LUCARA

DIAMOND

ANNUAL INFORMATION FORM
(FOR THE YEAR ENDED DECEMBER 31, 2023)

DATED: MARCH 28, 2024

LUCARA
DIAMOND

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DEFINITIONS

In this AIF (as defined below) 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 28, 2024

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

C$ 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 Mineral Reserves" adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on May 10, 2014, and as subsequently amended

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

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

CORA means a cost overrun reserve account of $61,700,000 which must be funded by June 30, 2025 and which is subject to certain restrictions, as defined in the Facilities Agreement

cpht means carats per hundred tonnes

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

ESG means Environmental, Social, Governance matters

Facilities means the Project Facility, a senior secured term loan facility in the principal amount of up to $190,000,000, and the New Working Capital Facility, a senior secured revolving credit facility in the principal amount of up to $30,000,000, collectively

Facilities Agreement means the loan documentation signed on July 12, 2021 consisting of the Facilities, as amended and restated on July 19, 2023 and as further amended on January 9, 2024

Financial Close means September 2, 2021, the date of satisfaction of certain conditions precedent under the Facilities Agreement

FS means Feasibility Study

GHG means Greenhouse Gas

GRB means Government of the Republic of Botswana

HB means HB Trading BV, as part of the HB Group out of Antwerp, Belgium

IFC means the International Finance Corporation

IT means information technology

JDS means JDS Energy & Mining, Inc.

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 updated National Instrument 43-101 technical report for the Karowe Mine, titled "Karowe Mine – Botswana 2023 Feasibility Study Technical Report", with an effective date of June 30, 2023

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

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

LDD means large diameter drilling hole

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

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

LOM means life of mine

Lucara Botswana means Lucara Botswana Proprietary Limited, an indirect, wholly-owned subsidiary of the Company and the 100% owner of the Karowe Mine

masl means meters above sea level

MD&A means Management's Discussion and Analysis

MI 61-101 means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*

MLAs means mandated lead arrangers, comprised of Africa Finance Corporation, African Export-Import Bank, ING Bank N.V., Natixis, and Société Générale S.A. (SocGen), London Branch

Nemesia means Nemesia S.a.r.l.

New Working Capital Facility means the senior secured revolving credit facility in the principal amount of up to $30,000,000

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

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

NPV means net present value

Project Facility means the senior secured term loan facility in the principal amount of up to $190,000,000

PwC means PricewaterhouseCoopers LLP

Rebase Amendments means the amendments to the Facilities Agreement dated January 9, 2024 to adjust the quantum of the Facilities and the repayment profile in line with the rebase schedule on the Underground Project released July 17, 2023

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

Sarine means Sarine Technologies Ltd.

Shareholder Undertaking means a limited standby undertaking of up to $63,000,000 under the Facilities Agreement provided by Nemesia

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

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

SRK means SRK Consulting (Canada) Inc

Tomra means TOMRA Sorting GmbH

TSX means the Toronto Stock Exchange

Underground Project means the underground development at the Karowe Mine

Underground Project Debt Financing means the Facilities, a senior secured project financing debt package of $220,000,000 comprised of the Project Facility and the New Working Capital Facility

Union means the Botswana Mine Workers Union

US$** or **$ means United States dollars

XRT means X-Ray Transmission

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made in this AIF and in documents incorporated by reference constitute forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as forward-looking statements). 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 "anticipates", "believes", "estimates", "expects", "goals", "intends", "objectives", "plans", "possible", "potential", "projects", "predicts", "strategy" and similar expressions, or statements that actions, events, conditions or results "will", "may", "could", "would", "might" or "should" occur or be achieved are statements that relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements.

In particular, forward-looking statements may include, but are not limited to, statements concerning:

- *forecast production, anticipated production grades or diamond size distribution;*
- *the diamond sales, projection and future outlook disclosures, and expectations regarding top-up values;*
- *the impact of supply and demand of rough or polished diamonds, and our expectations regarding market or price growth;*
- *capital costs, operating costs, unit costs, and other expenditures;*
- *expectations regarding the open-pit mine operation, including the cost and timing of the development of deposits;*
- *the Company's ability to transition from open-pit mining to underground operations;*
- *the project schedule and capital, construction and sustaining costs for the Underground Project, and the ability of the Company to complete the Underground Project;*
- *the timing, scope and cost of additional grouting events at the Underground Project;*
- *production capacity, planned production levels and future production of our operations, including as envisioned following completion of the Underground Project;*
- *lateral development contract for the Underground Project, and the budget and scheduling estimations;*
- *the use of existing and new infrastructure at the Karowe Mine;*
- *expectations regarding equipment deliveries;*
- *future prices and price volatility for oil, natural gas, petroleum products and other products required for the operation of the Karowe Mine and the development of the Underground Project;*
- *expectations regarding sustaining capital and existing project expenditures and the related focus areas;*
- *that expected cash flow from operations, combined with proceeds from external financing will be sufficient to complete construction of the Underground Project;*
- *that the estimated timelines to achieve mine ramp-up and full production from the Underground Project can be achieved;*
- *the economic potential of ore stockpiles and that sufficient stockpiled ore will be available to generate revenue prior to the achievement of commercial production from the underground operations at the Karowe Mine;*
- *the expected mine life of our operations and our expectation of an extended mine life to be delivered through the Underground Project or otherwise;*

- *the continued availability and cost of our debt facilities, and the Company's ability to maintain the Underground Project Debt Financing prior to maturity;*
- *the Company's ability to comply with the terms of the Facilities used to partially finance construction of the Underground Project, including meeting funding requirements to the CORA;*
- *requirements for and availability of additional capital and access to financing;*
- *our estimates of the quantity and quality of our Mineral Reserves and Mineral Resources;*
- *the economic potential or realization of Mineral Reserve estimates, and the conversion of Mineral Resources to Proven and Probable Mineral Reserves;*
- *expected submission and receipt of regulatory approvals and the expected timing;*
- *permitting timelines and our expectations regarding the Company's ability to maintain all existing licences, permits and leases;*
- *negotiations and agreements among the Company and the Union, the Company's ability to negotiate a new labour agreement and expectations regarding the costs associated with same;*
- *financial assurance requirements related to the Underground Project and related agreements;*
- *our planned capital expenditures and capital spending and timing for completion of the Underground Project and other capital projects;*
- *our estimates of reclamation and other costs related to environmental protection;*
- *proposed or expected changes in regulatory frameworks and their anticipated impact on our business;*
- *environmental risks and the Company's ability to comply with environmental and other regulatory requirements;*
- *expectations regarding the Company's ability to dispose of excess water in an environmentally-sensitive manner and any related capital requirements;*
- *the Company's expectations regarding the timing, regulatory and funding of the opportunities to reduce energy use and GHGs;*
- *limitations on insurance coverage;*
- *currency exchange rates;*
- *title matters including disputes or claims and the impact of potential disputes in foreign jurisdictions;*
- *the completion of transactions and timing and possible outcome of litigation;*
- *our exploration, environmental, community, health and safety initiatives and procedures;*
- *our long- and short-term sustainability goals and strategies;*
- *the profitability of Clara and the Clara Platform;*
- *the Company's plans or ability to increase additional third-party supply for the Clara Platform to sustain or grow the platform, and to optimize processing power to reduce the platform's operating expenses;*
- *the impacts of product traceability and diamond provenance;*
- *expected benefits of the New Diamond Sales Agreement with HB Antwerp and our ability to generate better prices from the sale of the Company's +10.8 carat production as polished diamonds;*
- *our ability to augment the overall sales strategy for goods sized less than 10.8 carats;*
- *the Company's strategies, objectives and goals, including our financial and operating objectives;*
- *information or statements with respect to the Company's ability to continue as a going concern and ensure sufficient liquidity;*
- *risks facing our operations, projects and business as a whole and our expectations regarding planned activities for 2024; and*
- *general business and economic conditions.*

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 several known and unknown risks, uncertainties and other factors or assumptions 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 and such forward-looking information included herein should not be unduly relied upon.

Assumptions regarding the costs and benefits of the Underground Project include assumptions that the Project is constructed, commissioned and operated in accordance with current expectations. Statements regarding the availability of *our credit facilities and Underground Project Debt Financing are based on assumptions that we will be able to satisfy the conditions for borrowing at the time of a borrowing request and that the facilities are not otherwise terminated or accelerated due to an event of default. Statements concerning future production costs or volumes are based on numerous assumptions of management regarding operating matters, including assumptions that demand for diamonds develops as anticipated; that customers and other counterparties perform their contractual obligations; that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts or supplies, labour disturbances, interruption in transportation or utilities, or adverse weather conditions; and that there are no material unanticipated variations in the cost of energy or supplies. Further assumptions have also been made regarding, among other things, present and future business strategies and the environment in which we will operate in the future, including market prices for diamonds; anticipated costs and ability to achieve our goals; the Company's ability to carry on its exploration and development activities; the Company's ability to meet its obligations under property agreements; the timing and results of drilling programs; the discovery of Mineral Resources and Mineral Reserves on the Company's mineral properties; the timely receipt of required approvals and permits, including those approvals and permits required for successful project permitting; construction and operation of the Company's projects, including the Company's ability to continue operating; the costs of operating and exploration expenditures; the Company's ability to operate in a safe, efficient and effective manner; the Company's ability to obtain and retain financing as and when required and on reasonable terms; dilution and mining recovery assumptions; assumptions regarding stockpiles; the success of mining, processing, exploration and development activities; the accuracy of geological, mining and metallurgical estimates; no significant unanticipated operational or technical difficulties impacting the Company's operations; maintaining good relations with the communities where our mines are located; no significant events or changes impacting the Company relating to regulatory, environmental or health and safety matters; certain tax matters; and general economic conditions or conditions in the financial markets (including foreign exchange rates and inflation rates). Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.*

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control which may cause actual results to differ materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form, including, among others:

- *general global geopolitical, financial and economic conditions;*
- *the ongoing conflict between Russia and Ukraine and the resulting indirect economic impacts that strict economic sanctions have, such as increased prices for fuel and other commodities, increased volatility in the prices achieved in the rough and polished diamond markets, supply chain challenges and disruptions, logistics and transport disruptions and heightened cybersecurity disruptions and threats, a sustained slowdown in growth or demand in some markets (such as China) not offset by reduced supply or increased demand from other regions;*
- *our continued ability to successfully manage through challenges including high inflation and the possibility of a global recession on the Company's business and operations;*
- *acts of the governments where Lucara's operations are located;*
- *risks generally encountered in the permitting and development of mineral properties ground control problems, adverse weather conditions, process disruptions, equipment malfunctions or technology failures;*
- *future market prices for diamonds;*
- *the supply and demand for rough and polished diamonds and in particular, the demand for diamonds greater than +10.8 carats;*
- *potential to achieve better prices by selling +10.8 carat stones under the terms of the new agreement with HB;*
- *ability to maintain obligations or comply with the Facility Agreement;*
- *ability to access capital and liquidity risk;*
- *risks associated with financing requirements;*
- *the potential increase of capital costs relating to the development of the Underground Project and changes in the project parameters or schedule as plans continue to be refined;*
- *the assumptions raised in the updated Karowe Technical Report related to the Underground Project, including the expected development costs, start-up timing, development plans, projected tax benefits and/or expected operational costs;*
- *the successful mitigation of issues inherent in the mining of diamonds, such as theft and diamond damage and breakage;*

- *reliance on one counterparty to acquire a significant percentage of the Karowe production (by value);*
- *estimations of Lucara's production and sales volume for the Karowe Mine;*
- *inherent hazards and risks associated with mining operations, places of work, and within Lucara's supply chain;*
- *operational costs, including costs of power, diesel and labour;*
- *operational difficulties, including power failures, failure of plant, equipment or processes to operate in accordance with specifications or expectations and labour disputes;*
- *recovered grade, size distribution and quality of diamonds;*
- *obtaining, maintaining and renewing governmental approvals and permits including but not limited to mining licenses and land-use permits;*
- *the dependence on transportation facilities, infrastructure and information technology systems;*
- *environmental and other regulatory requirements, including changes in the same and ability to obtain all necessary regulatory approvals in the time-frame required;*
- *risks associated with climate change including the impact of extreme weather events on mining operations;*
- *fluctuations in inflation and interest rates, foreign currency exchange rates and tax rates;*
- *the Company's ability to protect its intellectual property, including in foreign jurisdictions;*
- *risks inherent in technologies and the reliance on secure IT systems, including the Clara Platform, and potential intellectual property infringement claims, compromised systems and cybersecurity risks;*
- *variation in Mineral Resources and estimation of Mineral Resources, including the continuity of grade and size distribution of diamondiferous mineralization;*
- *risks associated with the production and increased consumer demand for synthetic gem-quality diamonds;*
- *dependence on management and technical personnel;*
- *industrial job disturbances;*
- *the failure to recruit and retain skilled employees and maintain key relationships with financing partners, local communities and other stakeholders;*
- *conflicts of interest;*
- *risks associated with volatility in the securities market;*
- *volatility of the trading price for the common shares;*
- *sales of a significant number of common shares in the public markets, or the perception of such sales, could depress the market price of the common shares;*
- *potential dilution of the common shares and existing shareholders;*
- *the availability of an active liquid trading market for the common shares;*
- *investors may lose their entire investment;*
- *global financial conditions that can reduce prices of the common shares and limit access to financing;*
- *competitiveness in the mining industry in general, and the diamond industry in particular;*
- *risks related to property titles;*
- *the Company is required to carry uninsurable risks and the risk that the Company's insurance does not cover all risks;*
- *risks relating to failure to comply with anti-corruption and anti-bribery laws;*
- *risks associated with current and future legal proceedings; and*
- *risks associated with serious diseases and pandemics.*

*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 readers are cautioned that other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements due to a variety of risks, uncertainties, and other factors.*

*Readers are therefore 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. You should also carefully consider the matters discussed under "**Risk Factors**" in this Annual Information Form and in the "**Cautionary Statement on Forward-Looking Statements**" section of our Management's Discussion and Analysis for the year ended December 31, 2023, and subsequent filings, which can be found under our profile on SEDAR+ (www.sedarplus.com).*

ITEM 1 INTRODUCTION

DATE OF INFORMATION

All information in this AIF is as of December 31, 2023 unless otherwise indicated.

Currency

The Company reports its financial results and prepares its financial statements in United States dollars. Unless otherwise indicated, all references in this AIF to "**dollars**", "**US$**", or to "**$**" are to United States dollars. Lucara operates in various jurisdictions and may make references to Canadian dollars as "CAD" or "C$", or Botswana Pula as "BWP". The following table sets forth the daily average exchange rate effective at the close of each such period for one U.S. dollar, expressed in Canadian dollars, as quoted by the Bank of Canada.

