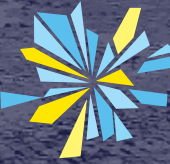


Sustainability Report 2015



Lucara Diamond





RECOVERING 1,111 CARAT LESEDI LA RONA DIAMOND

Lucara's Karowe mine in Botswana made diamond history in November 2015 when it yielded a 1,111 carat stone (222 grams), the largest from Botswana, and the second largest gem quality diamond ever recovered. A competition was held and opened to all Botswana nationals to name this spectacular Type IIa stone. The winning name selected from 11,000 entries is "Lesedi La Rona". It means "Our light" in the Botswana language Setswana, symbolizing the pride and history of the people of Botswana. The diamond industry has played a vital role in Botswana's development, allowing for significant and ongoing investments in healthcare, education and infrastructure.



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2015 REPORT



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LUCARA DIAMOND

OUR VALUES

Focus on larger-scale advanced diamond projects

Creation of shareholder value

Create positive economic and social impact on local communities where we operate

Seek value opportunities

Contribute to the Lundin Group's history of success and excellence in wealth creation for all stakeholders

A healthy and safe work environment

Entrepreneurial spirit

OUR MISSION

To build a leading African-focused diamond production and development company.

CORPORATE PROFILE

Lucara Diamond Corp. (Lucara) is an established diamond producer. Its principal asset is the Karowe mine in Botswana. The 100 percent owned Karowe Mine (Karowe) is a state-of-the-art mine which was fully commissioned in Q2 2012. Karowe is a large scale asset that has consistently delivered large, Type IIA stones. Lucara is a member of the Lundin Group of Companies and is listed on the TSX Exchange, NASDAQ OMX First North Exchange, and the Botswana Stock Exchange under trading symbol "LUC". The Lucara Diamond head office is located in Vancouver, Canada.



ABOUT THIS REPORT

This report is Lucara's fourth annual sustainability report. It is structured in accordance with the Global Reporting Initiative's fourth generation guidelines (GRI-G4) 'core' requirements, and includes disclosures from the G4 Mining and Metals Sector Supplement. The reporting boundary of this report is limited to Karowe, Lucara's operating asset, unless noted otherwise. The data presented for Karowe generally covers the calendar year 2015 with data from previous years provided for comparison. Our most recent sustainability report covered the 2014 calendar year.

This report is Lucara's fourth annual sustainability report.

In determining the scope, content, and boundaries of this report, Lucara applied the G4 principles and considered: its material sustainability drivers, material risks associated with its activities; operational performance; and, management's judgment of the information needs of its stakeholders. The latter was also informed by a series of interviews of selected stakeholders, as detailed further in the section on Our Material Issues. The GRI Content Index for this report is posted on Lucara's website. There are no significant changes in the scope and aspect boundaries from the previous reporting period. This report has not been externally assured. Assurance of future sustainability reports will be considered taking into account stakeholder interest and other factors. Lucara welcomes your questions and comments, which can be submitted via email to csr@lucaradiamond.com.

MESSAGE FROM THE CEO





Overview

It is my pleasure to present Lucara Diamond Corp's fourth sustainability report to our stakeholders. It underlines our desire to operate transparently and in accordance with good international practices in the areas of health and safety, environment, and community relations.

Our safety lost-time injury frequency rate (LTIFR) for 2015 was 0.08 (measured per 200,000 hours), down from 0.2 in 2014, with only one lost-time injury during 2015. Also, during the reporting period, we recorded no major environmental incidents and

our water use intensity – based on volume of water abstracted - declined by 12 percent in 2015 to 4.5 m³/carat produced.

Lucara elected for PDAC 2016 Environmental and Social Award

In late 2015, we were delighted to receive the news that Lucara was elected by the Prospectors and Developers Association of Canada (PDAC) to receive its 2016 Environmental and Social Responsibility Award. This award honours an individual or organization demonstrating outstanding initiative, leadership and accomplishment in protecting and preserving the natural environment and/or in establishing good community relations during an exploration program or operation of a mine.

Operating Highlights of 2015

During 2015, we completed our plant optimization project, which has already paid off given the number of large stones recovered for the year, one of which is the Lesedi La Rona, a 1,111 carat stone, the second largest ever unearthed.

Lucara's year-end cash balance was \$100.8 million compared to a cash balance of \$49.4 million at the end of 2013. The increase in the Company's cash balance was due to its strong operating cash flows, which more than financed the Company's plant optimization expenditure of \$35 million and its dividend payment to shareholders of \$27 million during the year. The Company's Scotiabank \$50 million credit facility remains undrawn.

We maintained a community liaison office in Letlhakane, the town closest to our mining operation. We also participated regularly in traditional kgotla or community meetings at the 18 villages in the Boteti Sub-District to inform communities about on-going community investment initiatives at Karowe, such as the micro-lending facility and progress on the abattoir upgrade project, discuss any concerns, and identify collaboration opportunities.

Senior staff were required to take an Anti-Corruption and Bribery Course in 2015.

Bulk sampling at our new prospecting sites near Karowe is in progress at the first of three target kimberlites, with a total of 2,142 tonnes of weathered kimberlite excavated and delivered to the stockpile at the new bulk sampling plant by year end.

These prospecting sites are on known kimberlites where we will focus our exploration over the coming years, as we look to grow our asset base in Botswana.

