moves into continuous sales and more participants are on-boarded.
- The Company paid four quarterly dividends in 2018 of CDN$0.025 per share for a total annual dividend of CDN$0.10 per share. Since inception of the dividend policy in 2014, Lucara has paid dividends totaling $249 million.
- During 2018, a total of 350,798 carats from the Karowe Mine were sold generating gross revenues of $176.2 million. Twelve diamonds sold for > $2 million each and 1 diamond sold for in excess of $10 million.
- 2018 was also a record year for the recovery of stones > 10.8 carats ("Specials") from the Karowe Mine. A total of 829 Specials (24,793 carats) were recovered, including 28 stones > 100 carats and 5 stones > 300 carats.
- Waste and ore mining totaled 15.0 million and 3.1 million tonnes respectively and ore processed totaled 2.6 million tonnes. Strong performance by the mining contractor in the latter half of 2018 allowed us to progress through the waste bottleneck which was the main focus of mining in 2017 and 2018.

Recent Developments

- In January 2019, Lucara announced the recovery of two top white gem diamonds weighing 240 carats and 127 carats, as well as a 223 carat, high white gem from the Karowe Mine.
- On February 21, 2019, Lucara announced that the Board declared the first quarterly dividend of 2019 of CDN 2.5 cents per share.

3.1 SIGNIFICANT ACQUISITIONS

Lucara did not make any significant acquisitions during the financial year ended December 31, 2018 that would require the Company to file a Form 51-102F4 Business Acquisition Report under Part 8 of National Instrument 51-102.

ITEM 4 BUSINESS OF LUCARA

4.1 GENERAL

Lucara is a diamond producer and explorer focused on developing its portfolio of advanced stage diamond assets in Africa. The principal asset and current focus of Lucara is its Karowe Mine in Botswana. The Karowe Mine came into production in 2012 and produced a total of 366,086 carats in 2018. More detailed information regarding the Karowe Mine can be found under *Item 4.2* "*Description of Mining Properties*".

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

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

4.1.1 MINING BUSINESS

Specialized Skill and Knowledge

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

Diamond Market

2018 rough diamond prices held well throughout the year in most size classes with weakness being evidenced in the smaller sizes. The first half of 2018 saw a stronger market. Weakening currencies in diamond consuming markets, challenging polished sales, tightening liquidity in the diamond industry, and lowering margins in manufacturing have contributed to the weakness in the smaller sizes and lower quality goods. Sale of larger polished stones have slowed, however, the rough diamonds for these goods remains in demand and prices are strong. De Beers, a major diamond producer, is forecasted to produce less in 2019.
According to a study conducted by Bonas Diamond Brokers in 2016-2017, synthetic diamonds accounted for 2.3 million to 4.2 million carats, which was three per cent of total natural diamond production volume of 127.4 million carats in the world. The United States is a significant market for retailing synthetic diamonds while India, China and Singapore are production hubs. There is some commercial output of large synthetic diamonds from Russia, as well as synthetic diamond producers in Europe who are focused on research and development.

Competition

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

Lucara is a leading producer of Specials, which consistently have high value and are of gem quality.
Since 2012 a total of 174 diamonds in excess of 100 carats have been recovered, 33 in 2018 alone. Twelve diamonds in excess of 300 carats have been recovered, 5 of which were recovered in 2018. In 2018, the global achieved average diamond prices of Lucara were significantly above that of other competitors in the industry.

Production

During 2018, Karowe Mine's sixth full year of production, 366,086 carats were recovered from 2.6 million tonnes of ore processed, a record throughput for Karowe's plant.

Karowe recovered a mine record total of 829 Specials (stones greater than 10.8 carats) totaling 24,793 carats with an average stone size of 29.91 carats per stone. A total of 33 stones greater than 100 carats were recovered including 5 stones greater than 300 carats. Overall, Specials account for 6.8 weight percent of the total 2018 production at the Karowe Mine.

Environmental Protection

Lucara is committed to best practices in the areas of sustainable development and environmental stewardship. A description of these commitments can be found in the section entitled "Social and Environmental Policies" in this AIF. For a discussion on environmental risks and their potential impact on the Company see "Environmental and Other Regulatory Requirements" and "Uninsured Risks" in the Risks Factors section of this AIF.

Employees

At the end of 2018, Lucara had approximately 285 employees in Canada, the United Kingdom and Botswana plus approximately 525 employees of contractors employed in ongoing mining operations at its Karowe Mine in Botswana. The majority of its employees are located at the Karowe Mine.

4.1.2 ROUGH DIAMOND SALES PLATFORM BUSINESS

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

Specialized Skill and Knowledge

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

Research and Development

The Company's current research and development initiatives are focused on integrating Lucara's operations and production with the Clara Platform. To achieve the Company's commercialization objectives for the Clara Platform in 2018, the Company entered into consulting agreements with both external consultants, the original developers of the technology and Sarine.

Competition

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

Intellectual Property

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

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

Employees

At the end of 2018, Clara had 2 employees in Canada plus approximately 4 employees of contractors employed in ongoing activities in developing its digital platform. The Clara Platform also receives support from Lucara employees. The Company anticipates increasing manpower for ongoing maintenance and operation of the Clara Platform in 2019.

4.2 DESCRIPTION OF MINING PROPERTIES

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

Project	Interest	Type and No.	Date of Grant	Renewal or Expiry	Area (km2)
Karowe Mine	100%	Mining License (1)	October 2008 (Updated May 2011)	October 2023	15.3
Exploration Work Orapa Kimberlite Field	100%	Prospecting License (1)	October 2014	PL371/19 (September 2019)	25

4.2.1 KAROWE MINE - BOTSWANA

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

> "NI 43-101 Technical Report for the Karowe Mine: Updated Mineral Resource Estimate" effective 7 August 2018 (the "Karowe Technical Report") was compiled and prepared by Mineral Services Canada Inc. and authored by: Dr. Tom Nowicki (Ph.D. P.Geo.), Senior Principal Geoscientist Mineral Services Canada Inc.; Mr. Lofty Julius Hendrik Fourie, Director of Lofty Mining (Pty) Ltd. (Pr Eng (Int)); Mr. Gareth Garlick (Pr.Sci.Nat.), Senior Geoscientist Mineral Services Canada Inc.; and Dr. John Armstrong (PhD P. Geol.), Vice President, Technical Services, Lucara Diamond Corporation. Drs. Nowicki, Armstrong, and Mr. Fourie are qualified persons within the meaning of this term in NI 43-101.

Copies of the above-mentioned technical reports are available under the Company's profile on SEDAR at www.sedar.com.