Year Ended December 31,		
2023	2022	2021
1.3226	1.3592	1.2678

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 Mineral Resources

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

Scientific and Technical Information

Unless otherwise indicated, all Mineral Resource and Mineral Reserve estimates included in this AIF have been prepared in accordance with NI 43-101, and the CIM Guidelines. NI 43-101 contains the rules and codes of practice developed by the Canadian Securities Administrators that established minimum standards for all public disclosure of scientific and technical information an issuer makes concerning mineral projects. The terms "mineral reserve", "proven mineral reserve" and "probable mineral reserve" are Canadian mining terms as defined in accordance with NI 43-101 and the CIM Standards. These definitions differ materially from the definitions in the U.S. Securities and Exchange Commission ("SEC") Industry Guide 7 ("SEC Industry Guide 7") under the United States Securities Exchange Act of 1934, as amended. Under the SEC Industry Guide 7 standards, a "final" or "bankable" feasibility study is required to report reserves, the three-year historical average price is used in any reserve or cash flow analysis to designate reserves, and the primary environmental analysis or report must be filed with the appropriate governmental authority. In addition, the terms "mineral resource", "measured mineral resource", "indicated mineral resource" and "inferred mineral resource" are defined in and required to be disclosed by NI 43-101 and the CIM Standards; however, these terms are not defined terms under SEC Industry Guide 7 and are normally not permitted to be used in reports and registration statements filed with the SEC. Investors are cautioned not to assume that all or any part of mineral deposits in these categories will ever be converted into reserves. Actual recoveries of mineral products may differ from reported mineral reserve and mineral resource estimates due to inherent uncertainties in acceptable estimating techniques. In particular, inferred mineral resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a higher category. Under Canadian rules, estimates of inferred mineral resources may not form the basis of feasibility or pre-feasibility studies, except in very limited circumstances. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable. Disclosure of "contained metal" in a resource is permitted disclosure under Canadian regulations; however, the SEC normally only permits issuers to report mineralization that does not constitute "reserves" by SEC standards as in place tonnage and grade without reference to unit measures. Mineral resources may be affected by further infill and exploration drilling that may result in increases or decreases in subsequent resource estimates. Mineral resources may also be affected by subsequent assessments of mining, environmental, processing, permitting, taxation, socio-economic, and other factors. Mineral resources that are not mineral reserves do not have demonstrated economic viability. Investors are cautioned not to assume that all or any part of the mineral deposits in these categories will ever be converted into proven and probable mineral reserves.

Except where indicated, the disclosure contained in this AIF of a scientific or technical nature has been summarized or extracted from the relevant NI 43-101 compliant technical report(s) describing the Company's mineral properties. Readers are cautioned that the summary of technical information in this AIF should be read in the context of the qualifying statements, procedures and accompanying discussion within the complete Technical Report(s) and the summary provided herein is qualified in its entirety by such Technical Report(s). The most recent NI 43-101 Technical Report for the Karowe Mine: "Karowe Mine – Botswana, 2023 Feasibility Study Technical Report" with an effective date of June 30, 2023, was compiled and prepared by JDS Energy & Mining Inc. and authored by: Dr. John Armstrong (Ph.D., P. Geo.), Brandon Chambers (P. Eng), Gord Doerksen (FEC, P. Eng.), William Joughin (Pr. Eng, FSAIMM, FSANIRE), Houmao Liu (Ph.D., PE), , Kelly McLeod (P. Eng.), Matt Moss (P. Eng.), Mehrdad Nazari (MBA, MSc), Cliff Revering (P. Eng.), Justin Teixeira (Pr. Eng.), Lehman van Niekerk (Pr. Eng.), and Kimberley Webb (P. Geo), all of whom are qualified persons within the meaning of this term in NI 43-101.

Scientific and technical information in this Annual Information Form was reviewed and approved by Dr. John Armstrong (Ph.D., P. Geo.), an employee of Lucara and a Qualified Person under NI 43-101.

ITEM 2 CORPORATE STRUCTURE

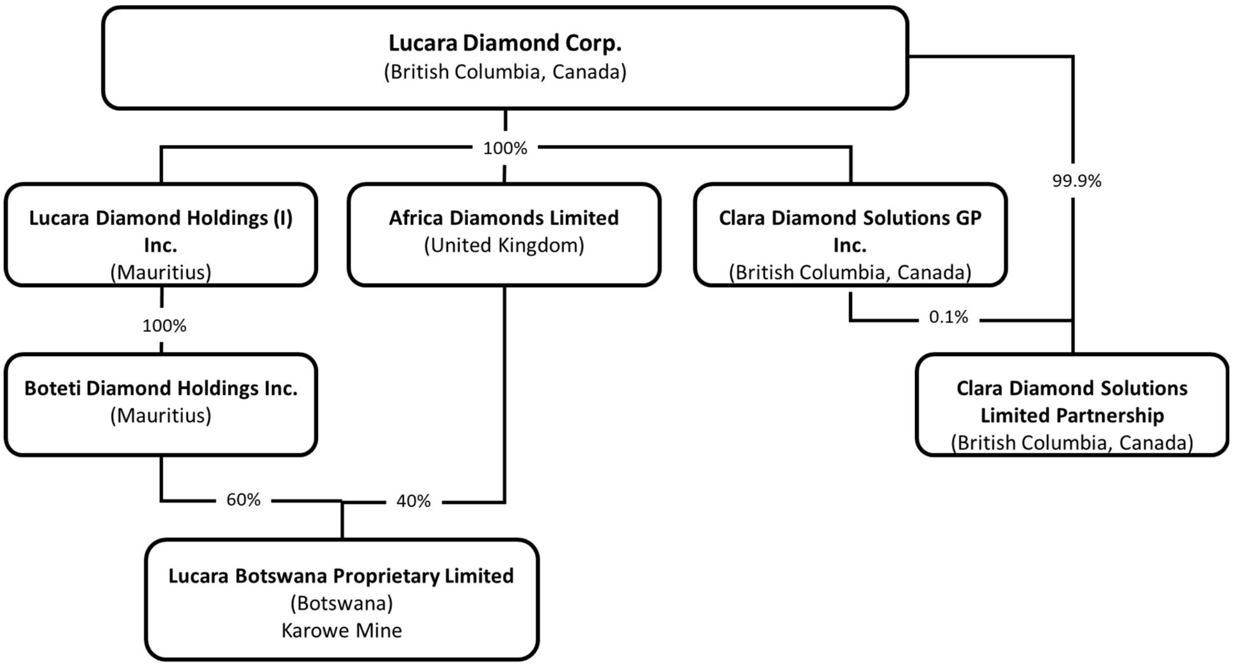
Incorporation and Registered Office

The name of the Company is Lucara Diamond Corp. The Company's registered and records office is located at 1133 Melville Street Suite 3500, The Stack, Vancouver, British Columbia, V6E 4E5, Canada.

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 the issued and outstanding shares of Tellis Gold Mining Company, a Colorado corporation. In December 1986, the Company merged with its then wholly-owned subsidiary, Tellis Gold Mining Company, and changed its name to "Tellis Gold Mining Company, Inc.". On January 18, 2002, the Company changed its name to "Bannockburn Resources, Inc.". On April 2, 2004, the Company changed its name to "Bannockburn Resources Limited" and issued 1 new share for every 4 old shares. On February 25, 2004, the Company domesticated into the State of Wyoming and on August 12, 2004, continued from the State of Wyoming into the Province of British Columbia under the *Business Corporations Act* (British Columbia). On August 14, 2007, the Company changed its name to "Lucara Diamond Corp." and effective as of the same date, the Company issued 5 new shares for 1 old share.

Intercorporate Relationships

Substantially all of Lucara's business is carried on through its various subsidiaries. The following chart illustrates the Company's main subsidiaries, including the jurisdiction of incorporation or organization, and the Company's direct and indirect voting interest in each of these subsidiaries as of March 28, 2024. All these subsidiaries are wholly owned by the Company.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lucara supplies rough diamonds to the global market from production received from its wholly-owned Karowe Mine located in Botswana. Lucara's Provenance Claim is published on our website at www.lucaradiamond.com, and details the origin, verification of source, and traceability of our diamonds, stating that 100% of the diamonds sold by Lucara are natural, untreated, ethically-sourced and originate from the Karowe Mine. In September 2021, an investment to extend the mine life to 2040 through the development of an underground expansion was approved by the Company's Board. In July of 2023, the Company announced an increase in the expected capital costs associated with the Underground Project as well as an impact to the project schedule, moving the expected commercial production from the Underground Project to H1 2028.

Three Year History – Major Developments

2023 to Date

- During 2023, the Company announced the appointment of William Lamb as Chief Executive Officer in August, and Glenn Kondo as Chief Financial Officer, effective January 1, 2024, with Eira Thomas and Zara Boldt departing during 2023. Jennifer Harmer was appointed VP, Finance in November 2023.
- On March 13, 2024, the Company announced the filing of Karowe Technical Report for the updated FS, with an effective date of June 30, 2023, prepared by JDS in accordance with NI 43-101 on the Underground Project. The Karowe Technical Report provides an update to the 2019 underground FS and 2021 financed base case to reflect changes to project duration, capital expenditure, and technical updates to the Underground Project.
- On July 17, 2023, Lucara announced an updated Underground Project budget and schedule, with a 28% increase in the duration of construction, extending the anticipated commencement of production from the underground from H2 2026 to H1 2028. The revised forecast of costs at completion was $683 million, a 25% increase to the May 2022 estimated capital cost of $547 million.
- In August 2023, Lucara recovered a 1,080 carat Type IIa white gem quality diamond, followed by a recovery of a 692 carat Type IIa diamond later in the month. This was the fourth +1000 carat stone recovered from the Karowe Mine.
- In September 2023, Lucara terminated its Diamond Sales Agreement with HB due to a material breach of financial

commitments by HB, and the parties re-entered into a New Diamond Sales Agreement in early 2024 with respect to all qualifying diamonds produced in excess of 10.8 carats in size from the Karowe Mine.

- In 2023, the plant processed a record 2.8 million tonnes of ore and recovered 395,134 carats. Ore and waste of 2.74 million tonnes and 3.1 million tonnes, respectively, for the full year.
- A total of 602 Specials (stones larger than 10.8 carats in size) were recovered, with 22 diamonds greater than 100 carats including five diamonds greater than 300 carats.
- During 2023, a total of 379,287 carats of rough diamonds from the Karowe Mine were sold, generating revenue of $153.0 million before top-up payments of $19.4 million.
- In 2023, 17 (seventeen) sales took place on Clara with a total sales volume transacted of $18.5 million.
- During 2023, the Company invested a total of $101.3 million in the Underground Project, including capitalized borrowing costs.
    - Shaft sinking and grouting programs were the focus in both the ventilation and production shafts in 2023. At the end of 2023, the production and ventilation shafts were both at 348 metres below collar or 666 masl. Lateral development commenced in the fourth quarter of 2023 and the process of establishing the first shaft stations and lateral connection between the two shafts (670 level) had commenced.
    - During 2023, the ventilation shaft sank 169 metres, the 718 slinging cubby was completed, the 670 level station was established, and the lateral station development commenced. Total lateral development in 2023 was 97 metres.
    - Production shaft activities included sinking a total of 216 metres and establishing the 670-level station, catwalk and initiating lateral development. A total of 30 metres of lateral development was completed. Further activities revolved around the commissioning of temporary and permanent bulk air coolers as well as the detailed engineering and fabrication of the permanent winders.
- On January 9, 2024 the Company executed the Rebase Amendments with respect to the Facilities Agreement to adjust the quantum of the Facilities and the repayment profile in line with the rebase schedule on the Underground Project released July 17, 2023. Parties to the Facilities remained Lucara Botswana as the Borrower and the MLAs syndicate.

2022

- In July 2022, Lucara's founder and former chairman and director, Lukas H. Lundin passed away. Mr. Lundin retired from the Board of Directors in May 2022.
- In September 2022, the Company entered into a $4 million revolving credit facility agreement with FirstRand Bank Limited (acting through its Rand Merchant Bank division) which is being used to finance the purchase of additional rough diamond supply for sale on the Clara Platform.
- In November 2022, the HB sales agreement was extended for a ten-year period, effective until December 31, 2032. Lucara's +10.8 carat production is sold at prices based on the estimated polished outcome of each diamond, determined through state-of-the-art scanning and planning technology, with a true up paid on actual achieved polished sales thereafter, less a fee and the cost of manufacturing. The extension is consistent with the terms of the previous arrangement with HB, with refinements to more accurately reflect how the parties have been working together.
- During 2022, a total of 327,028 carats from the Karowe Mine were sold generating revenue of $165.4 million before top-up payments of $38.4 million. Total gross revenues of $212.9 million were earned, including $9.1 million of purchased third party goods sold through Clara.
- The plant processed 2.8 million tonnes of ore in 2022 and recovered 335,769 carats. Ore and waste of 3.3 million tonnes and 1.5 million tonnes, respectively, was mined in 2022.
- In 2022, 795 Specials were recovered, representing 7.2% weight percentage of total carats recovered. For the year ended December 31, 2022, a total of 34 diamonds greater than 100 carats were recovered, including 9 diamonds greater than 200 carats.
- An investment of $106 million in the Karowe underground expansion project was made in 2022 with a total project to-date investment of $226.1 million. Several significant milestones were achieved in 2022 including:

- Substantial completion of surface civil works, including headgear erection and winder installs on time and within budget.
- Main shaft sink activities started in both the ventilation and production shafts to depths below collar of 179 metres and 132 metres, respectively.
- Commencement of grouting programs in each shaft during December 2022.
- Completion and energization of the bulk power upgrade consisting of a 29km, 132kV power line and the Letlhakane and Karowe substations.
- Procurement of underground mobile equipment and the signing of a contract for construction and supply of a bulk air cooler.

- During 2022, total sales volumes of $35.7 million were transacted through the Clara sales platform, with diamonds sold from the Karowe Mine representing approximately 60% by value of all diamonds transacted. In an effort to reduce operating expenses, a project to optimize processing power was completed. The number of buyers on the platform remained stable (> 90) and the Company continues to maintain a waiting list of buyers to manage supply and demand.

2021

- In January 2021, Lucara announced that its application for the renewal of Mining License No 2008/6L in respect of the Karowe Mine has been approved by Botswana's Minister of Mineral Resources, Green Technology and Energy Security. The renewal was effective January 4, 2021 for a period of 25 years, securing Lucara's mining rights to 2046.
- In January 2021, Lucara announced the recovery of two top white gem quality diamonds weighing 341 carats and 378 carats, that were recovered unbroken from milling of ore sourced from the southwestern quadrant of the South Lobe M/PK(S) unit.
- In April 2021, the HB sales agreement was extended for a 24-month period, effective from January 1, 2021 to December 31, 2022. Following the extension of the HB Agreement in Q2 of 2021, all +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats in weight which did not meet the criteria for sale on Clara are being sold as rough through the quarterly tender process. In the agreement extension, changes to the payment terms were amended to better reflect the timing of mine production and the manufacturing process.
- In May 2021, a 470 carat top light brown clivage diamond was recovered along with a series of top quality gem and clivage quality diamonds including 5 diamonds greater than 100 carats (265ct, 183ct, 161ct, 116ct, 106ct).
- On July 12, 2021, Lucara Botswana, with Lucara as the sponsor and the guarantor, entered into the Underground Project Debt Financing with a syndicate of five mandated lead arrangers to fund the development of an underground expansion at the Karowe Mine refinance the Company's existing revolving credit facility and to support on-going operations. See also "**Project Financing**" *below*.
- Two equity financings were closed in July 2021 that generated net proceeds of $31.3 million from the sale of 55,157,733 common shares at a price of C$0.75 per share, including the acquisition of 16.4 million common shares by the Company's largest shareholder, Nemesia.
- In July 2021, four pink diamonds were recovered from direct milling from the EM/PK(S) unit of the South Lobe. The largest stone recovered was a 62.7 carat high quality, fancy pink Type IIa gem diamond. A 22.21 carat pink gem of similar quality was also recovered during the same production period along with two additional pink gems of similar colour and purity weighing 11.17, and 5.05 carats.
- Also in July 2021, a 393.5-carat top white Type IIa gem quality diamond was recovered from direct milling of ore sourced from the M/PK(S) unit of the South Lobe. This was the third gem quality +300 carat produced from the M/PK(S) unit in 2021.
- During the August production month, a 257.7 carat top white Type IIa gem quality diamond was recovered.
- In September 2021, Lucara announced that the Karowe underground expansion project was formally approved by the Board after closing the Underground Project Debt Financing.
- Clara's customer base increased from 75 to 88 customers (+17% in 2021). Regular sales on Clara throughout 2021 provided steady cash flow and visibility into price trends.