In December 2015, the option given to the Company to divest the Mothae asset expired and the license was returned to the Government of Lesotho. At year end the Company was in discussions with the Ministry of Mines to assess the environmental liability and the sale of the processing facilities.

Looking Ahead

We shall continue to focus on managing the sustainability aspects we deem material for our business and the sustainability targets we have set for Lucara. We recognize the importance of appropriate technology and skills for sustaining our good diamond recovery record and shall continue our plant optimization to address any resource challenges. Although we have not experienced any electricity outages in 2015, we shall continue to discuss supply matters with the Botswana Power Cooperation. Falling groundwater levels appear to have stabilised in the aquifer upon which we rely. However, we shall continue active ground

water level monitoring around the site as well as water conservation initiatives.

We will achieve our objectives without compromising on health, safety, or environmental standards. Our workforce, including that of our main contractors at Karowe, features 97 percent Botswana nationals. Our program to attract and train a number of young graduates and professionals for key positions in our operation is progressing well, and we have expanded corporate oversight and guidance in the Health, Safety, Environment and Community (HSEC) areas.

In 2016, our community investment programme will continue to focus on supporting early stage microenterprise development in the region via the Karowe Emerging Entrepreneur Fund (KEEF), a micro-lending scheme that provides technical assistance and access to capital to aspiring entrepreneurs. It is also expected that the expansion and upgrade of the Letlhakane Abattoir, an innovative public-private partnership with the Boteti Sub-District Council, will be completed in the first half of the year.

We will remain accountable to our stakeholders and continue to leverage the strong ties we have developed with local communities and government authorities.

We will continue to strengthen and expand our innovative partnerships aimed at creating a positive and lasting legacy. As a company, we remain fully committed to the responsible development of our assets to the benefit of all stakeholders. We welcome your feedback to csr@lucaradiamond.com.

– William Lamb, CEO

SUSTAINABILITY SNAPSHOT

Category	2015 Targets	Results	2016 Targets
Governance	4 Board HSEC committee meetings per year	<input checked="" type="radio"/> 4 meetings per year	Continue with 4 Board HSEC Committee meetings per year
Economic Benefits	Complete plant optimization project Maintain sales of 400,000 to 420,000 carats Recruit two metallurgists and a mine planning engineer into training program Appointment of two interns (Safety & Environment and Engineering)	<input checked="" type="radio"/> Plant optimization completed <input type="radio"/> Reduced production due to temporary shutdown during plant optimization process resulted in the below target sold (365,690 carats), compensated by greater number of high value stones recovered and sold <input checked="" type="radio"/> Training program started <input checked="" type="radio"/> 2 Interns recruited	Achieve sales of 400,000 to 420,000 carats
Environmental Performance	No tier 1 incidents Establish nursery and re-vegetation test plots in 2015	<input checked="" type="radio"/> No tier 1 incidents recorded (achieved) <input type="radio"/> Trial planting of seeds commenced but the project has been postponed to recommence closer to future rehabilitation	No tier 1 incidents Explore large tyre disposal options License and commission on-site landfill
Health & Safety Performance	No fatalities No LTIs No occupational diseases	<input checked="" type="radio"/> Achieved <input type="radio"/> 1 LTI recorded <input checked="" type="radio"/> Achieved	No fatalities No LTIs No occupational diseases
Stakeholder Engagement	Continue structured engagement and GRI-G4 sustainability reporting	<input checked="" type="radio"/> Recognized by community leaders for approach to engagement; selected by PDAC to receive its 2016 Environmental and Social Responsibility Award	Continue structured engagement program, and GRI-G4 sustainability reporting
Community Investments	Mentor and monitor Round 1 and 2 grantees. Complete the abattoir	<input type="radio"/> Mentored and monitored Round 1, and disbursed funds for Round 2. (Round 3 grantees still in evaluation phase) <input type="radio"/> Abattoir near completion	Mentor and monitor Round 1 and 2 grantees. Disburse funds to Round 3 grantees Complete, open and monitor the new abattoir
Product Integrity	Continue to follow and apply Kimberley Process	<input checked="" type="radio"/> Complied with Kimberley Process	Continue to comply with Kimberley Process

NOTE | LTI IS LOST TIME INJURIES, LTIFR IS LTI FREQUENCY RATE DEFINED AS THE TOTAL NUMBER OF WORK HOURS LOST PER 200,000 WORK HOURS.
 HSEC = HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

NOT ACHIEVED
 PARTIALLY ACHIEVED
 ACHIEVED

OPERATIONS AND EXPLORATIONS



Karowe Mine

Karowe is an open pit diamond mine which was fully commissioned in 2012, and has an anticipated mine life of over 12 years. Karowe, which means “precious stone”, is located in north-central Botswana and is part of the Orapa/Letlhakane Kimberlite district. This area is one of the world’s most prolific diamond producing areas, and includes the Orapa Mine, one of the largest diamond mines in the world.

Successful plant optimization includes new X-ray transmission and large-diamond recovery technologies.

Karowe lies on the northern fringe of the Kalahari Desert of central Botswana, and is characterized as flat lying sandy savannah which supports vegetation comprised of trees, shrubs and grasses. The natural vegetation has been modified by many years of cattle grazing and limited arable farming. The climate is hot and semi-arid.