The qualified person, as defined in NI 43-101, who supervised the preparation of the Company's revised mineral reserve estimate as of May 31, 2018 and mineral resource estimate as of December 31, 2018 is Dr. J.P. Armstrong (Ph.D. P.Geol.) an employee of the Company.

Description and Location and Access

Karowe Mine is the mine developed from the Company's AK6 Project. The Karowe Mine is owned 100% by Lucara Botswana and the Company has a 100% indirect interest in Lucara Botswana.

The Karowe Mine is located in north-central Botswana and is part of the Orapa/Letlhakane Kimberlite district, one of the world's most prolific diamond producing areas. The kimberlite at the Karowe Mine, the AK6 Kimberlite, is comprised of three distinct intrusions which form a contiguous tri-lobate kimberlite pipe, which is "pinched" at surface, and its sub-outcrop consists of a core of kimberlite, covering an area of 4.2 ha, surrounded by an area where the kimberlite is capped by basalt or basalt breccia. Drilling has shown that the kimberlite bulges to a maximum area of 7 ha at a depth of 120 m.

The property lies on the northern fringe of the Kalahari Desert at an elevation of approximately 1,020 m above sea level and is covered by sand savannah with a natural vegetation of trees, shrubs and grasses. The land slopes very gently to the north into the Makgadigadi Depression. The dry valley of the now fossil Letlhakane River, directed into the depression, passes some 18 km to the northeast of the property and is the only notable physiographic feature in the immediate area.

The area around the property is communal agricultural land used mainly for cattle grazing with limited arable farming. Surface rights have been secured over the mining license area and provide sufficient space for rock dumps, tailings dams and mine infrastructure. Electrical power is supplied to the Karowe Mine through the Botswana Power Corporation's national grid on commercial terms. Water for the mine is derived from a strong aquifer.

The property is accessed by 15 km of well-maintained all-weather gravel road from the tarred Letlhakane to Orapa road. Letlhakane village is the closest settlement and offers basic facilities. At the 2001 census Letlhakane had a population of 15,000 rising by 5.7 % annually (Central Statistics Office, Gaborone). At present the population therefore may be on the order of 35,000 to 40,000. There are good telecommunications including cellular telephone networks in the area. Letlhakane is reached from the major cities of Gaborone and Francistown by good quality tarred roads. There is an 1,800 m airstrip at Karowe, however the closest airport with commercial flights is Francistown, some 200 km to the east and 2.5 hours away by road. There is also an airstrip within the nearby Debswana controlled Orapa Township.

The climate is hot and semi-arid, with an average annual rainfall of 462 mm at Francistown, which falls almost entirely in the summer months from October to April. Summer maximum temperatures are high, generally >30°C, whilst winter days are mild and the nights cold (often <10°C) with occasional ground frost. High diurnal ranges are experienced in all seasons. The climate does not impede mining operations, which can continue all year round.

The Government of Botswana supplies electrical power on commercial terms to the Karowe Mine through the Botswana Power Corporation's national grid. Water for the existing diamond mines is derived from a strong aquifer at the contact of the Ntane Sandstone Formation and the overlying Karoo basalt.
Lucara Botswana has obtained common law land rights for surface area of the mining license and for the access road. These rights will remain in force for the life of mine.

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

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

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

History

The AK6 Kimberlite was discovered by De Beers in 1969 during part of the same exploration program that between 1967 and 1970 that discovered the Orapa kimberlite (named AK1) and the Letlhakane kimberlites (DK1 and DK2). This program also led to a series of other kimberlite discoveries in the Orapa region. Commercial production at Karowe was achieved in July 2012 and the mine has operated continuously since that date.

Little data from the initial discovery and evaluation of the AK6 Kimberlite are available, but it is known that the discovery was made from the interpretation of an aeromagnetic survey. In April 2000, De Beers Prospecting Botswana (Pty) Ltd. was granted PL 13/2000 with an area of 9.95 km2 over the AK6 Kimberlite. Results from three small diameter percussion boreholes indicated the existence of the North and Central Lobes for the first time. In December 2003, De Beers started a program of five 12¼" boreholes intended to collect a 100 tonne bulk sample. The drilling was completed in February 2004, and the encouraging results only became available in October 2004, after the license had been included in the Boteti joint venture.

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

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

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

Geological Settings, Mineralization and Deposit Types

Regional Geology

The bedrock of the region is covered by a thin veneer of wind-blown Kalahari sand and exposure is very poor. Rocks close to surface are often extensively calcretised and silcretised due to prolonged exposure on a late Tertiary erosion surface (the African Surface) which approximates to the present-day land surface.

The country rock at the Karowe Mine is sub-outcropping flood basalt of the Stormberg Lava Group which is underlain by a condensed sequence of Upper Carboniferous to Triassic sedimentary rocks of the Karoo Supergroup. The basalts, which are very extensive and underlie much of central Botswana, are Jurassic (180 million years ago) and lie unconformably on the sedimentary succession but are stratigraphically part of the Karoo Supergroup.

Local Geology

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

The Orapa Kimberlite Field lies on the northern edge of the Central Kalahari Karoo Basin along which the Karoo succession dips very gently to the SSW and off-laps against the Precambrian rocks which occur at shallow depth (although they are seldom actually exposed) within the Makgadikgadi Depression. The Karoo succession is condensed, with a total thickness of around 600 m, and is best preserved in WNW-ESE oriented grabens. The large AK1 kimberlite lies within such a graben (Coates et al., 1979).

The Orapa Kimberlite Field includes at least 83 kimberlite bodies, varying in size from insignificant dykes to the 110 ha AK1 kimberlite which is Debswana Diamond Company (Pty) Ltd.'s Orapa Mine. All are of post-Karoo age. Of the 83 known kimberlite intrusions, five (AK1, BK9, DK1, DK2 and AK6 which is the Karowe Mine) have been, or are currently being mined, and a further four (BK1, BK11, BK12 and BK15) are recognized as potentially economic deposits.

Property Geology

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

Kimberlite Geology

AK6 is a roughly north-south elongate kimberlite body with a near surface expression of approximately 3.3 ha and a maximum area of approximately 7 ha at approximately 120 m below surface. The body comprises three geologically distinct, coalescing pipes that taper with depth into discrete roots. These "pipes" are referred to as the North Lobe, Centre Lobe and South Lobe. The nature of the kimberlite differs between each lobe, with distinctions apparent in the textural characteristics, relative proportion of internal country rock dilution, and degree or extent of weathering. The North and Centre Lobes exhibit significant textural complexity (reflected in apparent variations in degree of fragmentation and proportions of country rock xenoliths) whereas the bulk of the South Lobe is more massive and internally homogeneous.