- During 2021, a total of 380,493 carats from the Karowe Mine were sold generating gross revenues of $203.8 million before top-up payments of $24.2 million. Total gross revenues of $230.1 million were earned, including $2.1 million of purchased third party goods sold through Clara.
- The plant processed 2.8 million tonnes of ore in 2021, a new annual record, and recovered 369,390 carats. Ore and waste mined of 3.7 million tonnes and 2.6 million tonnes, respectively, as ore mining continued to be prioritized over waste to enable de-stacking of benches in the northern part of the pit to enhance flexibility through improved access to South Lobe ore as the pit deepens and to support dewatering activities.
- 2021 was another record setting year for the recovery of Specials by weight:
  - five top white Type IIa gem quality diamonds in excess of 200 carats, including three in excess of 300 carats;
  - a 1,174 carat clivage gem of variable quality with significant domains of high-quality white gem material, the third +1,000 carat diamond recovered from the Karowe Mine since 2015.
  - 470 carat top light brown clivage diamond.
  - 62.7 carat high quality, fancy pink Type IIa gem diamond.
- In 2021, $86.3 million was spent on the Underground Project, primarily in relation to engineering and procurement of long lead items and the commencement of construction activities including:
  - Pre-sink activities for both the production and ventilation shafts.
  - Clearing for and construction of 40 out of 88 tower foundations for the 29 km 132kV transmission line bulk power upgrade.
  - Mobilization of headframe materials and surface infrastructure including a 200-person camp and a water treatment facility.
  - Pre-sinking of the ventilation and production shafts to -36 and 41m respectively below the shaft collar with shaft liner toe-in construction completed in the ventilation shaft and shaft lining continuing back to the sub-collar. Toe-in construction also was started in the production shaft by year end.
  - Commissioning of the temporary generator farm, which will be used to power the shaft hoists during sinking until line power is commissioned, was completed.

Project Financing

On July 12, 2021, the Company announced that it had signed the Facilities Agreement in relation to a previously announced Underground Project Debt Financing. On January 9, 2024, the Company announced that it had signed amended documentation in relation to the Facilities executed in July 2021. While the total quantum of the Facilities has not changed, the repayment profile has been extended in line with the rebase schedule released July 17, 2023. The Facilities, being comprised of the Project Facility and the New Working Capital Facility are being made available to Lucara Botswana by way of a senior secured term loan facility in the principal amount of up to $190,000,000, the Project Facility, (previously $170,000,000) and a senior secured revolving credit facility in the principal amount of up to $30,000,000, the New Working Capital Facility, (previously $50,000,000). As is typical for a facility of this type, Lucara Botswana paid for all pre-agreed fees and expenses reasonably incurred by the MLAs, as well as customary commitment and other fees in connection with making the Facilities available to Lucara Botswana. First drawdown under the Facilities occurred on September 9, 2021 following Financial Close.

The Project Facility may be used to fund the development, construction costs and construction phase operating costs of the underground expansion project as well as financing costs in relation to the Facilities. The Project Facility matures on June 30, 2031, with quarterly repayments commencing on September 30, 2028. The Project Facility bears interest at a rate of Term Secured Overnight Financing Rate ("SOFR") plus a margin of 6.5% annually for the period until the project completion date, and 6.0% annually from the Underground Project completion date to June 30, 2029, and 7% thereafter with commitment fees for the undrawn portion of the facility of 35% of the margin per annum. Under the terms of the Project Facility, Lucara Botswana was required to complete an interest rate swap on 75% of the principal amount of the Project Facility available to manage its exposure to floating interest rates. On December 14, 2021, Lucara Botswana entered into interest rate swap agreements structured around the initial expected Project Facility drawdown schedule in 2021, swapping a LIBOR variable rate interest payment stream for a 1.682% fixed rate interest payment stream on up to

$127.5 million on a quarterly basis. The initial interest rate swaps were due to mature on March 31, 2028. Effective June 30, 2023, the interest rate swaps were amended to replace LIBOR with Term SOFR plus a credit adjustment spread.

In February 2024, the interest rate swaps were aligned to the expected Project Facility drawdown schedule under the Rebase Amendments with the interest rate swaps amended to amounts up to $142.5 million and maturity extended to June 30, 2031. The Company receives interest at the rate equivalent to the three-month USD Term SOFR plus a credit adjustment spread and pays interest at a fixed rate of between 2.421 and 2.447% on a quarterly basis.

The New Working Capital Facility is being used for working capital and other general corporate purposes of Lucara Botswana and is available until June 30, 2031. Each loan under the New Working Capital Facility will be repaid on the last day of the interest period applicable to such loan, subject to typical rollover arrangements. Loans under the New Working Capital Facility will bear interest at a rate equal to SOFR plus margin of 6.5% annually for the period to Project Completion, 6.25% from Project Completion to June 30, 2029, and 7.25% annually thereafter; with commitment fees of 35% of the margin per annum applicable to the New Working Capital Facility on the available commitment for the Working Capital Facility. The outstanding balance must be repaid in full at least once every twelve months for a minimum of five business days.

Following the Rebase Amendments, the Company is required to place $61.7 million in the CORA as a condition of the Facilities Agreement prior to June 30, 2025. The Facilities Agreement includes specific provisions for how and when these funds may be released from the CORA. The CORA balance was $18.6 million as at December 31, 2023, and now stands at $37.0 million. The Company is required to fund the remaining balance with the proceeds from the sale of exceptional stones and excess cashflow from operations. The Facilities are secured by a suite of first ranking security customary for a financing of its nature in Botswana, including security over all assets of Lucara Botswana, subordination of shareholder loans to Lucara Botswana, and a guarantee from the Company and each of its intermediary holding companies located between the Company and Lucara Botswana. The Company's obligations under the guarantee will fall away upon the achievement of the completion of the Underground Project.

Under the terms of the Rebase Amendments to the Project Facility, the Company's largest shareholder, Nemesia, provided a limited standby undertaking of up to $63.0 million. The standby undertaking consists of two components: i) an undertaking to support the requirement to fill the CORA to $61.7 million ($28.1 million at the effectiveness of the Rebase Amendments) by June 30, 2025, and ii) in the event of a funding shortfall, support up to $35.0 million occurring up to project completion. No amounts have been drawn under the Shareholder Undertaking.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to $15.0 million in aggregate in the event the Company's cash balance decreased below $10.0 million while discussions with the Lenders were ongoing in 2023. During 2023, the liquidity guarantee of $15.0 million was drawn, and Nemesia was issued 450,000 common shares as consideration for providing this debenture and 450,000 common shares were issued on first draw down. For each $500,000 drawn down under the liquidity guarantee, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. As at December 31, 2023, 127,500 common shares have been issued under the amounts drawn on the debenture. In January 2024, with the effectiveness of the Rebase Amendments, $15.0 million was drawn from the Project Loan and contributed to the CORA. The Company intends to seek an ordinary resolution of its disinterested shareholders at its 2024 annual general meeting to authorize and approve the issuance of up to 1,125,000 common shares to Nemesia pursuant to the terms of the above debenture, as required pursuant to the rules of the TSX given that the issuance may "materially affect control" (as defined in the TSX Company Manual) of the Company.

3.1 SIGNIFICANT ACQUISITIONS

Lucara did not make any significant acquisitions during the financial year ended December 31, 2023 that would require the Company to file a Form 51-102F4 Business Acquisition Report under Part 8 of National Instrument 51- 102 – *Continuous Disclosure Obligations*.

ITEM 4 BUSINESS OF LUCARA

4.1.1 GENERAL

Lucara is a diamond producer focused on developing 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 395,134 carats in 2023. 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 set 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, through the Clara Platform or pursuant to the terms of the renewed HB Diamond Sales Agreement.

Karowe's large, high value diamonds in excess of 10.8 carats in size have historically accounted for approximately 60% to 70% of Lucara's annual revenues. In July 2020, Lucara announced its first partnership agreement with HB, entering into a definitive sales agreement for the remainder of 2020, for all diamonds recovered that exceeded +10.8 carats from the Company's 100% owned Karowe diamond mine in Botswana. In April 2021, this agreement was subsequently extended and amended for a 24-month period, effective from January 1, 2021 to December 31, 2022. In the 2021 agreement extension, changes to the payment terms were amended to better reflect the timing of mine production and the manufacturing process. In addition, the amended agreement provided that all +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats in weight which did not meet the criteria for sale on Clara would be sold through a quarterly tender. In November 2022, this agreement was further extended for a ten-year period to December 31, 2032.

On September 27, 2023, the Company announced the termination of the Diamond Sales Agreement between Lucara, Lucara Botswana and HB, due to a material breach of financial commitments by HB, and the parties re-entered into a New Diamond Sales Agreement in early 2024 with respect to all gem and near-gem quality +10.8 carat diamonds from the Karowe Mine. Under the terms of the said 10-year agreement with HB, the purchase price paid for Lucara's +10.8 carat rough diamonds shall be based on the mutual agreement of the estimated polished outcome, determined through state-of-the-art scanning and planning technology, together with external benchmarks and more than a decade of Lucara's special stone sales data. A further sales value uplift ("top-up") is to be paid to Lucara based on actual achieved polished sales thereafter, less a fixed margin payable to HB. This pricing mechanism is expected to deliver regular cash flow for this important segment of the Company's production profile at better than conventional diamond industry tender prices.

All +10.8 carat non-gem quality diamonds and all diamonds less than 10.8 carats in weight which did not meet the criteria for sale on the Clara Platform are being sold as rough through a quarterly tender process. In 2023, four tenders were held in Antwerp, Belgium, with viewings available in Gaborone, Botswana. 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. The Company's rough diamond clients are international diamond buyers based in the major diamond cutting and polishing centres across the globe.

The Company expanded its business in 2018 with the purchase of Clara, a company whose primary asset is a secure, digital rough diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies and ensuring diamond provenance. Manufacturers participate in sales on Clara by placing electronic orders specifying the polished diamond parameters they require and the price they are willing to pay. Using proprietary analytics, Clara matches individual, scanned rough diamonds to the buyers' optimal polished requirements creating a sale. In 2023, 17 (seventeen) diamond sales were completed. Additional supply is required to drive the platform's growth. Transaction volumes were supplemented with other secondary market supply, which included diamonds purchased by the Company and re-sold through Clara. Karowe goods transacted through Clara represented approximately 68% of the total sales volume transacted during 2023.

The Company will continue to augment its overall sales strategy for Karowe goods sized less than 10.8 carats through a combination of Clara and its regular tender process, with the objective of achieving the highest possible price for all diamonds sold.

4.1.2 MINING BUSINESS

Specialized Skill and Knowledge

The Company's success at marketing its diamonds depends on the services of its key employees, marketing agent, use of specialized technology in the manufacturing process, and the development and continued relationships with certain third parties, including HB and diamantaires. The Company employs contractors at its Karowe operation to manage its mining, shaft sinking 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 to complete analytical tests, drilling programs and economic assessments.

Diamond Market

The rough diamond market was challenged through 2022 and 2023 with price weakness across most size classes but with more dramatic decreases in rough diamond prices in the smaller size fractions. Larger producers have reduced the volume of diamond sold although production volumes over the past few years have remained near record highs. The most significant global market drivers over the past few years have been the steady growth of lab-grown diamond production and adoption and the conflict in Europe, particularly between Russia and Ukraine, which has resulted in a G7 import ban on all Russia-mined and manufactured diamonds. A voluntary import ban of rough diamond implements by the Indian Government in Q4, 2023 also reduced sales and saw diamond prices drop through the third quarter of 2023 with prices recovering in the later part of the fourth quarter of 2023 as demand picked up.

Importantly, this price strengthening was broad based, observed across a range of sizes, qualities, and colours for both rough and polished diamonds, highlighting a return to a healthier, balanced supply chain and a relatively positive outlook for going into the first sales 2024. Towards the end of 2023, the major producers continued to reduce sale volumes while reducing prices to be in line with current market dynamics. Demand for lab-grown diamonds appears to have peaked in 2023 with prices dropping dramatically through the latter part of 2023, further differentiating this product to natural diamonds.

A cautious economic outlook combined with the uncertainty caused by geopolitical events, including the ongoing Russia-Ukraine and Israel-Hamas conflicts, and specifically economic weakness in China where the demand for diamonds has not yet recovered, remain a risk to diamond pricing trends in the short term with demand from the US a critical driver on prices of both rough and polished diamonds. The longer-term market fundamentals remain unchanged and positive, pointing to strong price growth over the next few years as demand is expected to outstrip future supply. Demand is expected to continue to grow in line with wealth creation, especially across Asia. Improvements in product traceability will be a positive for the diamond industry and should enable producers with good governance to ultimately command a price premium.

At the time of this AIF, the ongoing Russia-Ukraine and Israel-Hamas conflicts remain risks with the full impact and duration to the global financial markets and diamond markets unknown. It is not clear yet what short and longer-term impacts there may be on global financial markets, supply chains and market prices for diamonds.

See also: *Item 5* – ***"Risks and Uncertainties – Global Economic and Geopolitical Risk"***.

Competition

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

Lucara is a leading producer of diamonds larger than 10.8 carats in size, commonly known as Specials. Since 2012, a total of 328 diamonds greater than 100 carats have been recovered, with 22 diamonds greater than 100 carats recovered in 2023 alone. 95 diamonds in excess of 200 carats and 34 diamonds in excess of 300 carats have been recovered, 5 of which were recovered in 2023. Four diamonds greater than 1,000 carats have been recovered from the Karowe Mine since 2015, including a 1,080 carat stone in August 2023. In 2023, Lucara's achieved average diamond prices were significantly above the industry average diamond price of approximately $135 per carat.

Production

During 2023, Karowe Mine's eleventh full year of production, 395,134 carats were recovered from 2,849,135 tonnes of ore processed.

A total of 20,942 carats with an average stone size of 34.78 carats per stone (602 Specials) were recovered during 2023 from the Karowe Mine. Overall, Specials accounted for 5.3% weight percent of the total 2023 production from direct milling ore at the Karowe Mine.