The property is accessed by 15 km of all-weather gravel and sand road from the tarred road linking Letlhakane to Orapa. Letlhakane is the nearest population centre to the Karowe mine, with an estimated population of 25,000. Electric power to the mine is provided by Botswana Power Corporation’s national grid.

Water requirements for Karowe - and other mining operations in the region - are primarily met by groundwater resources, which are slightly brackish.

Karowe completed a plant optimization project during 2015 to modify the process plant. This program was initiated in order to treat harder, more dense ore extracted from a deeper portion of the pit, and maintain plant capacity of 2.5 million tonnes per annum. The plant optimization included the incorporation of new x-ray transmission technology, the first to be implemented in the diamond sector in the capacity of a bulk sorter. One of the objectives of the plant optimization project was to implement a large-diamond recovery circuit. The project already paid off given the number of large stones recovered in 2015.

Lucara participates in and complies with Botswana’s commitment to the Kimberley

Process Certification Scheme, which is summarized further below. This means that, from the point of detection during ore processing, every step of Lucara’s rough diamond recovery, handling, transport and sale is secured, monitored, recorded and auditable. Kimberley Process Certificates issued by the Government of Botswana attesting to the conflict free origin of Lucara’s products accompany our diamond shipments wherever they are transported internationally.

Botswana Prospecting Projects

Lucara was awarded two precious stone prospecting licenses in 2014 within the Orapa Kimberlite field, in close proximity to the Karowe Diamond Mine. The two licenses contain known diamondiferous kimberlite occurrences.

Ground gravity and ground magnetics geophysical surveys were completed in 2014 and 2015 over all the known kimberlites, to confirm the anomalies and locations, and plan the bulk sampling in conjunction with historical drill-hole data. Environmental approval processes were followed through 2015 and permission to extract the bulk samples obtained.

The Bulk Sampling Plant (BSP) construction was completed and commissioned



successfully in 2015. Bulk sampling is in progress at the first of three target kimberlites, BK02, with a total of 2,142 tonnes of weathered kimberlite excavated and delivered to the stockpile at the BSP by year end. A total of 5,000 tonnes is planned for treatment. Treatment of the sample through the BSP is in progress, with a total of 735 tonnes treated in 2015.

Mothae Project

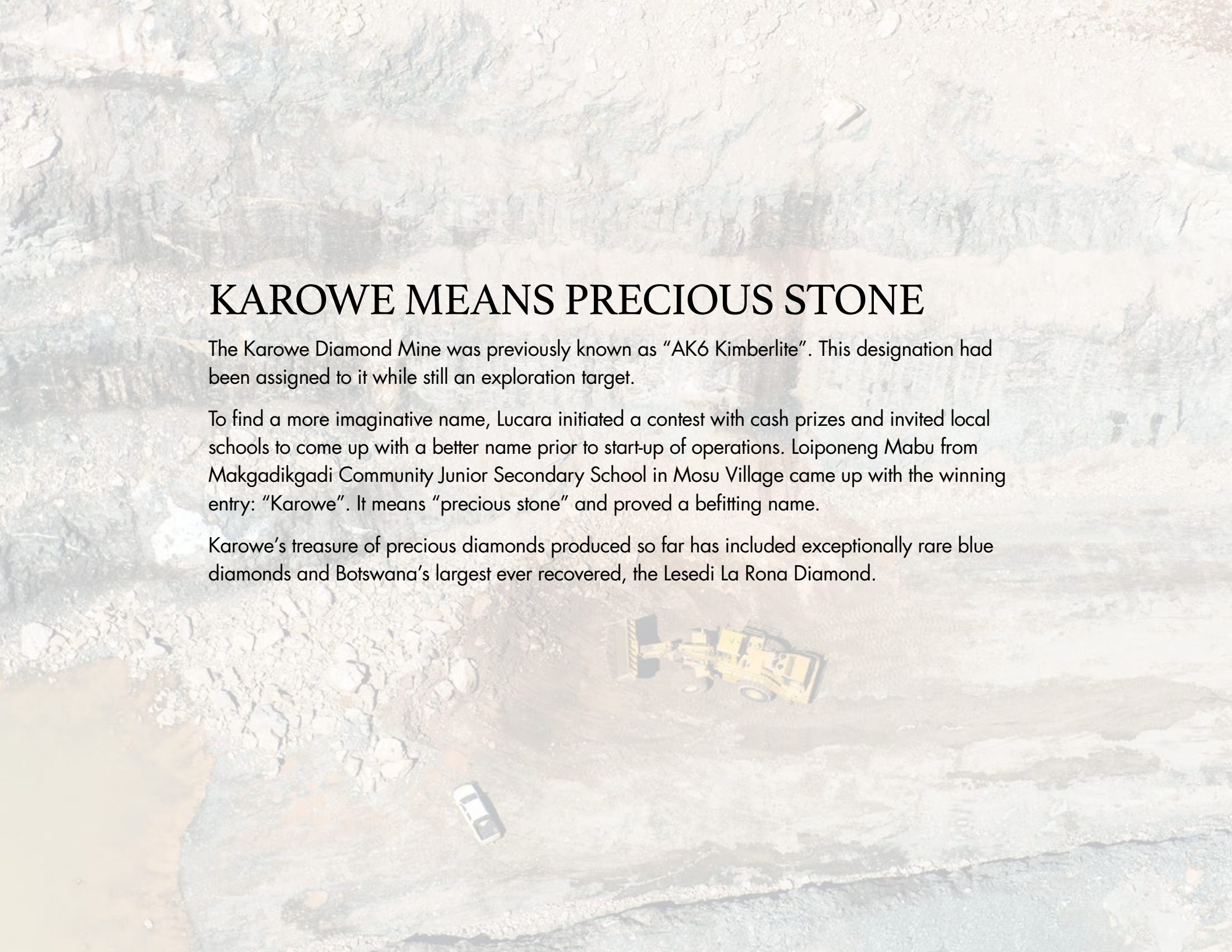
In December 2015, the option given to the Company to divest the Mothae asset expired and the license was returned to the Government of Lesotho. At year end the Company was in discussions with the Ministry of Mines to assess the environmental liability and the sale of the processing facilities.