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

Mineralization and Deposit Types

The property includes the AK6 Kimberlite pipe which is demonstrably diamond bearing. Diamonds are xenocrysts within kimberlite as they are primarily formed and preserved in the deep lithospheric mantle (depths > ~150 km), generally hundreds of millions to billions of years before the emplacement of their kimberlite hosts. The diamonds are "sampled" by the kimberlite magma and transported to surface together with the other mantle-derived minerals described above. In general, diamonds can vary significantly within and between different kimberlite deposits in terms of total concentration (commonly expressed as carats per tonne or carats per hundred tonnes), particle size distribution and physical characteristics (e.g. colour, shape, clarity and surface features). The value of each diamond, and hence the overall average value of any given diamond population, is governed by the size and physical characteristics of the stones.

Exploration

Advanced exploration work done on the AK6 Kimberlite by Lucara Botswana from 2003 until 2008 is summarized in the report. All work was carried out by De Beers, the previous operator, under prospecting license PL13/2000.

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

Drilling

Beginning in late 2003, extensive drilling works were undertaken on the AK6 Kimberlite. The drilling can be divided into that done to delineate the extent of the kimberlite and to map its internal geology, and density, and that done to obtain samples for diamond grade and revenue estimation.

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

Sampling, Analysis and Data Verification

The following sample preparation, analyses and security measures applies to samples from the original evaluation programs (by De Beers during the period 2003 to 2007).

Sample material recovered from drilling from large diameter drill holes was de-slimed to +1.0 mm at the drill using a vibrating screen. The sample was collected from the screen in cubic meter sample bags, under the supervision of a geologist. It was then transported to DMS plant by truck. All petrography samples collected in 2017 were labelled with the drill hole number, depth and way-up direction by Lucara Botswana geologists. Petrography samples were shipped to Vancouver Petrographics Ltd. for processing under the 'dry' petrographic sample preparation method. All bulk density sample processing in 2017 was carried out on site by Lucara Botswana geologists. Sample masses were recorded at an on-site laboratory and sample volumes were determined by a water-immersion method. No preparation of microdiamond samples collected in 2017 was carried out on site. Samples of whole core were collected, securely bagged and packaged into 20 l drums for shipping to the Saskatchewan Research Council Geoanalytical Laboratory in Saskatoon, Canada. Sample drums were sealed with security tags prior to shipping and the tags were verified by the Saskatchewan Research Council upon receipt.

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

Mineral Processing and Metallurgical Testing

It was recognised during the Feasibility Study stage of the Karowe Mine that there were significant metallurgical risks in the ability of the grinding circuit to process hard kimberlite below the weathered zone and in the ability of the DMS circuit to efficiently treat very high yield material expected from portions of the M/PK(S) geological domain in the South Lobe. The recovery of exceptionally large, high value diamonds necessitated further assessments of the recovery circuit to limit diamond breakage. Communition test work, assessments of X-Ray Transmission ("XRT") diamond recovery technologies and diamond breakage studies were commissioned in 2013 to investigate technologies to mitigate these risks. The Karowe plant was modified in 2015 based on the results of these investigations referred to as "Phase 2" upgrades.

Additional "Phase 3" process upgrades have been completed subsequent to this and have been in operation since Q3 2017. These upgrades include an XRT circuit treating +50-125 mm material, prior to milling, facilitating recovery of larger diamonds as early as possible in the process to reducing the risk of diamond damage. A new XRT circuit has also been introduced to treat the 4-8 mm fraction, previously sent to DMS, thus reducing the load on the DMS to cater for higher yield material expected in the future.

Mineral Resource and Reserve Estimates

At the start of mining (pre-stripping) activities in October 2011, the resource estimate to 400m depth was 11 million carats in 51 Mt at an average grade of 22 cpht classified as indicated resource and 4 million carats in 21 Mt at an average grade of 19 cpht classified as inferred resource.

In December 2013, a revised resource update was completed by Mineral Services Canada Inc. taking into account mining activities at Karowe since the start of production in April 2012 and includes changes to the geological model, re-interpretation of diamond size distributions, and the results of all diamond sales. The revised mineral resource estimate of December 2013 to a depth of 400m (including gains and losses due to mining) was 7.61 million carats in 48 Mt at an average grade of 16 cpht classified as indicated resource and 3 million carats in 21 Mt at an average grade of 14.8 cpht in the inferred category between 400m and 750m below surface.

In 2018, a resource update was completed by Mineral Services Canada Inc. Estimated tonnes and carats reflect the depleted resource, with material mined up to the end of December 2017 removed from the original model. Resource grade and average value estimates reflect expected recoverable diamond production using the current 2018 Karowe plant configuration with a bottom cut-off of 1.25 mm. The AK6 Mineral Resource Estimate is reported by lobe and by Mineral Resource classification. Classification is based on CIM guidelines for reporting of Mineral Resources (CIM, 2010).

The following tables provide the revised resource estimates for the Karowe Mine as of December 26, 2017 and the reserve estimate as of May 26, 2018.

Mineral Reserves

Open Pit Mineral Reserve Estimate, as at May 2018				
Lobe	**Reserve Category**	**Tonnes (Mt)**	**Carats (Mct)**	**Grade (cpht)**
North Lobe	Probable	1.04	0.14	13.37
Centre Lobe	Probable	3.37	0.49	14.57
South Lobe	Probable	15.43	1.97	12.74
Working Stockpiles	Probable	2.10	0.21	9.96
LOM Stockpiles	Probable	3.46	0.16	4.57
Total		**25.40**	**2.96**	**11.66**

Notes:

Statement of the estimated remaining mineral reserve in the AK6 Kimberlite deposit as of May 2018.
The Mineral Reserves are the Indicated Mineral Resources that have been identified as being economically extract able through the current open pit mining approach, incorporating mining losses and the addition of waste dilution . The Mineral Reserves form the basis for the open pit mine plan and incorporate stockpiled kimberlite. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the Company and a qualified person within the meaning of NI 43-101. Table contains rounded figures.

1) Based on a recoverable grade model with a bottom cut off size 1.25mm.
2) Diamond price is based on diamonds recoverable with 2018 Karowe plant process and Lucara Diamond value model based on rough diamond sales data with an average diamond value of: South Lobe – US$ 716/ct, Central Lobe – US$ 367/ct, North Lobe – US$ 222/ct.
3) Tonnes and carats are reported in millions (M).
4) Working Stockpiles are available for blending and supplementing feed to the process plant.
5) Mineral Reserves are inclusive of Mineral Resources.
6) The Mineral Reserves reported in this table are attributable solely to the ore to be mined (and processed or stockpiled for later processing) from the open pit at Karowe Mine.