Environmental Protection

Lucara is committed to best practices in the areas of sustainable development and environmental stewardship. A description of these commitments, as well as a copy of our Responsible Mining Policy adopted in 2021 can be found in the section entitled "***Social and Environmental Policies***" in this AIF and on our website at www.lucaradiamond.com. For a discussion on environmental risks and their potential impact on the Company see "***Environmental and Other Regulatory Requirements***" and "***Uninsured Risks***" in the Risks Factors section of this AIF.

Employees

At the end of 2023, Lucara had approximately 592 employees in primarily Botswana and Canada, plus approximately 362 contractors' employees responsible for ongoing mining operations at the Karowe Mine in Botswana. The majority of Lucara's employees are located at the Karowe Mine and approximately 99% of the employees who work in Botswana are also citizens of Botswana. At the end of December 2023, 506 contractors were involved in the Underground Project with over 76% being citizens of Botswana.

4.1.3 ROUGH DIAMOND SALES PLATFORM BUSINESS

In 2023, the Company used the Clara Platform to sell a selection of rough diamonds between 1 and 10.8 carats in size from the Company's Karowe Mine that meet specific criteria. The Clara Platform can accommodate the sale of rough diamonds up to approximately 15 carats from a variety of sources across the supply chain. In accordance with the requirements of the Kimberley Process certification program and beginning in the last half of 2021, certain secondary market stones were also offered for sale through the platform.

Specialized Skill and Knowledge

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

Research and Development

In 2023, the Company's research and development initiatives were focused on increasing volumes of third-party supply to the Clara Platform and optimizing processing power to reduce operating expenses. To achieve the Company's objectives, the Company had consulting agreements with both external consultants, the original developers of the technology and Sarine.

Competition

The Company is not aware of any competitors 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 2023, Clara had 6 employees in Canada and Belgium and 8 consultants in Canada, India, and Israel. The Clara Platform also receives support from Lucara employees in Canada.

4.2 DESCRIPTION OF MINING PROPERTIES

The diamond mining, exploration and prospecting license held in Botswana are set out in the following table.

Project	Interest	Type and No.	Date of Grant	Renewal or Expiry	Area (km^2)
Karowe Mine	100%	Mining License (1)	October 2008 (Updated May 2011, January 2021)	January 2046	15.3

4.2.1 KAROWE MINE - BOTSWANA

Other than the adjustments for production and pit depletion under “***Mineral Resource and Reserve Estimates***”, updated information related to construction regarding the power supply, production, permit and license extensions and the environmental management plan information under “***Infrastructure, Permitting and Compliance Activities***”, updates under “***Exploration, Development and Production***”, updates regarding the termination of open pit mine operations under “***Mining Operations***” and 2023 capital and operating cost and annual cash flow information under “***Capital and Operating Costs***”, the information in this section which is of a scientific or technical nature has been derived from the following technical report:

NI 43-101 Technical Report for the Karowe Mine: “*Karowe Mine – Botswana, 2023 Feasibility Study Technical Report*” with an effective date of June 30, 2023, compiled and prepared by JDS Energy & Mining Inc. and authored by: Dr. John Armstrong (Ph.D., P. Geo.), Brandon Chambers (P. Eng), Gord Doerksen (FEC, P. Eng.), William Joughin (Pr. Eng, FSAIMM, FSANIRE), Houmao Liu (Ph.D., PE), , Kelly McLeod (P. Eng.), Matt Moss (P. Eng.), Mehrdad Nazari (MBA, MSc), Cliff Revering (P. Eng.), Justin Teixeira (Pr. Eng.), Lehman van Niekerk (Pr. Eng.), and Kimberley Webb (P. Geo), all of whom are qualified persons within the meaning of this term in NI 43-101.

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

In January 2021, the mining license for the Karowe Mine was extended for 25 years, from its initial expiry in October 2023 to January 2046. The extension of the mining license is sufficient to cover the remaining open-pit life, currently planned to 2026, and the expected life of the underground expansion, currently planned to 2040. Please refer to “***Licenses, Permits and Approvals***” under *Item 5* – “***Risks and Uncertainties***”.

Description and Location and Access

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

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

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

Lucara Botswana has obtained common law land rights for the surface area of the mining license and for the access road. These rights will expire concurrently to the expiry of ML2008/6L. ML2008/6L is 100% held by Lucara Botswana, the Company's indirect, wholly owned subsidiary.

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

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

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

There are no known significant or anomalous factors or risks that may affect access, title or the right or ability to perform work on the Karowe Mine. Current environmental liabilities comprise those to be expected of an active mining operation. These include the open pit, processing plant, infrastructure buildings, a tailings dam and waste rock storage facilities. In January 2021, the mining license for the Karowe Mine was extended to January 2046; the extension provides for the operation of an underground mine at Karowe. Please refer to "***Licenses, Permits and Approvals***" under *Item 5* – "***Risks and Uncertainties***".

History

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

Little data from the initial discovery and evaluation of the AK6 Kimberlite is available, but it is known that the discovery was made from the interpretation of an aeromagnetic survey. In April 2000, De Beers was granted PL 13/2000 with an area of 9.95 km^2 over the AK6 Kimberlite. Results from three small diameter percussion boreholes indicated the existence of the North and Central Lobes for the first time. In December 2003, De Beers started a program of five 12¼" boreholes intended to collect a 100-tonne bulk sample which yielded encouraging results. The drilling was completed in February 2004.

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

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

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

Since the onset of commercial production to the end of 2023, the Karowe Mine had produced 4.2 million carats from 28.4 Mt of processed Kimberlite and had sold a total of 4.0 million carats for total sales of $2.23 billion.

Geological Settings, Mineralization and Deposit Types

Local and Regional Geology

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

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

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

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

Property Geology

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

Kimberlite Geology

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

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

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

Mineralization and Deposit Types

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

Exploration

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

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

In 2018 and 2019, a combined geotechnical and delineation drill program to support the feasibility study was conducted by Lucara Botswana with 37 drill holes for a total metres drilled of approximately 22,000 m.

Drilling

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

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

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

A shaft geotechnical drilling program took place Q2-Q4, 2020. It consisted of two vertical diamond core drill holes designed to trace the proposed underground mine shaft alignments along their entirety. Drill hole VS_GT_DD001 was collared at the approximate centre of the proposed ventilation shaft and was drilled to a final depth of 746.5 metres and drill hole PS_GT_DD001 was collared at the approximate centre of the proposed production shaft and was drilled to a final depth of 768 metres.

Sampling, Analysis and Data Verification

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

All petrography samples collected in 2017 and 2019 were labelled with the drill hole number, depth and way-up direction by Boteti or Lucara Botswana geologists. Petrography samples were shipped to Vancouver Petrographics Ltd. (2017) and Precision Petrographics Ltd. (2019) for processing under the 'dry' petrographic sample preparation method. All bulk density sample processing in 2017 was carried out on site by Lucara Botswana or contract geologists. Sample masses were recorded at an on-site laboratory and sample volumes were determined by a water-immersion method. No preparation of microdiamond samples collected in 2017 or 2019 was carried out on site. Microdiamond samples of whole core were collected, securely bagged and packaged into 20 L drums for shipping to the Saskatchewan Research Council (the “SRC”) Geoanalytical Laboratory in Saskatoon, Canada, which uses a systematic quality control system. Sample drums were sealed with security tags prior to shipping and were verified by the SRC upon receipt.

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

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

Mineral Processing and Metallurgical Testing

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

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

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

Mineral Resource and Reserve Estimates

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

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

The 2024 Mineral Resource update, effective December 31, 2023, incorporates production and pit depletions since the 2019 Mineral Resource was completed. Average diamond value estimates are derived from historical sales and adjusted for changes to market conditions since the 2019 FS. The 2024 mineral resources for the Karowe Mine have been classified as either Indicated or Inferred Mineral Resources, according to CIM Guidelines. Mineral Resources reported are inclusive of those portions of the Mineral Resources that have been converted to Mineral Reserves. Mineral Resources reported are exclusive of stockpiles which are reported in the Mineral Reserve.

Mineral Resources

Karowe Mine 2024 Mineral Resource Statement (effective date of December 31, 2023)						
Classification	**Resource**	**Volume (Mm^3)**	**Density (g/cm^3)**	**Tonnes (Mt)**	**Carats ('000s cts)**	**Grade (cpht)**
Indicated	South – M/PK(S)	6.79	2.98	20.25	2,187	10.8
	South – EM/PK(S)	6.63	2.93	19.41	4,075	20.99
	Centre	0.14	2.66	0.37	51	13.74
	North	0.17	2.41	0.41	48	11.67
Total Indicated		**13.74**	**2.94**	**40.45**	**6,361**	**15.73**
Inferred	South – M/PK(S)	0.10	3.05	0.31	33	10.55
	South – EM/PK(S)	1.41	2.97	4.20	878	20.91
	South – KIMB3	0.32	2.94	0.94	103	10.94
	Centre	0.37	2.64	0.98	126	12.87
	North	0.20	2.33	0.47	53	11.21
Total Inferred		**2.41**	**2.87**	**6.9**	**1,19**	**17.28**

Notes:

1. Prepared by Cliff Revering, P. Eng. of SRK Consulting (Canada) Inc.
2. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All numbers have been rounded to reflect accuracy of estimate.
3. Mineral Resources are in-situ Mineral Resources and are inclusive of in-situ Mineral Reserves.
4. Mineral Resources are exclusive of all mine stockpile material.
5. Mineral Resources are quoted above a +1.25 mm bottom cut-off and have been factored to account for diamond losses within the smaller sieve classes expected within the current configuration of the Karowe Mine process plant.
6. Inferred Mineral Resources are estimated on the basis of limited geological evidence and sampling, sufficient to imply but not verify geological grade and continuity. They have a lower level of confidence than that applied to an Indicated Mineral Resource and cannot be directly converted into a Mineral Reserve.
7. The base of the South Lobe Indicated Resource is 250masl, the base of the Inferred Mineral Resource is 66masl for the South Lobe. The base of the Centre and North Lobe Indicated Resource is 745masl.
8. Average diamond value estimates are derived from historical sales and adjusted for current market conditions since completion of the 2019 FS and updated in 2023 and estimated future values.
9. Mineral Resources have been estimated with no allowance for mining dilution and mining recovery.

A consolidated open pit and underground mine plan was developed to extract the economic portions of Karowe Mine Indicated Mineral Resources plus stockpiled ore. The mine plan includes extraction of three adjacent lobes of kimberlite. The South Lobe is planned to be mined through a combination of open pit and underground mining methods. The Centre Lobe is planned for extraction by open pit mining methods only. All Mineral Reserves are classified as Probable. The North Lobe mined from the open pit, is uneconomic and not considered a reserve.

The Qualified Persons preparing the Mineral Reserve Estimate was Brandon Chambers, P. Eng. The Qualified Persons did not identify any extraordinary risk, including legal, political or environmental risks that would materially affect potential Mineral Reserves development. The effective date of this Mineral Reserve Estimate is December 31, 2023.

Mineral Reserves

Karowe Mine 2023 Mineral Reserve Estimate Statement (effective date of December 31, 2023)					
Lobe	**Reserve Category**	**Ore Tonnage (Mt)**	**Carats ('000s cts)**	**Grade (cpht)**	**LOM Diamond Price ($/ct)**
Open Pit					
Centre	Probable	0.2	22	14.0	392
South – EM/PK(S)	Probable	0.9	236	25.4	828
South – M/PK(S)	Probable	3.0	304	10.1	707
Open Pit	**Total**	**4.1**	**562**	**13.7**	**746**
Underground					
South – EM/PK(S)	Probable	18.6	3,361	18.1	828
South – M/PK(S)	Probable	18.4	1,871	10.2	707
Underground	**Total**	**37.0**	**5,232**	**14.22**	**785**
Stockpiles					
Life of Mine	Probable	4.2	541	12.9	425
Mixed Stockpile	Probable	6.0	309	5.2	575
Stockpile	**Total**	**10.2**	**850**	**8.4**	**480**
Combined					
All	**Total**	**51.2**	**6,644**	**13.0**	**742**

Notes:

1. Prepared by Brandon Chambers, P.Eng. of JDS Energy & Mining Inc.
2. CIM Guidelines and Definitions were followed for Mineral Reserves.
3. Process recovery of the diamonds was assumed to be 100% as the recoveries were included in the mineral resource block model assumptions and therefore have taken recoveries into account.
4. The bottom elevation of the Probable Reserve is 310 masl.
5. Mineral Reserves are quoted above a +1.25 mm bottom cut-off and have been factored to account for diamond losses within the smaller sieve classes expected within the current configuration of the Karowe Mine Process Plant.
6. Diamond price estimates are provided by Lucara; prices are derived from historical sales and adjusted for current market conditions.
7. Tonnages are rounded to the nearest 100,000 tonnes, diamond grades are rounded to one decimal place to properly reflect the Reserve estimate accuracy.
8. Tonnage and grade measurements are in metric units; contained diamonds are reported as thousands of carats.
9. Open Pit Mineral Reserves are estimated at a cut-off value of US$37/t based on an OP mining cost of US$13/t, a processing cost of US$12/t and a G&A cost of US$12/t.
10. Underground Mineral Reserves are estimated at a cut-off value of US$35/t based on an Underground mining cost of US$11/t, a processing cost of US$12/t and a G&A cost of US$12/t.
11. Open Pit dilution assumptions have been revised in 2023 to account for dilution experienced in operations since 2022. Open Pit dilution included in the Reserve was estimated from the following source:
    - 2.0 m of zero-grade dilution from drill and blast activities along the kimberlite & host rock contact.
    - A total OP dilution of 2.5%, or 0.1 Mt has been included in the Open Pit reserve estimate
12. Underground dilution included in the in the 2019 FS were revised in 2021. Underground dilution included in the Reserve was estimated from the following three sources:
    - 1.0 m of zero-grade overbreak from stoping adjacent to the granite host rock;
    - 2.7 Mt of zero-grade overbreak from stoping adjacent to sedimentary rocks (based on geomechanical modelling);
    - Inclusion of inferred KIMB3 kimberlite which for reporting and economic modelling purposes is treated as zero- grade dilution in the mine plan.

- A total Underground dilution of 9.6%, or 3.5 Mt has been included in the Underground reserve estimate.

13. Stockpile Mineral Reserves are estimated at a cut-off value of US$19/t based on a rehandle cost of US$2/t, a processing cost of US$12/t and a G&A cost of US$5/t, when processed at the end of mine life.
14. Stockpile Reserves are not included in the Karowe Mineral Resource Estimate, which covered only in-situ mineralized material.
15. Stockpile Reserves are based on surveyed volumes and block model grades.
16. Stockpile LOM diamond price is determined from the weighted average of the North, Centre, South - M/PK(s), and South - EM/PK(s) lobe ratios.

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

Mining Operations

The Karowe Mine is an existing open pit operation which has been in production since 2012. Conventional open pit drill and blast mining with diesel excavators and trucks provide an average annual 2.7 Mt of Kimberlite feed to the mill. The open pit mine operation is expected to terminate in 2025 at an elevation of approximately 700 masl.