KAROWE MEANS PRECIOUS STONE

The Karowe Diamond Mine was previously known as “AK6 Kimberlite”. This designation had been assigned to it while still an exploration target.

To find a more imaginative name, Lucara initiated a contest with cash prizes and invited local schools to come up with a better name prior to start-up of operations. Loiponeng Mabu from Makgadikgadi Community Junior Secondary School in Mosu Village came up with the winning entry: “Karowe”. It means “precious stone” and proved a befitting name.

Karowe’s treasure of precious diamonds produced so far has included exceptionally rare blue diamonds and Botswana’s largest ever recovered, the Lesedi La Rona Diamond.



OUR MATERIAL ISSUES





Our material risks, opportunities and challenges are those issues we consider to have the most significant impact on our ability to generate sustainable value. We review these issues on an ongoing basis to ensure we achieve our strategic goals. We apply the GRI principles for defining report content, including through our stakeholder engagement processes and applying management judgment.

We consider the sustainability context of our performance and evaluate our significant economic, environmental and social impacts that substantively influence the assessment and decisions of stakeholders.

Our material issues include HSE performance, electricity and water supply security, and stakeholder engagement.

At Lucara, we focus on our business objectives, risks, external environment and feedback from our stakeholders in determining our material issues. We then

rank our material issues by analysing and prioritising the information derived from the various inputs. These are then built into our strategy and incorporated into our operational management processes. We report on these material issues along with the related GRI-based sustainability aspects to our stakeholders in our annual sustainability report. The GRI aspects we deem material for our business are listed and indicated as such in the GRI referenced content index, which is posted in the Social Responsibility section of our website (www.lucaradiamond.com).

We are aware that the materiality and boundaries of our sustainability issues may shift over time and new issues may be raised by key stakeholders.

Our top 10 material sustainability issues, related risks, impacts and management approach at Karowe are summarized in the table on the next two pages.

Material Issues	Content / Risks	Potential Impact	Management Approach
Electricity Supply Security	BPC (Botswana Power Cooperation) experiencing capacity problems leading to load shedding, high reliance on electricity import from South Africa, which is also experiencing power shortages	Although no load-shedding-related downtime has been experienced in 2015, potential impacts include operational downtime and reduced ability to achieve production targets	Regular update meetings with BPC for operational planning
Water Supply Security	Complete reliance on groundwater, regional over exploitation of groundwater resources by diamond mining sector Well field expansion expensive and, also, constrained as other mines have drilled around Karowe	Insufficient groundwater recharge leading to borehole yields declining, increasing operating and maintenance costs Reduced ore processing ability and inability to achieve production targets Contributing to regional groundwater level decline	Dedicated onsite hydrogeologist Active ground water level monitoring in and around the mining site, technical studies and computer modelling Transparent reporting to government and sharing of data with other water users Water conservation initiatives Storm water harvesting Optimisation of current processing systems
Mineral Resource Performance	Uncertainty in mineral resource performance	Insufficient sustainable product delivery	Continuous business model updating Operational capacity building Regular resource definition projects
Availability of Appropriate Technology and Skills	The new circuits and technology implemented not attaining the expected efficiencies	Inadequate production to sustain required economic performance	Continued plant optimization to address any resource issues and challenges Maintain technical partnership with OEM (OEM - Original Equipment Manufacturer) Maintaining dynamic resource models
Stakeholder Engagement	Addressing concerns of stakeholders Applying ethical business standards	Threat to social licence, reputation Failure will negatively affect Lucara's ability to operate and grow in the region	Focus on community engagement Address community concerns and needs Maintain the financial assistance programme for local entrepreneurs - KEEF (KEEF - Karowe Emerging Entrepreneur Fund)

Material Issues	Content / Risks	Potential Impact	Management Approach
Safety and Health Performance	Legal responsibility for work place health and safety Mining remains an inherently hazardous industry	Physical and mental harm to employees Reputational damage Operational safety stoppages Loss of revenue	Implementation of a comprehensive safety management system Regular wellness, health and safety awareness drives
Environmental Stewardship	Water supply Extreme weather events due to climate change (drought, rainfall) Pollution prevention Tailings and slimes dam management	Physical threats that may hamper production Reputational impact Limitations to expansion Tailings and slimes dam failure	Recruitment planning and recent appointments Maintain training programmes
Business Expansion	Economic growth needs for both the company and for the country of Botswana	Threat to business continuity and economic growth to Botswana	Continued exploration programme Bulk sampling in progress
Regulatory and Legal Compliance	Meeting all regulatory requirements	Fines and penalties License to operate Lose access to Kimberley diamond market	Internal governance measures, controls and assurance, including Kimberley Process Compliance audit programme
Labour Relations	Excessive staff turnover Critical skills and staff shortages	Disgruntled, unproductive, unsafe working conditions Strike or lock-outs Mismatch of skills available & required for modern, safe & productive operation Poor delivery by contract mining and contract milling	Employee surveys, exit interviews Invest in skills development Collaboration, monitoring of contractors Grievance mechanism