Mineral Resources

December 2017 Resource Estimate				
Classification	**Resource**	**Tonnes (Mt)**	**Carats (Mct)**	**Grade (cpht)**
Indicated	North Lobe	1.54	0.20	13.0
	Centre Lobe	4.32	0.63	14.6
	South Lobe	47.63	6.78	14.2
	LOM Stockpile	2.36	0.09	3.8
	Working Stockpile	2.01	0.20	9.7
	Total Indicated	**57.85**	**7.90**	**13.7**
Inferred	South Lobe	5.84	1.17	20.0
	Total Inferred	**5.84**	**1.17**	**20.0**

Notes:

Statement of the estimated remaining mineral reserve in the AK6 Kimberlite deposit as of December 26, 2017. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the company and a qualified person within the meaning of NI 43-101. Table contains rounded figures.

1) Based on a recoverable grade model with a bottom cut off size 1.25mm.
2) Diamond price is based on diamonds recoverable with 2018 Karowe plant process and historical Lucara Diamond value model based on rough diamond sales data with an average diamond value of: South Lobe – US$ 716/ct, Central Lobe – US$ 367/ct, North Lobe – US$ 222/ct.
3) LOM = Life of Mine; Indicated to a depth of 400 masl and Inferred from 400masl to 256 masl, tonnes and carats are reported in millions (M).
4) Working Stockpiles are available for blending and supplementing feed to the process plant.
5) Mineral resources are reported inclusive of mineral Reserves.
6) Mineral resources that are not mineral reserves do not have demonstrated economic viability.

For additional details on the extent to which the mineral resources and reserves may be materially affected by metallurgical, environmental, permitting, legal, title, taxation, socio-economic, marketing, political and other relevant issues, please see the section titled “Risk Factors” contained in this AIF.

Mining Operations

The Karowe Mine is a single open pit mine. As stated above, operations started in April 2012 with the first diamond production by mid-month. Commissioning was completed and ramp-up to full production was completed by August. Commercial production was declared on 1 July 2012.

The method of mining for Karowe Mine is a conventional open pit method using drilling and blasting, loading with excavators, and hauling with articulated dump trucks and rigid frame dump trucks. Ore and waste will be extracted by hydraulic excavators and loaded into diesel off-road haul trucks for discharge at the crushing facility, stockpiling area or waste dump area. The mining operation is supported by ancillary equipment including bowsers, grader, dozers and front-end loaders.

The planned scale of mining at the Karowe Mine is medium scale with a 2018 peak total material movement of 15-17 million tonnes per annum. The required mining rate will decrease as waste stripping in Cut 2 diminishes and approximately 10 million tonnes per annum mining rate will be required for 2019 and 2020, then reducing to approximately 6.5 million tonnes per annum until end of life of the open pit operation. The annual processing plant feed requirement is approximately 2.6 million tonnes per annum until end of life of mine.

Processing and Recovery Operations

The initial processing plant constructed in 2012 was a simple circuit designed to process and recover diamonds from the weathered near surface ore which constitutes the upper 70m of the AK6 orebody. The fresher ore at depth, is significantly harder than the weathered ore that has already been processed. In addition, the more competent un-weathered ore has a higher density results in a higher DMS yield to the recovery plant. A Phase 2 program to upgrade the process plant to deal with these orebody characteristics was undertaken in 2014/2015 and a Phase 3 program upgrade was completed in Q3 2017.

The Phase 2 upgrades were intended to:

- Protect and enhance recovery of large diamonds;
- Enhance comminution performance to maintain design throughput with harder kimberlite;
- Mitigate against higher DMS recovery yields when treating harder kimberlite.

Phase 3 process upgrades have been completed and have been in operation since Q3 2017. These upgrades include an XRT circuit treating 50 to 125 mm material, prior to milling, and enables the recovery of larger diamonds as early as possible in the process in addition to reducing the risk of diamond damage. A new XRT circuit has also been introduced to treat the 4 to 8 mm fraction, previously sent to DMS, thus reducing the load on the DMS to cater for higher yield material expected in future.

Infrastructure, Permitting and Compliance Activities

Karowe Mine as an active operating mine is serviced by existing infrastructure. The property is accessed by 15 km of well-maintained all-weather gravel road from the tarred A1 Letlhakane to Orapa road. International airlinks are available in Francistown and Gaborone. The mine also has its own private airstrip constructed of gravel. It is licensed for aircraft with a gross weight up to 5.7 tonnes.

Employees live in Letlhakane and are transported to the mine by bus or by private vehicles.

The open pit operation is serviced by haul roads within the mine boundaries. The current mine infrastructure includes a metallurgical plant, administrative offices, mine vehicle workshops, slimes dam, and various stockpile and waste dumps. Existing contractor areas include the mining contractor, the contractors undertaking process operation and maintenance as well as process upgrades.

Karowe Mine generates DMS coarse processed kimberlite (tailings) which are disposed of on a dry dump by conveyor. Fine processed kimberlite (slimes) disposal is done into impoundment dams built and contained with mine overburden material.

Water for the mine is provided by 16 wells situated around the periphery of the mine. These wells are part of a managed open pit dewatering strategy which is aligned to environmental and geotechnical requirements of the mine.

Electricity is supplied to the mine by the national grid serviced by the Botswana Power Corporation from a substation at Orapa. A fuel depot is located on the mine. The depot is serviced by a local fuel provider.
A land line telecommunication link to the mine from Letlhakane is provided and serviced by the Botswana Telecommunications Corporation. In addition, there is cellular network currently operated by Orange Botswana accessible at the mine.

Two pre-mining environmental studies were conducted for the Karowe Mine (formerly known as the AK6 project), namely an Environmental Impact Assessment Study ("EIA") and Environmental Management Plan ("EMP"). The Botswana Department of Environmental Affairs approved both studies in 2007 and 2010, respectively. In terms of the Mining License (ML2008/6L) Lucara Botswana was granted common law surface rights over the entire mining license area and the access road for the duration of the mining lease. The mine was commissioned in October 2011 with the commissioning of the processing facilities commencing in April 2012.

The initial EIA was granted with conditions, all of which the Karowe Mine, in the opinion of previous QPs evaluating the operation, met or continues to meet. Subsequent to this, the EMP was updated in 2013 and again in 2016 to comply with the requirements of Botswana's evolving environmental legislation, notably the *Environmental Assessment Act of 2011* (the "EMA"), and to assess the activities and associated impacts of the expansion of the process plant and the Bulk Sample Plant. As part of this process, the mine also received approval for its Archaeological Clearance Certificate as well as the water rights for its groundwater abstraction and monitoring boreholes. The water rights were granted in 2008, 2010, 2011 and 2014.