There are substantial resources remaining below the economic extents of the open pit that may be extracted by underground mining methods. Each of the North, Centre and South Lobes were sub cropping, have variable but overall high angle contacts with the country rock and vary in diameter and depth. The South Lobe is the largest of the three and its indicated resources extend to approximately 950 metres below surface (from 1,010 masl to 66 masl). The North and Centre Lobes extend below the planned open pit limit but have been excluded from the Underground Project. The geologic features of the South Lobe drive several mine plan design decisions which focus on accessing the deeper, higher-value resource early in the underground mine life.

In September 2021, the Company's Board approved an underground expansion at the Karowe Mine. Capital costs for this expansion will be met with funds from a combination of the Underground Project Debt Financing of $220 million arranged in mid-2021 and amended in January 2024, the projected cash flows from the Karowe open pit mine during the underground construction period, and two equity financings totalling C$41.4 million that closed July 15, 2021.

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

Access to the Underground mine will be from a 767 m deep production Shaft, 8.5 m in diameter, sunk from surface to 245 masl. The shaft will be equipped with two 21-tonne skips for production hoisting, a service cage for man and material movement, and an auxiliary cage for shaft inspections and personnel transport. Shaft conveyances will be managed by three independently operated winders, of which one currently exists on site and is performing shaft sinking duties. This shaft will also serve as the main fresh air intake to the mine. A second shaft, 6.0 m in diameter, 727 m deep, driven from surface to 285 masl, will serve as the main exhaust route and emergency egress for the mine. The two shafts are offset from the kimberlite pipe approximately 375 m northwest of the South Lobe, well outside of the potential subsidence zone, and 100 m from each other. Shafts will be driven blind using conventional drill and blast equipment and are being developed concurrently. Average sinking rates range from 1.9 to 2.4 metres per day m/day during steady state sinking in good ground. It is expected to take approximately six years to fully sink and equip both shafts, plus another two years to complete all UG development, capital installations, and production ramp up.

There will be a total of eight working levels in the mine, six of which will be accessed by a shaft station. Levels are named by their elevation in masl. The 310 L will serve as the primary working level and provide access to the main UG infrastructure including production drawpoints, crusher, and maintenance facilities. Above this level will be four drilling horizons: 380 L, 480 L, 580 L, and 680 L; where production equipment will work to drill and blast stopes. Other stations will serve as support services for ore handling and access to the shaft bottom.

Drill horizons are spaced at 100 m vertical intervals to accommodate the in-the-hole hammer drill's effective drill length of a 150-millimetre diameter hole. A pyramidal sequence is proposed for the drilling and blasting of the stopes at Karowe Mine. This blasting sequence will create a dome shape at the top of the blasted volume to maintain stability of the stope back. Stopes will be blasted sequentially upwards in 17.5 m increments until a 30 m sill pillar is left between the drill panel and the stope back. A final 30 m blast will wreck this sill pillar and terminate access to the drill panel at that location. The drill will relocate to the next above drill horizon and repeat the process until the lobe is fully blasted.

Hydrogeology and Water Management

The Open Pit operation is currently within the Ntane and Mosoltane sandstones. Dewatering and depressurization are critical in reducing the inflow to the pit and the pore pressure of the pit wall and pit bottom. These dewatering and depressurization measures will continue to the end of UG mining. The UG mining will start in the granite. Because of the separation between the sandstone units and Mea/granite units by ~200 m thick mudstone/shale, the dewatering of the OP has essentially no impact on the groundwater condition of the Mea/granite units. The high pressure and possibly permeable Mea/granite units could lead to as high as 12,000 cubic metres per day (m3/day) of inflow rate to the UG workings, however, packer test results and drill hole observations through the Mea have shown variable results and inflows could be lower. The design of the UG drainage gallery that targets the kimberlite contact zone is a practical measure to control the flow in the mining zones. However, given the lack of hydrogeologic data in the Mea/granite units and the assumed highly permeable fracture corridor, there are uncertainties in the predictive inflow to the UG mine workings.

Hydrogeological modelling forecasts large volumes of saline water with an estimated total dissolved solids (TDS) of ±30,000 mg/L (approximately the same as seawater) will be pumped to the surface during the UG mine life once development begins within granitic basement rock located some 500 m below surface. Treating this water by Reverse Osmosis ("RO") is both costly and technically prohibitive in addition to exceeding the quantity and quality requirements of the site water consumers. The water pumped from the UG mine will, in lieu of RO treatment, be disposed of by means of mechanical evaporation. A fully lined surface pond will be constructed adjacent to the UG operations to receive the saline water from the UG mine and to pump it to modular mechanical evaporators which are designed to expedite the natural evaporation process. As the water evaporates it will leave in the basin of the pond the salts contained in UG mine water, eventually filling it. Pond expansions will be carried out during the mine life as needed to meet the demand of the UG water dewatering volumes and chemistry.

Processing and Recovery Operations

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

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

Tailings Management

A feasibility study for the design of Fine Residue Deposit ("FRD") 1 was carried out for the FS 2019 and that study proposed increasing the height of FRD 1 to a final elevation of 1042 masl and a new FRD 2 abutting FRD 1, (previously labelled as Phase 1 and Phase 2 respectively), with Phase 2 (FRD 2) being built to an elevation of 1042 masl. Lucara has adopted Global International Standard for Tailings Management ("GISTM") as best practice for fine and coarse residue disposal. This resulted in a re-design of the Phase 2 FRD in 2021 with height restrictions being imposed on FRD 1 to the current lift elevation of 1031 masl. The area for Phase 2 FRD will store tailings up to the end of 2025. The site was further constrained as the 2019 Phase 2 design site extended further south beyond the site boundary fence; however, the design has now been limited to fall within the fence area. The final 2021 design, which began construction of starter walls in 2022 is approximately 1300 m wide and 500 m long, with a divider wall creating two paddocks which were subsequently labelled 2A and 2B respectively.

The FRD 2 was designed to be lifted in two stages. Stage 1, the starter wall was constructed with local borrow and the Stage 2 lift will be constructed using waste rock. The final design height was approximately 10 m, up to elevation 1026 masl. A site selection study was undertaken in 2022 for FRD options that can accommodate the Life of Mine (LOM) tailings, and a new site on the West of the existing FRD's (FRD 1 and 2) was selected by Lucara. This new site has been labelled FRD 3 for reference and the detailed design of this Facility commenced in 2023.

In summary, the tailings facilities can be expanded to accommodate the proposed Underground Project extension and shall be designed to comply with GISTM and GN704 requirements.

Infrastructure, Permitting and Compliance Activities

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

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

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

During the year ended December 31, 2022, construction was completed on the new 29km, 132 kV power supply line, including the Letlhakane and Karowe substations and the 200-worker camp complex. An 11kV transmission line to the Underground Project was commissioned in mid-January 2023. Back-up power will continue to be provided by diesel generators. Pre-sinking was completed, and main sinking commenced in both the production and ventilation shafts.

During the year ended December 31, 2023, shaft sinking on both the production shaft and the ventilation shaft has sunk through the Natane and Mosolotsane water bearing formations and substantially through the Thlabala mudstones, with both shafts reaching 333 meters below collar. During 2023 the ventilation shaft sank a total of 169 metres and completed 3 full grouting events. The production shaft sank a total of 216 metres and completed 4 grouting events. Lateral development at the 670L had commenced from both the ventilation and production shafts. Temporary bulk air coolers were constructed and commissioned for both shafts providing temperature-controlled ventilation air to the underground working areas.

See "***Recent Activities***" under "***Exploration, Development and Production***" below for additional details.

ML2008/6L was approved by the Botswana Department of Environmental Affairs. On January 4, 2021, a renewal was granted to ML2008/6l for a period of twenty-five years to January 2046. An EIA was completed for the operation and submitted in 2008 and an EMP was submitted and approved in 2010 followed by various updates which were submitted and approved in 2013, 2016, and 2020. The Karowe Mine was commissioned in October 2011 with the commissioning of the processing facilities commencing in April 2012. The initial EIA was granted with conditions, all of which the Karowe Mine, in the opinion of previous Qualified Persons evaluating the operation, met or continues to meet. The site continues to operate under this license and meet all conditions set out in the EIA and EMP. The EMP was updated in 2013, 2016, and again in 2020 to comply with the requirements of Botswana's evolving environmental legislation, notably the *Environmental Assessment Act of 2011 (Botswana)* and to assess the activities and associated impacts of the expansion of the process plant and the Bulk Sample Plant as well as the proposed Underground Project and power line.

The agreement to build the transmission line was signed with the Botswana Power Company ("BPC") and a way leave permit was issued for the proposed power line route in 2020. The Letlhakane and Karowe sub-stations and the 132kV transmission line were handed over to BPC on December 31, 2022 to own and maintain. A two-year warranty period began with the handover.

Updates to the EMP in 2016 and 2020 set out mitigation measures and impact management and monitoring activities that the mine should undertake to maintain compliance with the EMA during the operational, and later the closure, phase of the project. Lucara Botswana continues to monitor the following in relation to the Karowe Mine:

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

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

The approved EIA included a Social Impact Assessment ("SIA") and outlined specific engagement activities and tools for the Company's community relations personnel. The SIA highlighted that economic opportunities associated with the mine's operations and expansion as well as eventual closure are the primary concern for most stakeholders. To continue to strengthen the engagement process, a stakeholder engagement plan was developed in 2019 which meets the IFC Performance Standards and includes a grievance resolution procedure.

An ESG programme has been developed and implemented with a focus on entrepreneurship development and support, local community infrastructure, protection of vulnerable groups, and wildlife conservation. Lucara participates in ESG activities within the Letlhakane sub-district and these are driven by Lucara's ESG charters and policies as set out in Section 4.3 below.

Capital and Operating Costs *(all amounts in U.S. Dollars unless otherwise stated)*

Capital Costs

In 2024, sustaining capital and existing project expenditures are expected to be up to $10 million with a focus on replacement and refurbishment of key asset components in addition to dewatering activities, an expansion of the tailings storage facility in accordance with Global Industry Standard on Tailings Management and completion of a community sports facility.

Capital costs for the underground expansion are expected to be up to $100 million and will focus predominantly on shaft sinking activities, along with construction of the bulk air cooler, tendering the underground lateral development contract and underground equipment purchases.

In early 2023, management initiated an update to the Underground Project schedule and budget in response to slower than planned ramp up to expected sinking rates and to account for the additional time incurred, as well as for anticipated future grouting programs. Grouting programs took longer than anticipated due to a combination of high-water volumes in the sandstone lithologies between 870 and 752 metres above sea level in depth (144 metres to 262 metres below the shaft collar) combined with technical challenges associated with the transition to main sinking. The updated schedule incorporates a 28% increase in the duration of construction, extending the anticipated commencement of production from the underground from H2 2026 to H1 2028. As a result, the revised forecast of costs at completion is $683 million, a 25% increase to the May 2022 estimated capital cost of $547 million. The open pit mining schedule has been adjusted with the objective of completing open pit operations in 2025, with mill throughput maintained at 2.7 million tonnes per annum. Due to the schedule extension to the underground project, surfaced stockpile material has been included in the plant feed schedule through 2026 and 2027. Sustaining capital costs during the underground production years total $333.6 million, being comprised of $222.9 million for the Underground Project and $110.7 million for Plant operations. Remaining contingency for the project totals $32 million. Closure costs amount to $34 million and were assumed to occur in the two years immediately after plant closure.

Overall underground operation parameters with processed tonnes and the recoverable diamond grade remain unchanged. Minor adjustments to stope design, dilution, and diamond value result in immaterial changes to the values reported in the FS (see notes to the Mineral Resource and Reserve statements herein).

Capital Costs	Pre-Production		
	Sunk (M$)	Estimated (M$)	Subtotal (M$)
Mining	140.4	253.1	393.5
Site Development	12.7	13.4	26.1
Process Plant	-	0.1	0.1
Tailings and Mine Waste	-	-	-
On-site Infrastructure	13.0	5.1	18.1
Buildings and Facilities	2.1	3.1	5.2
Off-site Infrastructure	23.3	0.4	23.7
Project Indirects	9.4	21.7	31.1
Owner Costs	63.6	89.9	153.5
Subtotal	**264.5**	**386.8**	**651.3**
Contingency	-	31.9	31.9
Closure	-	-	-
Total Capital Costs	**264.5**	**418.7**	**683.3**

*Numbers may not add due to rounding.

**Foreign exchange rates of BWP12.5:USD $1.00; ZAR 17.0:USD$1.00 were used where applicable. Actual foreign exchange rates incurred may be different.

As at December 31, 2023, $310.5 million of the pre-production capital expenditure has been incurred.

Operating Costs

The Karowe Mine's 2024 estimated Open Pit cash cost per tonne of ore processed is expected to be between $28.50 to $33.50, including waste mining. The average strip ratio in 2024 is forecast to be approximately <1. The cost per tonne mined is expected to be US$13/t, a processing cost of US$12/t and a G&A cost of US$12/t.

Exchange Rate Forecast for 2024 Capital and Operating Costs

The capital and operating costs for 2024 have been forecast using foreign exchange rates of BWP12.5:US$1.00 and ZAR16.25:US$1.00, where applicable.

Tax Rate Forecast 2024

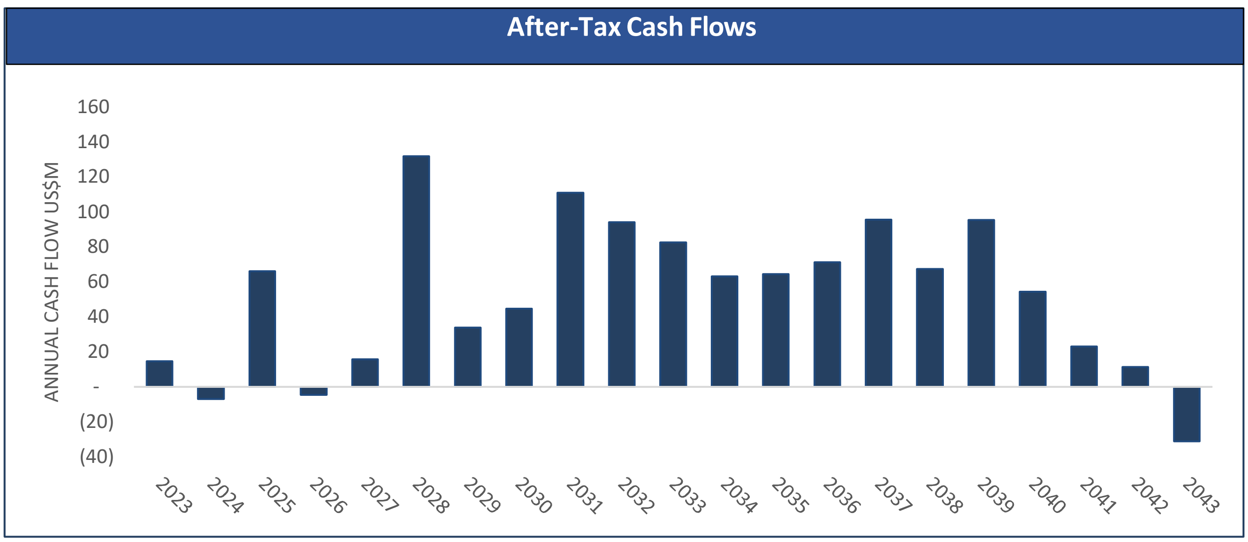
Lucara Botswana's progressive income tax rate computation allows for the immediate deduction of operating costs, including capital expenditures in the year they are incurred. The lowest variable tax rate is 22% while the highest variable tax rate is 55% (only if taxable income were equal to revenue). Lucara Botswana's income tax rate was 0% in 2023. Based on 2024 revenue guidance of $220-$250 million and planned capital expenditures, the expected tax rate for 2024 is 0%.