GOVERNANCE AND ETHICAL CONDUCT



We continue to build a leading and responsible African-focused diamond production and development company. We have adopted and apply good international corporate governance principles aligned with our values and the requirements of publically listed mining companies. We believe we cannot sustain good financial and operational performance without simultaneously achieving our objectives related to health and safety, environmental stewardship, human resource development, and community investment. We also believe our transparent approach to doing business is critical to engaging our stakeholders in a meaningful, mutually beneficial, relationship. Examples of this approach are highlighted in the Stakeholder Engagement section of this sustainability report.

We continue to build a leading and responsible African-focused diamond production and development company.

Our vision of corporate responsibility is premised upon a set of principles which guide our relationships with shareholders, employees, partners, governments, and the communities affected by our operations. These principles are reproduced further below. We have also adopted a Corporate Social Responsibility Charter which is available on our website (www.lucaradiamond.com).

Our Code of Business Conduct and Ethics

Our Code of Business Conduct and Ethics, available on our website (www.lucaradiamond.com), sets out key guiding principles that Lucara and its subsidiaries expect from their employees, directors and officers.

This Code is designed to deter wrongdoing and to promote:

- Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- Avoidance of conflicts of interest, including disclosure to an appropriate person of any

material transaction or relationship that reasonably could be expected to give rise to such a conflict;

- Full, fair, accurate, timely and understandable disclosure in reports and documents the Company files with, or submits to, regulatory authorities and in other public communications made by the Company;
- Compliance with applicable governmental laws, rules and regulations;





OUR CORPORATE RESPONSIBILITY PRINCIPLES

1. We consider the health and safety of our employees and adjoining communities in all aspects of our operations.
2. We initiate and promote ongoing dialogue and engagement with a broad range of stakeholders, maintained in a spirit of transparency and good faith.
3. We exercise vigilance in protecting the environment and seek ways to minimize our environmental footprint. We strive to always meet or exceed regulatory requirements in our environmental performance.
4. We conduct our activities in accordance with accepted standards in the protection and promotion of human rights.
5. We recognize that every community is unique and we respect the cultural and historical perspectives and rights of those affected by our operations.
6. We provide a rewarding and meaningful livelihood to our employees. We provide suitable training opportunities and resources are made available to employees to assist them in performing their duties.
7. We seek to provide employment, business and economic opportunities for local communities from our existing operations and new projects.
8. We seek to provide lasting benefits to the communities where we work by promoting sustainable social and economic initiatives. We work consultatively with our community partners to ensure that our support matches their needs.
9. We maintain high standards of corporate governance, ethics, and honesty in all of our dealings, and operate in compliance with Canadian, Swedish and Botswana stock exchange listings and disclosure requirements, and the local laws wherever we work.
10. We engage with our industry peers, associations, governments, non-governmental organizations, and civil society to contribute to best practice development and track evolving global standards.

- The prompt internal reporting to an appropriate person or persons of violations of this Code;
- Accountability for adherence to this Code.

We have an ethics hotline for the reporting of unethical behaviour and fraud. Following some refresher awareness training on the mechanisms of our ethics programme to stimulate more feedback, one case of inappropriate conduct was lodged and addressed in 2015 through our “spill the beans” programme.

In line with the Government of Canada’s Corporate Social Responsibility Strategy for the Canadian International Extractives Sector, we are supportive of global initiatives that address a wide range of corporate responsibility related issues.

These include

- The OECD Guidelines on Multinational Enterprises;
- The Kimberley Process;
- The Global Reporting Initiative (GRI);
- The Voluntary Principles on Security and Human Rights; and

- The IFC Performance Standards on Social and Environmental Sustainability.

We are also a member of the Botswana Chamber of Mines. In 2015, Karowe’s General Manager continued serving as the Deputy Chair of the Botswana Chamber of Mines.

Lucara is also guided by the rules and regulations of the NASDAQ OMX (Stockholm) Exchange. Details regarding these rules can be found at www.nasdaqomx.com.

Board of Directors

Lucara has an experienced board and management team with extensive diamond development and operations expertise. The Board of Directors is primarily responsible for supervising the management of Lucara’s business and affairs.

Its authority is determined by the provisions of the British Columbia Business Corporations Act and by Lucara’s Board Charter. The Board regularly reviews its guidelines and policies and, not less than annually, considers how its corporate governance practices align with guidelines established by the Canadian regulatory authorities, including the Toronto Stock Exchange.

The Board meets as required to conduct its business, which includes the approval of the quarterly and annual audited consolidated financial statements.

The Board has established committees to assist with fulfilling its responsibilities in accordance with the provisions of the company’s Board Charter. Nonetheless, the Board acknowledges that the delegation of authority to its committees does not detract from the Board’s responsibility to discharge its fiduciary duties to the company. The following Board committees are in place.

Audit Committee

The Audit Committee consists of three Board members, each of whom is independent and financially literate. The audit committee reviews and reports to the Board on the integrity of the consolidated financial statements of the Company.