Permitting applications for the site's waste facilities (salvage yard, landfill, sewage plant and incinerator) initiated over the past three years, remain in process. The mine has developed a legal register which is used to track legal changes as they apply to the operation and its activities (EBS, 2017).

As required in terms of the EMA, the 2016 EMP update sets out the mitigation measures and impact management / monitoring activities that the mine should undertake to maintain compliance during the operational and later the closure phase of the project. Specifically the mine monitors:

- Air quality (dust);
- Groundwater quality;
- Waste management;
- Environmental incidents.

The mine also conducts a series of regular activities in terms of the following actions plans:

- Biodiversity Action Plan;
- Health and Safety Plan
- Groundwater Control Plan;
- CSI and Labour Plan;
- Heritage Plan;
- Stakeholder Engagement Plan;
- Grievance Response Procedure;
- Emergency Response Plan;
- Community Health Safety and Security Management Plan;
- Karowe Diamond Mine Waste Management Plan.

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

Karowe has developed and implemented a formal Stakeholder Engagement Plan which includes a Grievance Resolution Procedure. Stakeholder meetings take place on a quarterly basis. The key stakeholder concern is over groundwater resources which communities believe are declining due to Karowe's abstraction. They look to the mine to address issues of potential loss of groundwater access or usage.

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

Capital and Operating Costs

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

Capital Costs

Sustaining capital expenditures of up to $14 million are forecast for 2019 including expenditures associated with the construction of an additional slimes dam, maintenance related to the XRT recovery circuit, and a provision for the implementation of body scanning technology to enhance security.

Capital costs for the mine are included in the model at an estimated $9.3 million per year for the remainder of the Cut 2 design open pit, with mine closure expenses of $19.4 million. The mine is currently undertaking a feasibility study for a potential underground mining operation after the completion of a preliminary economic assessment in Q4 2017. Pending the results of the current feasibility study additional capital expenditures may be forthcoming.

A budget of up to $2 million has been allocated for the use of the Sunbird remote mapping technology and drilling of prospective targets identified by the technology.

Operating Costs

The Karowe Mine's 2019 estimated cash cost per tonne of ore processed is expected to be between $32.00 and $37.00 while estimated operating cash costs, excluding waste mining, are expected to be between $21.00 and $24.00 per tonne processed. The cost per tonne mined is expected to be between $4.00 and $4.50 and the estimated processing cost per tonne processed is expected to be between $12.00 and $13.00, mostly offsetting the increase in cost per tonne mined which results from higher rates from the mining contractor appointed in mid-2018.

Exchange Rate Forecast for 2019 Capital and Operating Costs

The capital and operating costs for 2019 have been forecast using a US$/Pula exchange rate of 10.5.

Tax Rate Forecast 2019

Lucara Botswana's progressive income tax rate computation allows for the immediate deduction of operating costs, including the mining of waste as well as capital expenditures in the year they are incurred. Lucara Botswana's income tax rate was 22% in 2018. Based on 2019 revenue guidance of $170-$200 million and the additional waste mining next year along with the Company's capital program, the Company forecasts an income tax rate of between 22-29% for 2019.

4.2.2 PROSPECTING LICENSES – BOTSWANA

Lucara's wholly owned subsidiary, Lucara Botswana, holds a precious stone prospecting license, the AK11/13/24 license (PL371/19, 25km^2), within the Orapa Kimberlite field in close proximity to its Karowe Mine. In Q4 2017, the license was extended for two years until September 30, 2019.

PL371/19 (Block E) is 25km^2 in area and located immediately to the south and east of Debswana's Orapa Mine lease and approximately 15km to the north of Lucara's Karowe Mine. The prospecting license holds 5 known kimberlite occurrences (AK11, 12, 13, 14, and 24).

4.3 SOCIAL AND ENVIRONMENTAL POLICIES

Lucara is committed to conducting its business responsibly and in a manner designed to protect its employees, adjacent communities and the natural environment. This commitment is evident in both the Company's Corporate and Social Responsibility Charter and the Company's Environmental Policy, which are set out below. These documents are fundamental to Lucara's business and have been approved by the Board. Compliance is monitored by the Safety, Health, Environmental and Community Relations Committee of the Board ("SHECR"). Consistent with its Corporate and Social Responsibility Charter, the Company has initiated projects with local communities in Botswana. Partnering with the Lundin Foundation, the objective of these programs is to assist these communities by generating wealth and employment needed to alleviate poverty on a sustained basis. SHECR planning is part of the Company's business planning processes and the potential effects of activities on the environment and on local communities are integrated into operational decisions and processes.

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

On an annual basis, the Company publishes a Sustainability Report for its stakeholders which is structured in accordance with the Global Reporting Initiative's fourth generation guidelines (GRI-G4) and underlines the Company's desire to operate transparently with regard to social and environmental matters. A copy of Lucara's current Sustainability Report can be viewed at the Company's website at www.lucaradiamond.com.

4.3.1 CORPORATE AND SOCIAL RESPONSIBILITY CHARTER

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

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

Lucara will:

- Work consultatively with community partners to ensure that our support matches their priorities;
- Ensure that our support is focused on sustainable community development rather than dependency;

- Impact positively on the quality of life of members of the local community;
- Seek opportunities to maximize employment and procurement for local communities through the provision of suitable training opportunities and resources; and
- Conduct our activities to meet or exceed accepted standards in the protection and promotion of human rights.

4.3.2 ENVIRONMENTAL POLICY

The Company's Environmental Policy is as follows:

> Lucara Diamond Corp is committed to sustainable development, which requires that we seek ways to minimize the short and long term adverse impacts of our activities on the natural environment. We will achieve this through the development and approval of EIAs and effective implementation of our EMP's at each of our operations.
>
> Lucara promotes environmental awareness with all employees, contractors and visitors and encourages them to conduct themselves in ways that minimize their environmental impact. We actively seek opportunities for mitigation of adverse impacts on the environment through effective and efficient waste management, water use, energy use, biodiversity conservation, and implementation of our closure plans.
>
> Lucara will:
>
> - Conduct all our activities in compliance with our EIAs and EMPs, applicable legislation and other requirements to conserve and protect the environment, employees and the communities that are affected by our operations;
> - Apply international best practices in the absence of legislation or more stringent local criteria, guided by Equator Principles and IFC guidelines, where Lucara believes these are needed to advance environmental protection and to minimize environmental risks;
> - Integrate management of the environment into company business practices and planning;
> - Protect the environment through the wise use of resources and prevention of adverse environmental impacts, including pollution prevention;
> - Implement, maintain and improve appropriate management systems and programs to achieve effective and efficient waste management, water use, energy use, biodiversity conservation, and implementation of our closure plans and to continually improve environmental performance through a process of regular reviews;
> - Ensure that all operations are aware of the EMP and develop local policies and procedures that embody and support Lucara's corporate objectives; and
> - Communicate openly with governments, employees, local communities and the public to sustain mutual understanding of Lucara's environmental commitments and performance.