Economic Analysis - Karowe Mine

An economic model was developed to estimate annual cash flows and sensitivities of the Underground Project, analysing a combined underground and open pit LOM scenario. The Karowe Mine LOM, including the development of the Underground Project, is economically viable with an after-tax net present value using an 8% discount rate (NPV8%) of $532 million. The life of mine all-in sustaining cost ("AISC") is $375/ct. The straight AISC cost is calculated by adding the sales and Botswana corporate, royalty, operating, and capital and closure costs together and dividing by the total payable carats. As date the date of this AIF, the LOM average USD per carat is expected to be approximately $742/ct.

The LOM economic model does not calculate a meaningful IRR as capital costs are partially offset by operating revenue in the year in which they are incurred. Further details are available in the technical report.

The graph immediately below was updated from the technical report and is current as of March 2024. The graph summarizes the projected cash flows of the Underground Project and open-pit operations, combined after-tax.



Exploration, Development and Production

The overall development period for the Underground Project is estimated to be five years from the start of construction activities to the underground reaching over 60% production capacity.

Facilities Agreement

On July 12, 2021, Lucara Botswana, with Lucara as the sponsor and the guarantor, entered into the Underground Project Debt Financing of $220 million with a syndicate of five mandated lead arrangers, being the MLAs. On January 9, 2024, the Company announced that it had signed amended documentation in relation to the Facilities executed in July 2021. While the total quantum of the Facilities has not changed, the repayment profile has been extended in line with the rebase schedule released July 17, 2023. *See: Item 3 – "**General Development of the Business – Project Financing**" for a description of the Facilities (as defined herein).*

First drawdown under the Project Facility occurred on September 9, 2021 following satisfaction of certain conditions precedent on September 2, 2021. The Project Facility may be used to fund the development, construction costs and construction phase operating costs of the underground expansion project as well as financing costs in relation to the Facilities. The Project Facility now matures on June 30, 2021, with quarterly repayments commencing on September 30, 2028. As at December 31, 2023, $90.0 million of the $170.0 million facility was drawn. Concurrent with the Rebase

Amendments, in January 2024, an amount of $20.0 million was transferred from the existing Working Capital Facility, $15.0 million was drawn to replace the contribution from the shareholder and funded to the CORA, and an additional amount of $15.0 million was drawn to fund a portion of the forecasted H1 2024 underground project expenditure.

The Project Facility bears interest at a rate of Term SOFR (or replacement benchmark) plus margin of 6.5% annually for the period until the Project completion date, and 6.0% annually from the project completion date to June 30, 2029, and 7% thereafter with commitment fees for the undrawn portion of the facility of 35% of the margin per annum.

Recent Activities

Activities completed in 2023 related primarily to ongoing construction activities, procurement of long lead items for the Underground Project, completion of the bulk power upgrade, shaft sinking, grouting, and lateral development from both the ventilation and production shafts. At the end of 2023, the production and ventilation shafts were both at 348 metres below collar or 666 metres above sea level ("masl") and the process of establishing the first shaft stations and lateral connection between the two shafts (670 level) had commenced. Commissioning of the temporary bulk air coolers at each shaft was completed and construction of the permanent bulk air coolers at the production shaft continued. Detailed engineering and fabrication of the permanent men and materials winder commenced during 2023, representing the last major component for the permanent winders.

Activities planned for 2024 include: sinking and grouting within both the ventilation and production shafts, station and lateral development on the 470L, installation of the auxiliary winder, construction of the Men/Materials Winder building and delivery of this winder to site, commissioning of the permanent bulk air cooler, completion of the LOM FRD 3 design and location, initiate detailed engineering work on the pond for mechanical evaporators for saline wate management. In 2024 the request for proposals and selection of the contractor for underground lateral development will take place. Ongoing procurement of underground ventilation, crush and convey, de-watering, and electrical reticulation. Detailed design and engineering on Underground systems and shaft bottom design.

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 the policies adopted by the Company including: a Corporate and Social Responsibility Charter, the Responsible Mining Policy, an Environmental Policy, and a stand-alone Human Rights Policy, all of which are included as Schedules to this AIF. These documents are fundamental to Lucara's business and have been approved by the Board. Compliance is monitored by the SHECR Committee. Consistent with its Corporate and Social Responsibility Charter, the Company has initiated projects with local communities in Botswana. Initially by partnering with the Lundin Foundation and now under the direct oversight of a Botswana-based sustainability team, the objective of these programs is to assist communities near the mine by generating wealth and employment needed to alleviate poverty on a sustained basis. SHECR planning is part of the Company's business planning processes and the potential effects of activities on the environment and on local communities are integrated into operational decisions and processes.

The RJC is a not-for-profit standard 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. A recertification audit was completed in 2021 and the Company's provenance claim was accepted by the RJC. The Company's current certification will expire in Q1 2024. Lucara intends to seek RJC recertification in Q1 2024 and will undergo an independent audit at the Karowe Mine and at the Vancouver head office as part of that process. The Company expects to retain its RJC certification in 2024. Further information on the RJC and its Code of Practices can be found at www.responsiblejewellery.com.

In 2021, the Company adopted the Mining Association of Canada's Towards Sustainable Mining (TSM) standard, a globally recognized sustainability program that supports mining companies in managing key environmental and social risks which has also been adopted by the Botswana Chamber of Mines. Compliance to the TSM performance indicators was independently verified in December 2021 and will be re-verified in 2024and the Company continues work to address the immaterial non-conformances identified. Further information can be found at www.mining.ca/towards-sustainable-mining/.

The Company also achieved ISO 45001 accreditation in November 2021 in accordance with the International Organization for Standardization.

The development and implementation of an updated tailings framework aligned to the GISTM continued. In accordance with GISTM, a site visit was conducted by a three-person Independent Technical Review Board, and work continues toward full implementation.

On an annual basis, the Company publishes a Sustainability Report for its stakeholders which is structured in alignment with the Sustainability Accounting Standards Board (SASB) Standards for Metals and Mining (2021), and with reference to the GRI Universal Standards (2021). It underlines the Company's desire to operate transparently with regards to social and environmental matters. A copy of Lucara's current Sustainability Report can be viewed at the Company's website at www.lucaradiamond.com.

ITEM 5 RISK 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.

Global Economic and Geopolitical Risk

In response to the ongoing global conflict, including between Russia and Ukraine, strict economic sanctions were imposed against Russia and its interests. While the Company does not have any operations in Ukraine or Russia, its business may be impacted as the conflict and economic sanctions has given rise to indirect economic impacts, including but not limited to, increased prices for fuel and other commodities, increased volatility in the prices achieved in the rough and polished diamond markets, supply chain challenges and disruptions, logistics and transport disruptions and heightened cybersecurity disruptions and threats. Increased prices for fuel and other commodities may have adverse impacts on the Company's cost of doing business.

The continuation or further escalation of this military conflict could aggravate ongoing global economic challenges and a possible resultant economic downturn could adversely affect the Company's business. These conditions may also result in increased volatility in the market for the Company's securities and could have other effects which are currently unknown. The Company cannot accurately predict the impact that ongoing conflict in Ukraine, or the prevailing global economic uncertainty, will have on its financial position or operations. Accordingly, estimates of the extent to which geopolitical risk may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty. Any changes in the current situation relating to the military conflict could significantly impact operations and thus may impact the accuracy of any forward-looking statements contained in this AIF.

The Chinese market is a significant source of global demand for commodities. A sustained slowdown in China's growth or demand, or a significant slowdown in other markets, in either case, that is not offset by reduced supply or increased demand from other regions could have an adverse effect on the price and/or demand for diamonds.

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.

Under the sales agreement with HB, the ultimate achieved sales price of stones larger than 10.8 carats in size is based on a polished diamond pricing mechanism. This pricing mechanism results in the Company's revenue being exposed to a greater extent to the price movements in the polished diamond market than it is exposed to through its traditional tender process for rough diamonds. While Lucara receives partial payment for rough stones on an agreed upon schedule based on when stones are delivered to HB, it only receives a top up payment reflecting the ultimate sale price at such time as HB sells a polished diamond to an end consumer. The amount and timing of HB's initial and top up payments to Lucara are dependent on prevailing prices for polished diamonds, HB's ability to find a buyer for polished stones and the timing and cost of HB to do so. If performance pursuant to the sales agreement with HB does not achieve the anticipated results or performance is disrupted for any reason, Lucara's operations, financial results and condition could be materially and adversely affected.

Ability to Maintain Obligations or Comply with the Facilities

Lucara is currently subject to restrictive covenants under the Facilities. The Company's Project Facility is secured by a first ranking charge over the assets of the Company and its operating subsidiaries. Events may occur in the future, including events outside of the Company's control, that could cause the Company to fail to satisfy its obligations under the Facilities, or other debt instruments that may arise. In such circumstances, amounts drawn under Lucara's debt agreements may become due and payable before the agreed maturity date and Lucara may not have the financial resources to repay such amounts when due. If the Company were to default on its obligations under the Facilities or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize Lucara's assets. Any such default could result in a delay of the Underground Project, and the overall cost of the Underground Project could materially increase, and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance, including the Company's share price, would be materially negatively impacted.

The Facilities contains several covenants that impose operating and financial restrictions on the Company and may limit our ability to engage in acts that may be in the Company's best interest.

Access to Capital and Financing Requirements

To fund growth, and in difficult economic times, to ensure continued operations, we may need to secure the necessary capital through loans or through the issuance of equity or other securities. The availability of capital, and the terms on which it may be available, are subject to general economic conditions and lender and investor interest in the Company and our projects.

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 activities related to the Underground Project, or production from the Karowe Mine.

The Underground Project has an updated capital cost of $683 million. The Company expects to use a combination of cash flow from operations and external financing for this expansion project and as such a substantial portion of the Company's revenues and cash flows are committed to the Underground Project at the Karowe Mine. On January 9, 2024, the Company announced that it has signed the Rebase Amendments in relation to the Facilities. While the total quantum of the Facilities has not changed, the repayment profile has been extended in line with the rebase schedule released July 17, 2023, and the maturity of the WCF has been extended to June 30, 2031. To the extent that Lucara does not generate sufficient revenues and operating cash flow to satisfy its obligations in connection with the Underground Project and its debt obligations, including the fulfilment of the CORA, it will require additional capital. The shareholder limited standby undertaking of up to $63.0 million may be called upon. If the amounts under the shareholder limited standby undertaking were not sufficient, it will require additional capital. If the Company raises additional capital by issuing equity, such financing may dilute the interests of shareholders and reduce the value of their investment. Moreover, Lucara may not be successful in locating suitable additional or alternate financing when required or at all or, if available, may incur substantial fees and costs and the terms of such financing might not be favourable to the Company. A failure to raise capital when needed could have a material adverse effect on Lucara's business, financial condition, and results of operations. Failure to obtain any financing necessary for our capital expenditure plans may result in a delay or indefinite postponement of exploration, development activities related to the Underground Project, or production from the Karowe Mine. If the Underground Project is delayed for any number of reasons, the overall cost of the Underground Project could materially increase, and the completion of the Underground Project could be materially delayed or prevented from reaching completion. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance and the Company's share price would be materially negatively impacted.

If the Underground Project is delayed for any number of reasons (*see the risk factor: "**Capital Costs Related to the Underground Project"** below*), the overall cost of the Underground Project could materially increase, and the completion of the Underground Project could be materially delayed or prevented from reaching completion. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance and the Company's share price would be materially negatively impacted.

Capital Costs Related to the Underground Project

The Underground Project construction costs and schedule duration may increase or be altered due to changes in the cost of steel, concrete, fuel, power, materials and supplies or labour, or due to unforeseen ground or geotechnical conditions, unexpected or unplanned groundwater inflows which require grouting, slower than planned vertical advance during shaft sinking, supply chain restrictions, or changes in the exchange rate in which capital costs are incurred, in which case the Company will be required to seek additional debt or equity capital to complete construction at the Underground Project. As noted in the press release dated July 17, 2023, management initiated an update to the Underground Project schedule and budget in response to slower than planned ramp up to expected sinking rates, and, to account for time incurred to date, as well as for anticipated future grouting programs. Grouting programs took longer than anticipated due to a combination of high-water volumes in the sandstone lithologies between 870 and 752 metres above sea level in depth (144 metres to 262 metres below the shaft collar) combined with technical challenges associated with the transition to main sinking. The updated schedule incorporates a 28% increase in the duration of construction, extending the anticipated commencement of production from the underground from H2 2026 to H1 2028. As a result, the revised forecast of costs at completion is $683 million, a 25% increase to the May 2022 estimated capital cost of $547 million. Processing of surface ore stockpiles should allow for continued revenue from the operations, however, carat production and revenues may be at a level lower than contemplated original 2021 Project mine plan until such time as the underground production ramp-ups. The Company may not be able to access capital on commercially reasonable terms or at all and, even if successful, we may not be able to raise enough capital to allow us to fully fund the capital costs required to complete construction at the Underground Project. If the Underground Project is delayed due to a lack of adequate financing, the overall cost of the Underground Project could materially increase, and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance and the Company's share price would be materially negatively impacted.

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 adjusts the processing plant to reduce the risk of future damage, particularly to large, potentially high-value diamonds. The introduction of a large diamond recovery circuit ("LDR") and a mega diamond recovery ("MDR") circuit help to mitigate some of the loss associated with diamonds that are broken during the recovery process.

The sales agreement with HB is premised on HB's ability to increase the value of a rough stone through polishing. Lucara's ability to participate in this value is subject to the risk of damage or loss during the manufacturing process, or that the manufacturing process will not result in the projected value for a polished stone. While HB is required to maintain insurance to protect the Company from risk of loss of diamond value during the manufacturing process, there is no assurance such insurance will be adequate to fully compensate the Company for any such loss which may be experienced.

Dependence on Single Buyer for Large Stones

Under the various sales arrangements with HB, the Company is exposed to a greater concentration of credit risk, and it depends on a single buyer for the most valuable part of its diamond production. The proportion of the Company's annual total revenue that is generated from stones greater than +10.8 carats in size ranges from 60-70%. The stones sold under the sales agreement represent a material component of the Company's revenue. The credit risk associated with these sales is concentrated with one individual customer and payment terms are longer (60 to 120 days) than the Company's traditional tender sales (5 days). If HB does not comply with its obligations under its agreement with Lucara or does not maintain sufficient liquidity such that payments to Lucara are interrupted or delayed, Lucara's financial results and condition could be materially and adversely affected.

Clara's Dependence on Single Mine for Supply

While the Company has commercialized the Clara Platform, it does not presently constitute a significant business unit. A majority of the supply available for sale on the Clara Platform comes from production from the Karowe Mine in Botswana, although in 2022 and 2023 additional supply from third-parties was sold on the Clara Platform. If the Karowe Mine does not deliver rough diamonds for sale on Clara, or if sufficient supply cannot be obtained from other sources, the Clara Platform will be unable to meet demand and the business may fail.