The Audit Committee has oversight responsibility for internal controls, accounting and auditing activities.

THE KIMBERLEY PROCESS

The Kimberley Process (KP) is a joint governments, industry and civil society initiative to stem the flow of conflict diamonds (rough diamonds used by rebel movements to finance wars against legitimate governments).

The Kimberley Process started when Southern African diamond-producing states met in Kimberley, South Africa, in May 2000, to discuss ways to stop the trade in 'conflict diamonds' and ensure that diamond purchases were not financing violence by rebel movements and their allies seeking to undermine legitimate governments.

It resulted in the creation of the Kimberley Process Certification Scheme (KPCS) and came into force in 2003. The KPCS imposes extensive requirements on its members to enable them to certify shipments of rough diamonds as 'conflict-free' and prevent conflict diamonds from entering the legitimate trade.

Under the terms of the KPCS, participating states must meet 'minimum requirements' and must put in place national legislation and institutions; export, import and internal controls; and also commit to transparency and the exchange of statistical data. Participants can only trade legally with other participants who have also met the minimum requirements of the scheme, and international shipments of rough diamonds must be accompanied by a KP certificate guaranteeing that they are conflict-free.

Corporate Governance and Nominating Committee

This Committee is comprised of three independent Board members and assists the Board in identifying qualified individuals for Board membership, develops and implements corporate governance guidelines, and reports annually to Lucara's shareholders on its system of corporate governance.

Safety, Health, Environmental and Community Relations Committee

This Committee is comprised of three Board members, a majority of whom are non-executive Board members. This Committee assists the Board in its oversight of health, safety, environment and community risks and compliance with related legal and regulatory requirements.

Compensation Committee

The Compensation Committee is comprised of three independent members of the Board. The Compensation Committee is responsible for administering the Corporation's executive compensation program and oversees

incentive plans approved by the Board and shareholders.

Supply Chain Sustainability

At Lucara we believe that outsourcing some of our operational activities does not mean outsourcing our responsibilities or risks - or that our responsibility ends once our diamonds are sold. We understand that we have a role to play throughout the lifecycle of our products and services.

That is why we adhere to the Kimberley Process. Supply chain sustainability management is important to maintaining the integrity of our brand, ensuring business continuity and managing our operational costs.

By virtue of our ongoing business relationships, Lucara makes direct economic impacts in the region through payments to employees, suppliers and governments and indirect economic impacts through monetary flows throughout and job creation within our supply chain and beyond.

Our most material suppliers during 2015 were our mining contractor, MCC and our processing plant contractor, Minopex. These two main contractors, maintained 443 and 151 employees on site, respectively. The focus

for 2015 was the smooth and seamless transitioning with MCC, our new mining contractor, without any production interruptions. We expect our suppliers to apply ethical business conduct.

We expect them to demonstrate their performance and progress related to environmental, ethical and health and safety issues, as well as labour practices. We have started improving our supplier screening process by taking into account their sustainability performance on relevant matters.

Moving into our fourth year of production, Lucara will continue to engage with its significant suppliers to further encourage sustainability performance.

ECONOMIC PERFORMANCE



Lucara’s Karowe mine in Botswana successfully completed its third full year of operations in 2015, maintaining its recovery of large and exceptional stones.

During 2015, Karowe recovered a total of 727 special stones greater than 10.8 carats (2014: 815 special stones) with an average stone size of 36.7 carats per stone (2014: average of 29 carats per stone). A total of 47 stones greater than 100 carats were recovered (2014: 31 stones) including 20 stones greater than 200 carats (2014: 4 stones) of which 7 stones were greater than 300 carats.

During the year Lucara had sales totalling 377,136 carats for gross proceeds of \$223.8 million at an average price of \$593 per carat. Lucara continued to achieve strong prices for its

exceptional stone sales resulting in an average price of \$31,597 per carat in 2015 for 3,114 carats sold (2014: \$32,471 per carat for 4,176 carats). The regular tenders achieved an average price of \$335 per carat, an increase of 5.3% compared to 2014 which reflects the quality of the mine’s production and an increasing proportion of south lobe ore which is known to have higher value material.

Earnings per share was \$0.21 per share for 2015 (2014: \$0.13). The total dividend paid in 2015 by Lucara was \$11.8 million.

Lucara’s EBITDA for the year was \$133.9 million compared to the previous year of \$173.4 million. The decrease in operating margins was largely due to a reduction in carats sold in 2015. The company’s focus on cost control, which result-

ed in a cost per tonne treated of \$28.9 (2015 guidance: \$33-\$36 per tonne) contributed to Lucara achieving an EBITDA margin of 60%.

Lucara’s year-end net cash balance was \$134.8 million (2014: \$100.8 million). The increase in cash balance was due to strong operating cash flows, which financed the Karowe plant optimization expenditure, stripping costs and its dividend payment to shareholders of \$11.8 million during the year.

Lucara paid \$22.4 million of royalties and \$46.7 million in taxes to the Government of Botswana. The company has a residual 2015 tax payable balance of \$9.5 million, which is forecast to be paid during the first quarter of 2016. Lucara’s Scotiabank \$50 million credit facility remains undrawn.