ITEM 5 RISKS AND UNCERTAINTIES

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

Diamond Prices and Marketability

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

Loss of Diamond Value

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

Dependence on Single Mine

While the Company has exploration interests and is commercializing the Clara Platform, it is currently solely dependent upon the Karowe Mine in Botswana for its revenue and profits.

Mining and Processing

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

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

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

Unionization of Workforce

In 2018, the Union notified Karowe Management that a sufficient number of eligible Karowe employees had been recruited to join the union, thereby requiring the employer to recognize the Union pursuant to Section 48 of the *Trade Unions & Employers' Organizations' Act* (Botswana). The Company and the Union are negotiating an initial collective agreement in 2019. If the Company and the Union are not successful in negotiating this agreement, this could have a negative impact on operations, including potential work stoppages. As a result of any potential labour agreement, the Company may incur increased costs for human resources with a corresponding reduction in profitability and potential impact to operations. When a collective agreement expires, labour disruption, including work stoppage may occur as part of the union's or the Company's bargaining tactics. Such stoppages may have a material adverse effect on the Company's results from operations due to disruption of the Company's business.

Licenses, Permits and Approvals

The Company's mining operations require licenses, permits and approvals from various governmental authorities. As noted above, the Company is in possession of a mining license for the Karowe Mine and a prospecting license for its exploration work in the Orapa kimberlite field. The Company believes that it currently holds and is presently complying in all material respects with all licenses and permits that are required under applicable laws and regulations to conduct its current operations including compliance with the terms of these key mining and prospecting licenses. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. More specifically, the Karowe mining license is due to expire in October 2023 and the prospecting license PL371/19 in September 2019. Additional licenses, permits or license/permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these licenses and permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting or licensing processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn.

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

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

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

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

The Company is engaged in exploration operations in Botswana and may be required to compensate those suffering loss or damage by reason of the exploration activities and may have civil or criminal fines or penalties imposed for violations of applicable environmental laws or regulations.

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

Currency Risk
Currency fluctuations may impact the Company's financial performance. Diamonds are sold in US dollar with the Company's costs and expenses being incurred in Botswana Pula, South African Rand, Canadian, U.S. dollar currencies and Great Britain Pounds Sterling. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating

results of the Company in either a positive or negative direction. Hedging activities taken by the Company may decrease the currency risk but positive currency returns will be foregone.

Foreign Operations Risk

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

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

Intellectual Property Rights

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

Intellectual Property Infringement

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

Uncertainties Related to Mineral Resource Estimates

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

Synthetic Diamonds

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

Market Acceptance of the Clara Platform

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

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

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

Development and Maintenance of Clara Platform

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

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

Managing Complex Software Implementation Projects

The successful deployment of the Clara Platform using cloud and blockchain technologies depends on managing complex implementation projects. A variety of factors may result in complex deployments being delayed, cancelled or failing including: the inherent complexity of modern software, difficulty staffing the project with qualified personnel, the difficulty of managing a project in which the customer and multiple vendors must work together effectively, unrealistic deadlines, inability to realistically limit the scope of the project, problems with third party systems, software or services, inaccurate or faulty data, and insufficient time and investment spent in the planning and design phases of the project. As a result the Company may not be able to successfully manage deployments of software which could be costly to correct, delay revenues and otherwise impede the success of the platform.

Taxes

The Company is subject to routine tax audits by various tax authorities and future audits may result in additional tax and interest payments. There is no assurance that future changes in taxes, or the interpretation of tax laws, in any of the countries in which the Company has a presence, including Canada, Botswana, and the United Kingdom, will not adversely affect the Company's operations. Botswana is implementing transfer pricing tax regulations that may have an effect on the Company's ability to receive deductions for its expenses in certain jurisdictions in future.

Access to Capital and Indebtedness

To fund growth, and in difficult economic times, to ensure continued operations, we may need to secure necessary capital through loans or other forms of permanent capital. The availability of this capital is subject to general economic conditions and lender and investor interest in the Company and our projects. The Company has a working capital facility of $50 million. The working capital facility contains a number of restrictive covenants that impose operating and financial restrictions on us and may limit our ability to engage in acts that may be in the Company's best interests.

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

Personnel

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

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

Conflicts of Interest

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

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

Dividend Expectation and Share Price

The market value of the Company's common shares may deteriorate if the Company is unable to meet dividend expectations in the future. The decision to pay dividends and the amount of such dividends is at the discretion of the Board. Cash available to pay dividends can vary significantly due to operational performance.

Share Price Volatility and Future Sales by Existing Shareholders

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities. Also, subject to compliance with applicable securities laws, the Company's officers, directors, significant shareholders may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the Company's securities. The future sale of a substantial number of common shares by the Company's officers, directors, principal shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

Mineral Exploration and Development

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

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

Economic Conditions

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

Competition

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

Title Matters

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

Community Relations

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

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

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

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

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

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

Compliance with Legislation, including ESTMA, and Public Company Obligations
The Company, headquartered in Vancouver, Canada and its Botswana mining operations are subject to various laws and regulations in Canada and in Botswana. These laws include compliance with the *Extractive Sector Transparency Measures Act*, which requires companies to report annually on payments made to all levels of governments both in Canada and abroad. The Company is also required to comply with anti-corruption and anti-bribery laws, including the

CFPO, as well as similar laws in Botswana. In addition, as a publicly traded company with listings on stock exchanges in Canada, Botswana and Sweden, the Company is subject to additional laws and regulations, compliance with which is both time consuming and costly. If the Company and/or its operations are subject to an enforcement action or are found to be in violation of any such laws, this may result in significant penalties, fines and/or sanctions which could have a material adverse effect on the Company, which could cause a significant decline in the Company's stock price.