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 underground production commencement dates.

The Company periodically reviews its LOM planning. Significant changes in the LOM plans can occur due to experience obtained while 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 and blasting activities at its Karowe Mine, having insourced the processing contract in mid-2020. If there is a dispute with such contractors, the Company's operations could be materially impacted.

Labour Agreements

In 2019, a chapter of the Union was formed pursuant to Section 48 of the *Trade Unions & Employers' Organizations' Act* (Botswana). The current labour agreement expires at the end of March 2024 and a new labour agreement will need to be negotiated with effect from April 1, 2024. A new agreement may result in increased labour costs 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 and ability to comply with certain terms of financing agreements 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 has a mining license for the Karowe Mine which is valid for both open pit and underground mining through January 2046 (the underground extension currently under construction is expected to extend the mine life to 2040). The Company believes that it currently holds and is presently complying in all material respects with all licenses and permits that are required under applicable laws and regulations to conduct its current operations including compliance with the terms of its key mining license. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. The 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 disposal of excess water are important determinants which affect capital and operating costs and the ability to execute planned production. Power shortages and outages due to heavy rain have been experienced in Botswana increasing infrastructure risk. Infrastructure failures as well as sabotage, government or other interference in the maintenance or 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.

Botswana currently generates the bulk of its power from coal. Two power plants near Palapye, about 200 km north of Gaborone, supply most of the country's electricity. Solar power generation has significant potential, but the industry is not yet well developed within Botswana. Demand that cannot be met through power generated within Botswana is supplemented through electricity imports, primarily from South Africa (Eskom). In recent years, Eskom has struggled with aging infrastructure, supply constraints, and financial challenges. Rolling blackouts have been a common occurrence throughout South Africa, although less so in Botswana. The Company's operations require a steady source of power. To the extent that Botswana's power generated internally is not sufficient to meet demand, it may rely on imported power from other countries, including South Africa. Any disruptions in the Botswana power supply, including its ability to import power, could have a negative impact on the Company's ability to operate, and its cost of doing business.

Environmental and Other Regulatory Requirements

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

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

Climate Change

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

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

In January 2021, the Company commenced a decarbonization study for our operations in Botswana. The objective of this study was to identify and model forecasted emissions against the science-based targets initiative for 1.5 degree and 2.0 degree scenarios and to develop abatement opportunities. Recommendations from the study that have been implemented to-date include: updating governance policies, charters, mandates and incentive structures. Lucara has also explicitly incorporated climate change related risks into its risk register. Climate change is subject to oversight by Lucara's Board. As part of our climate change strategy, a multi-disciplinary team has been appointed to a climate action working group. During 2023, the Company engaged an external third-party to complete a feasibility study to examine the opportunities to reduce energy use and to reduce GHG emissions. The Company is continuing to evaluate its opportunities to reduce GHG emissions. GHG emissions are tracked and reported annually, along with other key environmental metrics in our Sustainability Report.

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

Climate change is a threat to communities and governments globally. Stakeholders increasingly demand emissions reductions and that mining companies reduce their consumption of climate-relevant resources like hydrocarbons and water. This may attract social and reputational attention towards operations, which could have an adverse effect on Lucara's business, results of operations, financial condition, and its share price.

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 a 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 dollars with the Company's costs and expenses being incurred in Botswana Pula, South African Rand, Canadian, U.S. dollar currencies, Euro, and Great Britain Pounds Sterling. Consequently, 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 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, labour, 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, national procurement, 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 favourable 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 labour unrest. Changes in mining or investment policies or shifts in political attitudes in these countries may also adversely affect the Company's business. In addition, there may be greater exposure to a risk of corruption and bribery (including possible prosecution under the CFPO). Also, in the event of a dispute arising in foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts and may be hindered or prevented from enforcing its rights.

Intellectual Property Rights

The success of the Clara Platform depends, in part, upon the ability of the Company to protect its intellectual property rights, including in foreign jurisdictions. The steps the Company takes to protect intellectual property rights may be inadequate. 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 defences, counterclaims and countersuits attacking validity and enforceability. Also, in the event of a dispute arising in foreign jurisdictions, the Company may be subject to the exclusive jurisdiction of foreign courts and may be hindered or prevented from enforcing its rights. The Company's failure to secure, protect and enforce its intellectual property rights could seriously harm its ability to successfully generate profitable operations from the Clara Platform.

Intellectual Property Infringement

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

Uncertainties Related to Mineral Resource Estimates

There is a high degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, no assurance can be given to the actual quantity of mineral resources and grades. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a diamond project is complicated and involves several variables. It involves extensive geo-statistical analysis due to the highly variable nature of diamond distribution in kimberlite pipes and the fact that diamond grade, diamond size frequency distribution, 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.

Mineral Reserve and Mineral Resource estimates are based on various assumptions relating to operating matters. These include production costs, mining and processing recoveries, cut-off grades, long term diamond prices and, in some cases, exchange rates, inflation rates and capital costs. Cost estimates are based on feasibility study estimates or operating history. Estimates are prepared by appropriately qualified persons, but will be affected by forecasted market prices for diamonds, diamond prices, inflation rates, exchange rates, capital and production costs and recoveries amongst other factors. Proven and Probable Mineral Reserves are determined based on a professional evaluation using accepted international standards for the assessment of Mineral Reserves. The assessment involves geological and geophysical studies and economic data and the reliance on several assumptions. The estimates of the reserves may change based on additional knowledge gained following the initial assessment. This may include additional data available from continuing exploration, results from the reconciliation of actual mining production data against the original reserve estimates, or the impact of economic factors such as changes in the price of commodities or the cost of components of production.

Estimated recoverable reserves and resources are used to determine the depletion and amortization of property, plant, and equipment at the operating mine site, in accounting for deferred stripping costs and mineral properties, determining a deferred tax rate and in performing impairment testing. Therefore, changes in the assumptions used could affect the carrying value of assets, depletion and amortization, changes in the deferred tax rate, and impairment charges recorded in the Company's audited, consolidated financial statements.

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 to natural (mined) diamonds. Should synthetic diamonds be offered in significant quantities or consumers begin to readily embrace synthetic diamonds on a large scale, demand and prices for natural diamonds may be negatively affected.

Market Acceptance of the Clara Platform

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

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

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

Development and Maintenance of Clara Platform

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

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

Taxes

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

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 and other mines in development or in operation, there is competition for personnel. The degree to which the

Company is not successful in retaining and developing employees at the Karowe Mine and Underground Project could lead to a lack of knowledge, skills and experience required to operate the mine effectively.

As the Company transitions from open-pit mining to underground operations a shift in the knowledge required of its personnel will be required. While training programs are underway, should the Company be challenged in transitioning its workforce, the Underground Project could be prevented in achieving planned rates of mining or costs may increase to secure specialist contractors and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance and the Company's share price would be materially negatively impacted.

Conflicts of Interest

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

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

Share Price Volatility and Future Sales by Existing Shareholders

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

Mineral Exploration and Development

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

The Company is developing the Underground Project at its Karowe Mine. There is no assurance that the assumptions in the updated 2023 Karowe Technical Report will be met nor the estimated development costs, expected start-up timing, expected development plans and/or expected production costs be achieved, projected net tax benefits are achieved or that the required regulatory approvals will be received.

Nature of Underground Mining

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

Economic Conditions

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

Competition

The mining industry, especially in diamonds, is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. The Company continues to compete with several 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 remains 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, labour 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 the 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 predicted 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 Modern Slavery Act, 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 *Fighting Against Forced Labour and Child Labour in Supply Chains Act*, 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, and anti-money laundering and counter-financing of terrorism legislation as outlined in the Botswana Financial Intelligence Act, as amended from time to time. 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.

Compliance with Anti-Corruption Laws

Lucara is required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act, the U.S. Foreign Corrupt Practices Act, Botswana's Financial Intelligence Act (2022) and related regulations, and similar laws in any country in which the Company conducts business. In general, these laws prohibit a company and its employees and intermediaries from bribing or making other prohibited payments to foreign officials or other persons to obtain or retain business or gain some other business advantage.

In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents.

Lucara's operations are governed by, and involve interactions with, many levels of government in Botswana and other jurisdictions globally. Lucara cannot predict the nature, scope, or effect of future anti-corruption regulatory requirements to which the Company's operations might be subject or the manner in which existing laws might be administered or interpreted.

The Company has instituted policies regarding business ethics, which have been designed to ensure that Lucara and its employees comply with applicable anti-corruption laws and regulations. However, there can be no assurance or guarantee that Lucara's internal procedures and programs will be completely effective in ensuring that Lucara, its employees, contractors or third-party agents will comply strictly with such laws.

Failure to comply with the applicable legislation and other similar foreign laws could expose the Company and/or its senior management to civil and/or criminal penalties, other sanctions and remedial measures, legal expenses, and reputational damage, all of which could materially and adversely affect the Company's business, financial condition, and results of operations. Likewise, any investigation of any potential violations of the applicable anti-corruption legislation by Canadian, American, or foreign authorities could also have an adverse impact on the Company's business, financial condition, and results of operations.

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 operations in Botswana.

Information Technology Systems and Cybersecurity

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

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

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 GENERAL DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at the date of this AIF a total of 458,923,948 common shares were issued and outstanding. The holders of common shares of the Company are entitled to receive notice of and attend all meetings of shareholders with each common share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of common shares are entitled to dividends if, as and when declared by the Board. The holders of common shares are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

6.2 DIVIDENDS

Between June 2014 and September 2019, a total of $271.1 million (C$348.8 million) was returned to shareholders through a regular quarterly dividend payment. Dividend payments were suspended in the fourth quarter of 2019 following the positive FS for development of an underground mine at Karowe and after careful consideration of the best use of the Company's available cash.

No dividends were paid in 2020 to 2023, and no dividend payments are planned for 2024. The Facilities Agreement includes a restriction on distributions which limits the Company's ability to pay a dividend until Project Completion (as that term is defined in the Facilities Agreement) is reached.

6.3 CONTINGENT SHARE PAYMENTS

Clara Acquisition

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

Nemesia Standby Shareholder Undertaking

The Company's largest shareholder, Nemesia provided a limited standby undertaking of up to $25.0 million in the event of a funding shortfall occurring up to September 2, 2024 (thirty-six (36) months from Financial Close of the Project Facility) (defined herein as the "Shareholder Undertaking"). As consideration for the undertaking provided, the Company issued 600,000 common shares to Nemesia on July 15, 2021. In connection with the Rebase Amendments, Nemesia increased the Shareholder Undertaking to up to $63.0 million. As consideration for the increased undertaking provided, the Company issued 1,900,000 common shares to Nemesia on January 12, 2024.

A further 600,000 common shares will be issuable should the undertaking be called upon. For each $500,000 drawn down under the standby undertaking, the Company will be required to issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid, subject to receipt of all required regulatory approvals.

Nemesia is an insider of the Company and, as a result of providing the Shareholder Undertaking and receiving 2,500,000 common shares in connection with the execution thereof, the transaction contemplated by the Shareholder Undertaking was considered a "related party transaction" under MI 61-101. The Company has relied on the exemptions set forth in sections 5.5(a) and 5.7(1)(a) of MI 61-101 from the valuation and minority shareholder approval requirements of MI 61-101 in respect of Nemesia's provision of the Shareholder Undertaking as the aggregate fair market value of the common shares issued to Nemesia upon signing of the Shareholder Undertaking was less than 25% of the Company's market capitalization.

Nemesia Debenture

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee of up to $15.0 million in the form of a $15.0 million debenture in the event the Company's cash balance decreased below $10.0 million while discussions with the Lenders were ongoing in 2023. During 2023, the liquidity guarantee of $15.0 million was drawn, and Nemesia was issued 450,000 common shares as consideration for providing this debenture and 450,000 common shares were issued on first draw down. For each $500,000 drawn down under the debenture, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. As at December 31, 2023, 127,500 common shares have been issued under the amounts drawn on the debenture.

Nemesia is an insider of the Company and, as a result of providing the debenture and receiving 900,000 common shares in connection with the execution thereof, the transaction contemplated by the liquidity guarantee was considered a "related party transaction" under MI 61-101. The Company has relied on the exemptions set forth in sections 5.5(a) and 5.7(a) of MI 61-101 from the valuation and minority shareholder approval requirements of MI 61-101 in respect of Nemesia's provision of the liquidity guarantee as the aggregate fair market value of the common shares issued to Nemesia upon signing of the liquidity guarantee was less than 25% of the Company's market capitalization.

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 Lucara's common shares traded on the TSX during 2023:

Month	High (C$)	Low (C$)	Volume
January	0.72	0.50	3,086,200
February	0.67	0.55	735,200
March	0.59	0.50	789,600
April	0.52	0.46	2,117,300
May	0.55	0.43	987,300
June	0.50	0.39	2,387,600
July	0.51	0.38	2,020,000
August	0.48	0.35	3,461,300
September	0.48	0.36	2,464,900
October	0.40	0.34	995,300
November	0.39	0.32	1,491,700
December	0.44	0.34	3,754,100

The price of the common shares as quoted by the TSX at the close on December 31, 2023 was C$0.39 and on March 28, 2024 was C$0.32.

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 plans 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 2023.

Type of Security	Date Issued / Granted	Number	Issued Price / Exercise Price (C$)
Shares	March 1, 2023	1,011,950	0.57(1)
Restricted Share Units	February 27, 2023	1,233,000	N/A(2)
Performance Share Units	February 27, 2023	2,104,000	N/A(2)
Deferred Share Units	February 27, 2023	310,000	N/A(3)
Deferred Share Units	March 31, 2023	155,046	N/A(3)
Deferred Share Units	June 30, 2023	171,541	N/A(3)
Deferred Share Units	September 30, 2023	217,904	N/A(3)
Deferred Share Units	December 31, 2023	201,562	N/A(3)
Stock Options	February 27, 2023	2,412,000	0.57
Shares	August 28, 2023	450,000	0.43(4)
Shares	September 27, 2023	571,020	0.37(1)
Shares	November 14, 2023	450,000	0.35(4)
Shares	December 7, 2023	127,500	0.39(4)

Notes:

1. Shares issued upon vesting of employee share units granted in accordance with the Company's share unit plan, deemed to be issued at the closing price of the shares on the TSX as at the applicable vesting date.
2. Share units (both restricted and performance) granted in accordance with the Company's share unit plan vest in 36 months (unless otherwise stated in the performance criteria) and do not have a conversion price.
3. Deferred share units granted in accordance with the Company's deferred share unit plan vest immediately and are paid out upon a director's retirement from the Board of Directors. The units do not have a conversion price.

4. Shares issued to Nemesia under the debenture of $15.0 million at i) time of issuance of liquidity guarantee, ii) first draw down under liquidity guarantee and iii) first payment of interest under the debenture. Deemed to be issued at the closing price of the shares on the TSX as at the applicable issuance date.

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, 2024. 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 28, 2024 and for the preceding five years.