ECONOMIC PERFORMANCE KAROWE (\$ million)

	2012	2013	2014	2015
Revenues	55.1	180.5	265.8	223.8
Operation Costs	42.8	56.7	70.2	89.7
Employee Compensation	5.1	5.8	7.6	8.4
Local Procurement (southern Africa)	30.2	44.6	80.4	79.1
Payments to Government (Royalty)	5.5	18.1	26.6	22
Community Investments (Karowe)*	0.02	0.06	0.05	0.3
Economic Value Retained	1.7	99.9	161.4	103.1

* Lucara contributed CA\$ 250 000 to Lundin Foundation community investments during calendar year 2015.



BOTSWANA & DIAMONDS

Currently a country of just over 2 million people, Botswana was considered one of the poorest countries in Africa when it achieved independence from Great Britain in 1966.

Since the first diamond mine opened over forty years ago, Botswana's economy has been fuelled primarily by mining. In addition, according to the World Bank, Botswana's good governance practices, combined with prudent macro-economic and fiscal management, have led to its real rate of GDP rising an average of 4.6% annually between 1994 and 2011.

Botswana continues to make inroads regarding its historically high rates of poverty. Over the past 40 years, Botswana's economic progress has transformed living standards for many citizens, with poverty rates declining from over 50% at independence, to just above 19% at the moment.

More recently, the processing of rough diamonds, or diamond beneficiation, has been successfully introduced by the government in an attempt to diversify Botswana's economy. Until this shift, all rough diamonds had been exported from the country and processed elsewhere.

According to the 2015 African Economic Outlook report on Botswana, the country performs well among African countries in terms of business environment indicators, reflecting the government's commitment to policies and a regulatory environment that foster private sector development. The World Economic Forum, Global Competitiveness Report 2014-2015 maintained Botswana's ranking at 74th out of 144 countries, which corresponds to the fourth position in sub-Saharan Africa.

– The Global Competitiveness Report 2014-2015: Full Data Edition, World Economic Forum, Geneva, Switzerland

ENVIRONMENTAL PERFORMANCE



Overview

During 2015, no major environmental incidents were recorded.

We recognize our activities can have significant impacts on local communities and the natural environment throughout the life cycle of our mining operations. This can include land use changes, environmental degradation, and population influx. These impacts are offset by increased economic opportunities and development in the areas of infrastructure, health, education, and micro-enterprise, and our efforts to minimise environmental impacts as much as reasonably possible.

In line with our Environmental Policy, available on our website (www.lucaradiamond.com), we conduct environmental impact assessments and evaluate how to avoid, mitigate or control potentially significant impacts, implement appropriate monitoring and management systems, comply with applicable legislation, and plan for mine closure.

Environmental performance is managed on site by a dedicated Environmental Officer reporting to the Safety, Health and Environment (SHE) and Community Relations Manager, who reports directly to

the board-level Health & Safety, Environmental and Community Relations Committee.

During 2015, no major environmental incidents were recorded.

We comply with local environmental laws and regulations and apply the IFC guidelines where needed, to advance environmental protection and minimize environmental risks. Lucara did not receive any fines or monetary sanctions for non-compliance with environmental laws and regulations during 2015.

Environmental Management Plan

The environmental management plan developed for Karowe in accordance with Botswana's Environmental Assessment Act (2011) and EIA Regulations (2012), includes the following plans:

- Waste Management Plan
- Biodiversity Action Plan
- Community and Public Health and Safety Plans

- Groundwater Control Plan
- CSI and Labour Plan
- Heritage Plan
- Stakeholder Engagement Plan
- Grievance Response Procedure
- Emergency Response Plan
- Closure and Rehabilitation Plan

Our environmental management plan is aligned to ISO 14001 and subject to an annual gap analysis undertaken by an independent auditor. The most important aspects of environmental impact and management are addressed in the following sub-sections.