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

Natural Disasters and Health Risks

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

Information Technology Systems and Cybersecurity

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

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

Climate Change

The effects of climate change or extreme weather events may cause prolonged disruption to mining operations and/or the delivery of essential commodities to the Karowe Mine which could negatively affect production efficiency. The Karowe Mine is located in an area where an increase in extreme weather events such as flash flooding and extreme dry heat may adversely affect our operations. Climate change may adversely affect the availability of water in arid locations including Botswana. Water scarcity and shortage can lead to pressure and government action to reduce industrial water consumption which may restrict the use of existing water sources and rights.

The Botswana government may establish measures and restrictions in response to concerns relating to climate change. The likely effect of any such measures will be to increase costs for fossil fuels, electricity and transportation; restrict industrial emission levels; impose added costs for emissions in excess of permitted levels; and increase costs for monitoring and reporting. Compliance with these initiatives could have a material adverse effect on the profitability of the Company's Karowe Mine.

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at the date of this AIF a total of 396,732,049 common shares were issued and outstanding. The holders of common shares of the Company are entitled to receive notice of and attend all meetings of shareholders with each common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of common shares are entitled to dividends if, as and when declared by the Board. The common shares are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

6.2 DIVIDENDS

In 2018, the Company declared four quarterly dividend payments of CDN$0.025 per share for a total annual dividend payment of CDN$0.10 per share. In 2017, the Company declared four quarterly dividend payments of CDN$0.025 per share for a total annual dividend payment of CDN$0.10 per share. In 2016, the Company declared four quarterly dividend payments of CDN$0.015 per share and a special dividend of CDN$0.45 for a total annual dividend payment of CDN$0.51 per share.

The Company's current dividend policy references an anticipated annual progressive dividend with quarterly payments. The policy also specifies that the Company may, from time to time, pay a special dividend, in addition to the quarterly dividend, based on the Company's overall financial position and other factors existing at the time of consideration of such dividend. Payment of any cash dividend under the policy is subject to the banking and funding obligations, and capital requirements, of the Company and the Board's determination at the appropriate time that the declaration of a dividend is in the best interests of Lucara and Lucara's shareholders and is in compliance with all laws and agreements of Lucara applicable to the declaration and payment of cash dividends. The Company's dividend policy may be amended or terminated at any time at the discretion of the Board.

6.3 CONTINGENT SHARE PAYMENTS

In 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totalling 13.4 million shares become payable upon the achievement of performance milestones related to total revenues (revenues from rough diamonds bought and sold) generated through the platform.

ITEM 7 MARKET FOR SECURITIES

7.1 EXCHANGE LISTING

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

7.2 TRADING PRICE AND VOLUME

The following table provides information as to the monthly high and low trading prices and respective aggregate monthly volumes of the Common Shares traded on the TSX during 2018:

Month	High (CDN$)	Low(CDN$)	Volume
January	2.91	2.45	6,477,000
February	2.68	2.13	12,128,400
March	2.33	1.97	19,942,900
April	2.21	1.98	7,262,100
May	2.14	2.00	5,695,800
June	2.31	2.00	9,253,800
July	2.28	2.05	5,711,700
August	2.24	2.12	5,503,700
September	2.39	2.12	5,852,900
October	2.22	2.06	6,884,900
November	2.25	1.78	6,277,400
December	1.90	1.38	7,933,700

7.3 PRIOR SALES

Except with respect to stock options issued under the Company's stock option plan and share units under the Company's share unit plan as set out in the table below, the Company did not issue any securities in our most recent financial year that are of a class that is not listed or quoted for trading on a marketplace in 2018.

Date Granted	Number	Exercise Price (CDN$)
February 27, 2018	409,000	N/A[(1)]
February 27, 2018	915,000	2.49
March 8, 2018	40,000	2.24
March 21, 2018	50,000	2.14

Date Granted	Number	Exercise Price (CDN$)
April 2, 2018	125,000	N/A[1]
April 2, 2018	125,000	2.05
June 29, 2018	140,000	N/A[1]
June 29, 2018	140,000	2.11
August 10, 2018	145,000	2.19
October 1, 2018	75,000	2.20

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

7.4 ESCROWED SECURITIES

There are no securities held in escrow.

ITEM 8 DIRECTORS AND OFFICERS

8.1 NAME AND OCCUPATION OF DIRECTORS AND OFFICERS

Directors

The Board is currently comprised of seven directors who are elected annually. Each director holds office until the next annual meeting of shareholders or until a successor is duly elected or appointed. The next annual meeting of the Company is scheduled to be held on May 10, 2019. The following table provides the names and residence of each of the directors, the date they commenced serving on the Board, their principal occupation as of March 20, 2019 and for the preceding five years.

Director	Principal Occupation or Employment For Past 5 Years	Served as director since
Richard P. Clark London, United Kingdom	• August 2016 to present – Chief Executive Officer, Orca Gold Inc. (resource company) • April 2013 to May 2015 – President & Chief Executive Officer, RB Energy Inc. (resource company) • October 2011 to January 2014, President & Chief Executive Officer, Sirocco Mining Inc. (resource company)	February 19, 2010
Paul K. Conibear British Columbia, Canada	• September 2018 to present – Corporate Director • July 2011 to September 2018 – President & Chief Executive Officer, Lundin Mining Corp. (resource company)	April 5, 2007

Director	Principal Occupation or Employment For Past 5 Years	Served as director since
Brian D. Edgar British Columbia, Canada	• 2010 to present – Board Chair, Silver Bull Resources Inc. (resource company)	April 5, 2007
Marie Inkster Ontario, Canada	• September 2018 to present – President, CEO & Director of Lundin Mining Corp. • May 2009 to September 2018 – Chief Financial Officer, Lundin Mining Corp.	June 9, 2014
Lukas H. Lundin Geneva, Switzerland	• Mining Executive, Board Chair of numerous resource based companies • April 2007 to present – Board Chair of the Company	April 5, 2007
Catherine McLeod-Seltzer British Columbia, Canada	• Corporate Director – Bear Creek Mining Corp. and Kinross Gold Corp.	February 25, 2018
Eira M. Thomas British Columbia, Canada	• February 2018 to present - Chief Executive Officer of the Company • March 2013 to July 2016 – President & Chief Executive Officer, Kaminak Gold Corporation (resource company)	August 4, 2009

Officers

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

The information in the table is as of March 20, 2019.