Director	Principal Occupation or Employment For Past 5 Years	Served as director since
Paul K. Conibear, Chair 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
David Dicaire British Columbia, Canada	August 2022 to present – Executive Vice President, Josemaria Project, Lundin Mining Corp. May 2016 to July 2022 – Vice President, Projects, Lundin Gold Inc. (resource company)	May 8, 2020
Marie Inkster Ontario, Canada	November 2021 to present – Corporate Director September 2018 to October 2021 – President, CEO & Director of Lundin Mining Corp. May 2009 to September 2018 – Chief Financial Officer, Lundin Mining Corp.	June 9, 2014
Adam Lundin British Columbia, Canada	Mining Executive, Board Chair of Filo Corp. and Lundin Mining Corporation July 2019 to April 2022 – President & Chief Executive Officer, Josemaria Resources Inc. (exploration company) September 2017 – June 2020 – President & Chief Executive Officer, Filo Corp. (exploration company)	May 6, 2022
Catherine McLeod-Seltzer British Columbia, Canada	October 2005 to present - Director of Kinross Gold Corp. (gold mining company) and Board Chair since January 2019 April 2000 to present - Chair of Bear Creek Mining Corp. (silver exploration and development company)	February 25, 2018
Peter J. O'Callaghan British Columbia, Canada	January 2023 to present – Corporate Director 1995 to 2022 – Partner, Blake, Cassels & Graydon LLP (law firm)	May 9, 2020
William Lamb British Columbia, Canada	August 2023 to present – President & Chief Executive Officer of the Company	August 17, 2023

	April 2023 – August 2023 – President & Chief Technical Officer of NewGen Resource Lending Inc. Sept 2018 – March 2021 – President & Chief Executive Officer, NDH Mining Corp.	

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. Mr. Lamb, the President and Chief Executive Officer of the Company, is discussed under "**Directors**" above.

Officer Name and Place of Residence	Current Position	Principal Occupation / Employment for Past 5 Years	Officer Since
Glenn Kondo London, United Kingdom	Chief Financial Officer	Chief Financial Officer at Montage Gold Corp (Nov 2020 – current); Chief Financial Officer at Orca Gold Inc (May 2018 – June 2022)	January 2024
Dr. John Armstrong British Columbia, Canada	Vice President, Technical Services	Vice President, Technical Services	September 2013
Jennifer Harmer British Columbia, Canada	Vice President, Finance	Vice President, Finance; Director, Finance (2018-2023)	November 2023
Saretha Louw British Columbia, Canada	Corporate Secretary and Legal Advisor	Legal Advisor at Teck Resources Ltd (2023); Legal Advisor at Trevali Mining Corporation (2020-2022); Governance & Compliance Officer at Skorpion Zinc mine (2017 – 2019)	January 2024

8.2 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at March 28, 2024, the directors and officers of the Company held, as a group, a total of 8,124,173 common shares, representing approximately 1.8% 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 28, 2024.

Committee	Members
Audit	Marie Inkster (Chair) David Dicaire Catherine McLeod-Seltzer
Compensation	Paul K. Conibear (Chair) Marie Inkster Peter J. O'Callaghan

Corporate Governance and Nominating	Peter J. O'Callaghan (Chair) Paul K. Conibear Catherine McLeod-Seltzer
Safety, Health, Environment and Community Relations	Catherine McLeod-Seltzer (Chair) David Dicaire William Lamb

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.

In October 2014, RB Energy Inc. ("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. Conibear was never a director, officer or control person of RBI. Mr. Conibear was a director of one of the amalgamating companies that formed RBI, Sirocco Mining Inc. ("Sirocco"). On January 31, 2014, Mr. Conibear resigned as a director of Sirocco at which time Sirocco was financially solvent. However, as a result of the legal effect of the subsequent amalgamation (within 12 months of his resignation from the board of Sirocco) of Canada Lithium and Sirocco to form RBI, Mr. Conibear is considered to have been a director of an issuer within a period of 12 months prior to it filing for CCAA protection.

Penalties or Sanctions

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

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

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

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

8.5 CONFLICTS OF INTEREST

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

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

ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

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

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

ITEM 10 AUDIT COMMITTEE

10.1 OVERVIEW

The Audit Committee of the Board is principally responsible for:

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

information extracted or derived from its financial statements.

10.2 AUDIT COMMITTEE CHARTER

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

10.3 COMPOSITION OF THE AUDIT COMMITTEE

Below are the details of each Audit Committee member, including his/her name, whether he/she is independent and financially literate as such terms are defined under NI 52-110 and his/her education and experience as it relates to the performance of his/her duties as an Audit Committee member. The qualifications and independence of each member is discussed below and in the Company's Management Information 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.sedarplus.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 Previously the CEO and CFO of a public company Degree in Accounting Over 20 years of accounting experience including: serving in executive finance positions with several public companies experience in public accounting with Deloitte Canada
David Dicaire	Yes	Yes	Currently an executive of a public company Served on public company boards for over 15 years Responsible for financial statements of a public company on the TSX Certified as an ISO 9000 auditor
Catherine McLeod-Seltzer	Yes	Yes	Degree in Business Administration Canadian Securities Course Over 30 years' experience in the finance industry Currently Chair of two public companies Has served as a director on boards of several 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 is able to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

10.4 AUDIT COMMITTEE OVERSIGHT

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

10.5 PRE-APPROVAL POLICIES AND PROCEDURES

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

10.6 EXTERNAL AUDITOR SERVICE FEES

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

Fiscal Year Ending	Audit Fees C$(1)	Audit-Related Fees C$(2)	Tax Fees C$(3)	All other Fees C$(4)
December 31, 2023	329,000	69,000	Nil	Nil
December 31, 2022	411,000	60,500	Nil	Nil

1. Audit fees represent the aggregate fees billed by the Company's auditors for audit services, rounded to the nearest thousand Canadian Dollars.
2. Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.
3. Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.
4. All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

On March 2, 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totalling 13.4 million shares may become issuable. Such shares will be paid in the event certain performance milestones, related to total revenues (revenues from rough diamonds bought and sold) generated through the platform, are achieved. The Company has also agreed to a profit-sharing mechanism whereby the founders of the Clara technology will retain 13.33% and the management of Lucara will retain 6.67% of the annual EBITDA generated by the platform, to a maximum of $16.67 million and $8.33 million per year, respectively, for 10 years. In March 2019, the EBITDA sharing agreement between Clara and management was amended. As of the date of this AIF, no EBITDA payments have been made.

Eira Thomas, the former CEO and a former 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, a current director of Lucara, 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, former Chief Financial Officer and Corporate Secretary of the Company, 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.

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

On July 15, 2021, the Company closed its previously announced bought deal financing as well as the previously announced concurrent private placement. The Company's largest shareholder, Nemesia participated in the concurrent private placement acquiring 16.4 million common shares at a price of C$0.75 per share. No commission or other fee was paid to the underwriters in connection with the sale of common shares pursuant to the concurrent private placement.

Nemesia also provided the Shareholder Undertaking. As consideration for the undertaking provided, the Company issued 600,000 common shares to Nemesia on July 15, 2021 and 1,900,000 common shares on January 12, 2024. A further 2,500,000 common shares will be issuable should the undertaking be called upon. For each $500,000 drawn down under the standby undertaking, the Company will be required to issue 5,000 common shares per month to Nemesia until the amounts borrowed are repaid, subject to receipt of all required regulatory approvals.

In connection with the Rebase Amendments, Nemesia also provided a liquidity support guarantee. Nemesia was issued 450,000 common shares as consideration for providing the guarantee and 450,000 common shares were issued on first draw down. For each $500,000 drawn down under the liquidity guarantee, the Company is required to issue, subject to the receipt of all required regulatory approvals, 7,500 common shares per month to Nemesia until the amounts borrowed are repaid. As at December 31, 2023, 127,500 common shares have been issued under the amounts drawn on the debenture.

Further details are discussed in the section entitled "***Contingent Share Payments***" in this document.

ITEM 12 TRANSFER AGENTS AND REGISRARS

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 Street, Vancouver, British Columbia, Canada V6C 3B9.

ITEM 13 MATERIAL CONTRACTS

The following are contracts that are material to Lucara that were entered into either (i) during the financial year ended December 31, 2023; or (ii) prior to January 1, 2023 that are still in effect, other than contracts entered into in the ordinary course of business:

a) On July 12, 2021, as amended and restated on July 19, 2023 and January 9, 2024, the Company entered into the Facilities Agreement in relation to the Underground Project Debt Financing.

A copy of the above material contract has been filed under the Company's profile on the SEDAR+ website at www.sedarplus.ca.

ITEM 14 INTERESTS OF EXPERTS

Lucara's auditors are PwC, Chartered Professional Accountants, who have prepared an independent auditor's report dated February 12, 2024 in respect of the Company's consolidated financial statements as at December 31, 2023 and December 31, 2022 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.sedarplus.ca.

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 Information Circular prepared in connection with the annual meeting of shareholders of the Company.

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

SCHEDULE "A"
AUDIT COMMITTEE CHARTER

1.0 Purpose of the Audit Committee

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

2.0 Members of the Audit Committee

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

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

2.3 Each member of the Audit Committee shall:

a) be a member of the Board;

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

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

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

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

3.0 Meeting Requirements

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

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

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

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

4.0 Duties and Responsibilities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(q) review and discuss with management the Company's Annual Information Form, including all financial information contained therein or incorporated by reference, as well as the Company's risk disclosure, including material climate-change related risks, and report on it to the Board;

(r) review and discuss with management its assessment of current and future financial impacts arising from material climate-change related risks on the Company's assets, liabilities, revenues and expenses over the short, medium and long-term and review forward-looking information reported;

(s) monitor and assess the Company's voluntary disclosure to ensure that all material information which requires disclosure is also included in the Company's regulatory filings; and

(t) 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 fulfil its responsibilities.

6 Effective Date

6.1 Adopted by the Board on October 1, 2007, as amended December 22, 2010, March 22, 2012, February 21, 2019, and March 23, 2022.

END OF SCHEDULE "A"

SCHEDULE "B"
CORPORATE AND SOCIAL RESPONSIBILITY CHARTER

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

Lucara Diamond Corp (Lucara) 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 with the objective of matching our support to their priorities;
- Emphasize sustainable community development initiatives rather than dependency;
- Endeavour to make a positive impact on the quality of life of members of the local community;
- Seek opportunities to maximize employment and procurement for local communities through the provision of suitable training opportunities and resources; and
- Conduct our activities to meet or exceed accepted standards in the protection and promotion of human rights.

END OF SCHEDULE "B"

SCHEDULE "C" RESPONSIBLE MINING POLICY

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

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

- We promote environmental education, awareness and stewardship throughout the mining life cycle, emphasizing the conservation of land, air, water, biodiversity and energy resources.
- We assess the risks and impacts of our activities and integrate these considerations into our planning, operating and business decisions.
- We proactively plan for mine closure based on science, environmental protection and long-term community interests.
- We recognize that climate change has serious implications to our environment, people, communities and business. We are committed to reducing our carbon footprint, including promoting energy efficiency programs and reducing our GHG emissions.

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

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

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

- We conduct our business in line with the United Nations Guiding Principles on Business and Human Rights.
- We are open to public scrutiny and conduct our business ethically. We empower our people to uphold our corporate values.
- We foster an inclusive and diverse workplace that does not tolerate harassment or discrimination of any kind.
- We respect the rights, interests and traditions of Indigenous peoples where we operate.
- We monitor, measure and publicly report our performance against internationally recognized reporting standards.
- We implement management systems, processes and training programs that support our commitment to responsible mining.

Planning for a Positive Legacy

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

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

END OF SCHEDULE "C"

SCHEDULE "D" ENVIRONMENTAL POLICY

The Company's Environmental Policy is as follows:

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

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

Lucara will:

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

END OF SCHEDULE "D"

SCHEDULE "E"
Human Rights Policy

Our Code of Business Conduct and Ethics states that the "Company respects each individual's human rights and shall seek to foster respect and equality for all. Individuals shall not be discriminated against on the basis of factors unrelated to their ability to perform their job."

Our Commitment

We are committed to meeting our responsibility to respect human rights and labour standards as defined by the UN Guiding Principles on Business and Human Rights. Our commitment is based on the Kimberley Process, the Code of Practices (2019) of the Responsible Jewellery Council, and other relevant standards. We actively participate in the United Nations Global Compact and have adopted several Sustainable Development Goals.

Our principle is that where national law and international human rights standards differ, we will follow the higher standard; where they are in conflict, we will adhere to national law, while seeking ways to respect international human rights to the greatest extent possible.

This policy applies to Lucara Diamond Corp. and all our subsidiaries. Contractors and suppliers are required to uphold these principles.

Stakeholder Engagement

Our core values guide our engagement activities. We are committed to respecting and listening to our people, our communities, local governments, to delivering on our promises and commitments, and to communicating with openness, honesty and transparency.

We engage in the communities on a regular basis, meeting with the people, including indigenous peoples as well as other vulnerable and disadvantaged groups, allowing us to learn about expectations and concerns, be accountable about our operations and social investments, and identify opportunities for improvement.

Diversity and Inclusion

We believe that strength comes from diversity and are proud to be an equal opportunity employer. We are committed to building a culture of inclusivity where we welcome and recognize the unique contributions of each of our employees.

Freedom of Association and Collective Bargaining, Force and Child Labour

Throughout our business practices, we uphold the freedom of association, the elimination of forced or compulsory labour, the effective abolition of child labour, and the elimination of discrimination in respect of employment and occupation.

Safe and Healthy Workplace

Health and safety are among our core values, and part of our working culture. We are committed to creating a healthy and safe working environment for all employees, contractors and visitors, and to complying with applicable safety and health laws and regulations.

Workplace Security

We are committed to providing workplaces that are free from violence, harassment, intimidation and other unsafe or disruptive conditions due to internal and external threats. Security safeguards for employees are provided, as needed, and are maintained with respect for employee privacy and dignity.

Reporting

If any violation of this policy is observed, whether committed by Company employees or by others associated with the Company, it is to be reported to an immediate supervisor, or an officer of the Company, as appropriate. If it is determined that there is a violation, the employee, supervisor or officer, as applicable, shall advise the Chair of the Safety, Health, Environment & Community Relations ("SHECR") Committee in writing.

To report a matter in a confidential or anonymous basis, an individual may:

- Test In confidence, send an email to the attention of the Chair of the SHECR Committee at: ethicscomplaint@lucaradiamond.com; or
- Anonymously, post the complaint or concern to the Attention of the Chair of the SHECR Committee, Lucara Diamond Corp., Suite 502, 1250 Homer Street, Vancouver, BC, Canada V6B 2Y5

Following the receipt of any reports submitted hereunder, the Chair of the SHECR Committee will investigate each matter so reported and report to the Board which will take corrective disciplinary actions, if appropriate, up to and including termination of employment.

There will be no reprisals against employees, officers and directors for good faith reporting of compliance concerns or violations.

Reports received by the Chair of the SHECR Committee will be retained for a period of seven years.

Public Reporting

We report to the public on our human rights-related commitments, efforts and statements, consistent with this Human Rights Policy, as part of our annual Sustainability Report.

Our Governance

This policy is overseen by Lucara Diamond Corp.'s Chief Executive Officer with support from the Executive team. This ensures that every part of our business is clear about the responsibility to respect human rights and to remedy any violations. Board-level oversight is provided by the SHECR Committee of Lucara Diamond Corp.

END OF SCHEDULE "E"