Officer	Principal Occupation or Employment for Past 5 Years
Zara Boldt Chief Financial Officer & Corporate Secretary British Columbia, Canada	• Professional Accountant (CPA, CGA) • Assumed current position April 2018 • December 2002 to June 2018 - CFO & Corporate Secretary for Strongbow Exploration Inc. (exploration company) • January to July 2016 – CFO & Corporate Secretary for Kaminak Gold Corp. (resource company) • May 2007 to March 2015 – Vice-President, Finance & CFO Stornoway Diamond Corporation (resource company)
John Armstrong Vice President, Technical Services British Columbia, Canada	• Ph.D, P. Geol. • Assumed current position September 2013 • 2005 to September 2013 - Senior Geologist Stornoway Diamond Corporation (resource company)
Ayesha Hira Vice President, Corporate Development & Strategy London, United Kingdom	• Chartered Financial Analyst • Assumed current position June 2018 • May 2014 to Sept 2016 - Senior VP Global Metals & Mining Specialist Sales Jefferies International, London UK

8.2 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at March 20, 2019, the directors and officers of the Company held, as a group, a total of 85,504,490 common shares, representing approximately 21.6% of the number of common shares issued and outstanding.

8.3 COMMITTEES OF THE BOARD

The following table lists the committees of the Board and their members as at March 20, 2019.

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

8.4 CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

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

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

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

Bankruptcies

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

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

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

Exceptions – Corporate Cease Trade Orders and Bankruptcies

RB Energy Inc.

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

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

Penalties or Sanctions

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

a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

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

8.5 CONFLICTS OF INTEREST

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

In the event a conflict of interest does arise, the directors of Lucara are required by law to act honestly and in good faith with a view to the best interests of Lucara, to disclose any interest which they may have in any project or opportunity of Lucara, and to abstain from voting on such matter. Conflicts of interest that arise are subject to and governed by the procedures prescribed in the Company's Code of Business Conduct and Ethics and by the BCBCA.

ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

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

ITEM 10 AUDIT COMMITTEE

10.1 OVERVIEW

The Audit Committee of the Board is principally responsible for:

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

10.2 AUDIT COMMITTEE CHARTER

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

10.3 COMPOSITION OF THE AUDIT COMMITTEE

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

Member Name	Independent[(1)]	Financially Literate[(2)]	Education and Experience Relevant to Performance of Audit Committee Duties

Marie Inkster (Chair)	Yes	Yes	• CPA, CA
			• Currently CEO of a public company, previously CFO
			• Degree in Accounting
			• Over 20 years of accounting experience including:
			  ○ serving in executive finance positions with a number of public companies
			  ○ experience in public accounting with Deloitte Canada

Brian D. Edgar	Yes	Yes	• Law degree, with extensive corporate finance experience • Practiced securities and corporate law for over 16 years • Has served on public company boards and on audit committees for over 30 years • Currently Chair of a public company • Held position of President and Chief Executive Officer of a public company from 2005 to 2011
Catherine McLeod-Seltzer	Yes	Yes	• Degree in Business Administration • Canadian Securities Course • Over 30 years' experience in the finance industry • Currently Chair of a public company • Has served as a director on boards of a number of public companies

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

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

10.4 AUDIT COMMITTEE OVERSIGHT

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

10.5 PRE-APPROVAL POLICIES AND PROCEDURES

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

10.6 EXTERNAL AUDITOR SERVICE FEES

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

Fiscal Year Ending	Audit Fees CDN$[1]	Audit-Related Fees CDN$[2]	Tax Fees CDN$[3]	All other Fees[4]
December 31, 2018	300,090	55,000	Nil	Nil
December 31, 2017	252,330	64,400	Nil	Nil

(3) *Audit fees represent the aggregate fees billed by the Company's auditors for audit services.*

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

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

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

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

On March 2, 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totaling 13.4 million shares may become payable. Such shares will be paid in the event certain performance milestones, related to total revenues (revenues from rough diamonds bought and sold) generated through the platform, are achieved. The Company has also agreed to a profit sharing mechanism whereby the founders of the Clara technology will retain 13.33% and the management of Lucara will retain 6.67% of the annual EBITDA generated by the platform, to a maximum of $16.67 million and $8.33 million per year, respectively, for 10 years.

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

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

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

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

Ms. Thomas, Ms. McLeod-Seltzer, Dr. Armstrong and Ms. Boldt each maintain a business address at the Company's head office, located at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

ITEM 12 TRANSFER AGENTS AND REGISTRARS

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

ITEM 13 MATERIAL CONTRACTS

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

(i) contracts entered into in the ordinary course of business; and

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

ITEM 14 INTERESTS OF EXPERTS

Lucara's auditors are PwC, Chartered Professional Accountants, who have prepared an independent auditor's report dated February 21, 2019 in respect of the Company's consolidated financial statements as at December 31, 2018 and December 31, 2017 and for years then ended. PwC has advised that they are independent with respect to the Corporation within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

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

ITEM 15 ADDITIONAL INFORMATION

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

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

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

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

1.0 Purpose of the Audit Committee

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

2.0 Members of the Audit Committee

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

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

2.3 Each member of the Audit Committee shall:

(a) be a member of the Board;

(b) not be an officer or employee of the Company or any of its affiliates;

(c) satisfy the independence requirement applicable to members of audit committees under NI 52-110 and any other applicable laws and regulations; and

(d) satisfy the financial literacy requirements prescribed by NI 52-110 by having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

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

3.0 Meeting Requirements

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

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

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

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

4.0 Duties and Responsibilities

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

(a) be responsible for making recommendations with regard to the appointment, compensation, retention or discharge of the independent public accountants as auditors of the Company (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Board through the Audit Committee;

(b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;

(c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;

(d) review and discuss with management and the auditors the Company's audited financial statements and accompanying Management's Discussion and Analysis of Financial Conditions ("MD&A"), including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles and report on them to the Board;

LUCARA
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(e) review and discuss with management the Company's interim financial statements and interim MD&A and report on them to the Board;

(f) pre-approve all auditing services and non-audit services provided to the Company by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to the Company that are prohibited by applicable law or regulation;

(g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board as to the auditor's compensation and nomination;

(h) periodically review the adequacy of the Company's internal controls and ensure that such internal controls are effective;

(i) review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on the Company's financial reports, and report on them to the Board;

(j) oversee and annually review the Company's Code of Business Conduct and Ethics;

(k) approve material contracts where the Board determines that it has a conflict;

(l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the audit or other accounting matters;

(m) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the current and former external auditor of the Company;

(n) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at the Company's expense to advise on material issues affecting the Company which the Audit Committee considers are not appropriate for the full Board;

(o) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;

(p) review and monitor all related party transactions which may be entered into by the Company;

(q) review and discuss with management the Company's Annual Information Form, including all financial information contained therein or incorporated by reference, and report on it to the Board; and

(r) review annually the adequacy of its charter and recommend any changes thereto to the Board.

5.0 Miscellaneous

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

6 Effective Date

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

END OF SCHEDULE "A"