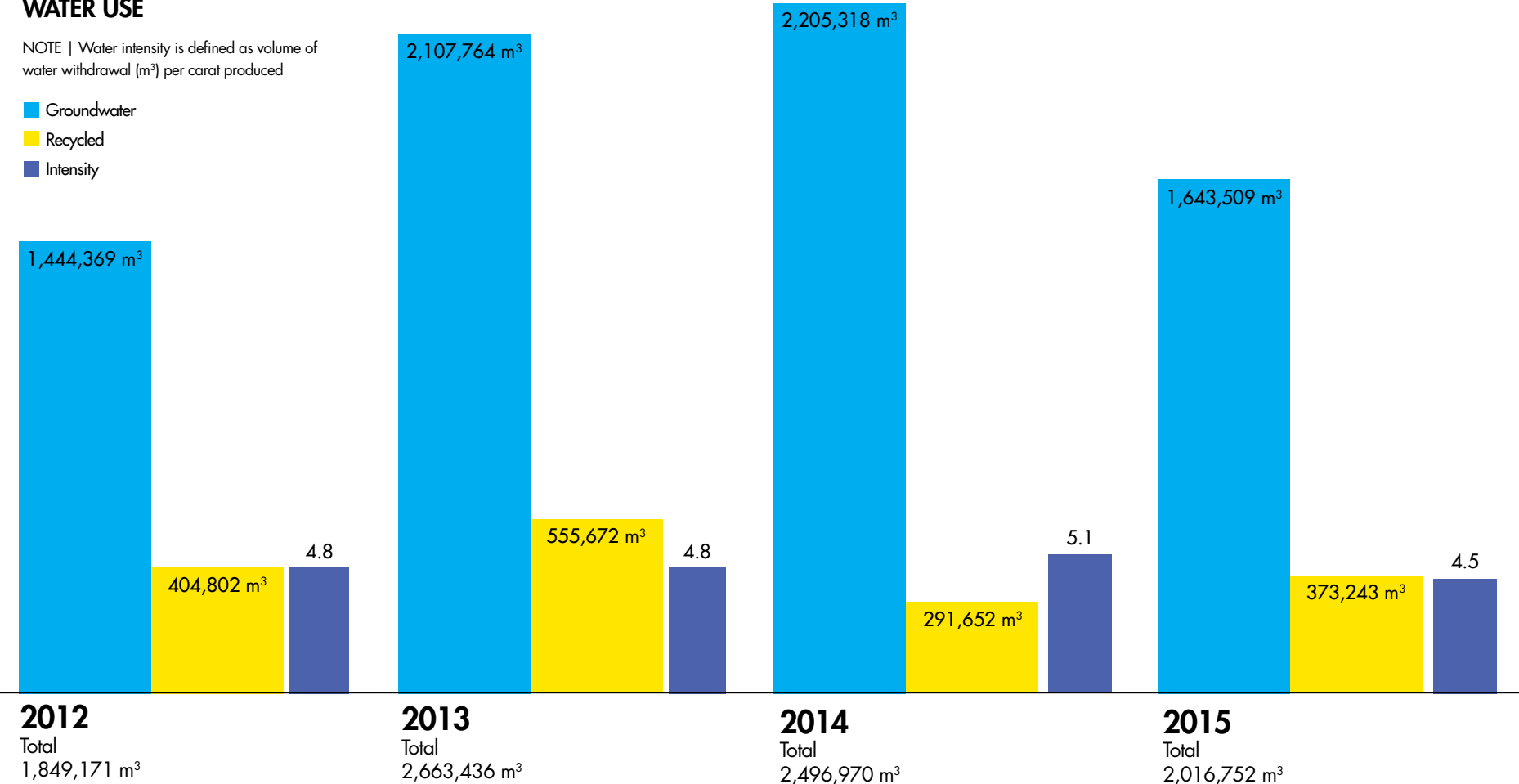
Water Use and Management

Karowe lies on the northern fringe of the Kalahari Desert of central Botswana. The climate is hot and semi-arid with annual average rainfall of 370 mm. With no permanent surface fresh water bodies in the region, access to, and management of water, is an important issue not only for our operation, but also for local communities, and other diamond mining operations in the region.

WATER USE

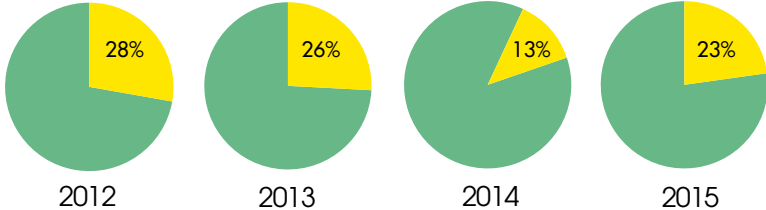
NOTE | Water intensity is defined as volume of water withdrawal (m³) per carat produced

- Groundwater
- Recycled
- Intensity



PERCENTAGE OF WATER RECYCLED

NOTE | Volume of water recycled is calculated as a percentage of total water withdrawal. The method of calculation is changed from the previous report to comply with GRI-G4 guidelines.



At Karowe, we must dewater the open mine pit area to keep the mine excavation dry and safe. We use this water for our needs, which are principally drinking water, process water and dust suppression. Our target is to balance the dewatering volumes with our water use so as to avoid wastage and maintain safe working conditions.

Except for the small amounts pumped from the pit following rainfall events, all water is abstracted from underground sandstone aquifers at depths between 120 and 240 metres via a number of boreholes around the open pit mine. Our water use and its potential impacts are carefully monitored and managed by our dedicated on-site hydrogeologist. Water level and water quality are routinely monitored at all boreholes. Water levels are also measured at more distant monitoring boreholes to detect regional influences and impacts. We have commissioned the development of a water management computer model and expect its completion in 2016.

The aquifers we use are extensive across central Botswana, and also the source of water for the other mining operations and for municipal water supply at Letlhakane township. The water quality of the groundwater is slightly brackish with total

dissolved solids of approximately 2500 mg/l. We treat water onsite by reverse osmosis to provide high quality drinking water for those working at Karowe.

We recycle 23% of water abstracted.

Total water abstraction and water use intensity both declined in 2015, reflecting a change to the mining of unweathered harder ore rock as the mine deepens, which requires less process water. Groundwater levels have stabilised at a new equilibrium following a few years of decline, which is normal for a new mine and its dewatering operation.

Our monitoring records demonstrate that, on a regional scale, there is no significant negative impact associated with Karowe's dewatering activities on other water users or on the groundwater body more broadly. This data also allowed us to reassure two farmers located at a distance exceeding 5km from the mine who had expressed concern relating to their own deep boreholes. Some local farmers also use hand dug wells, but these are too shallow to connect with the aquifer we use.

We recycle water by decanting water from the slimes dam, equivalent to 23 percent of

groundwater withdrawals.

We issue a detailed annual groundwater monitoring report to the regulators. We also share our data with nearby mining operations, on request, in the interests of transparency and to develop a cooperative understanding of cumulative impacts of mining operations.

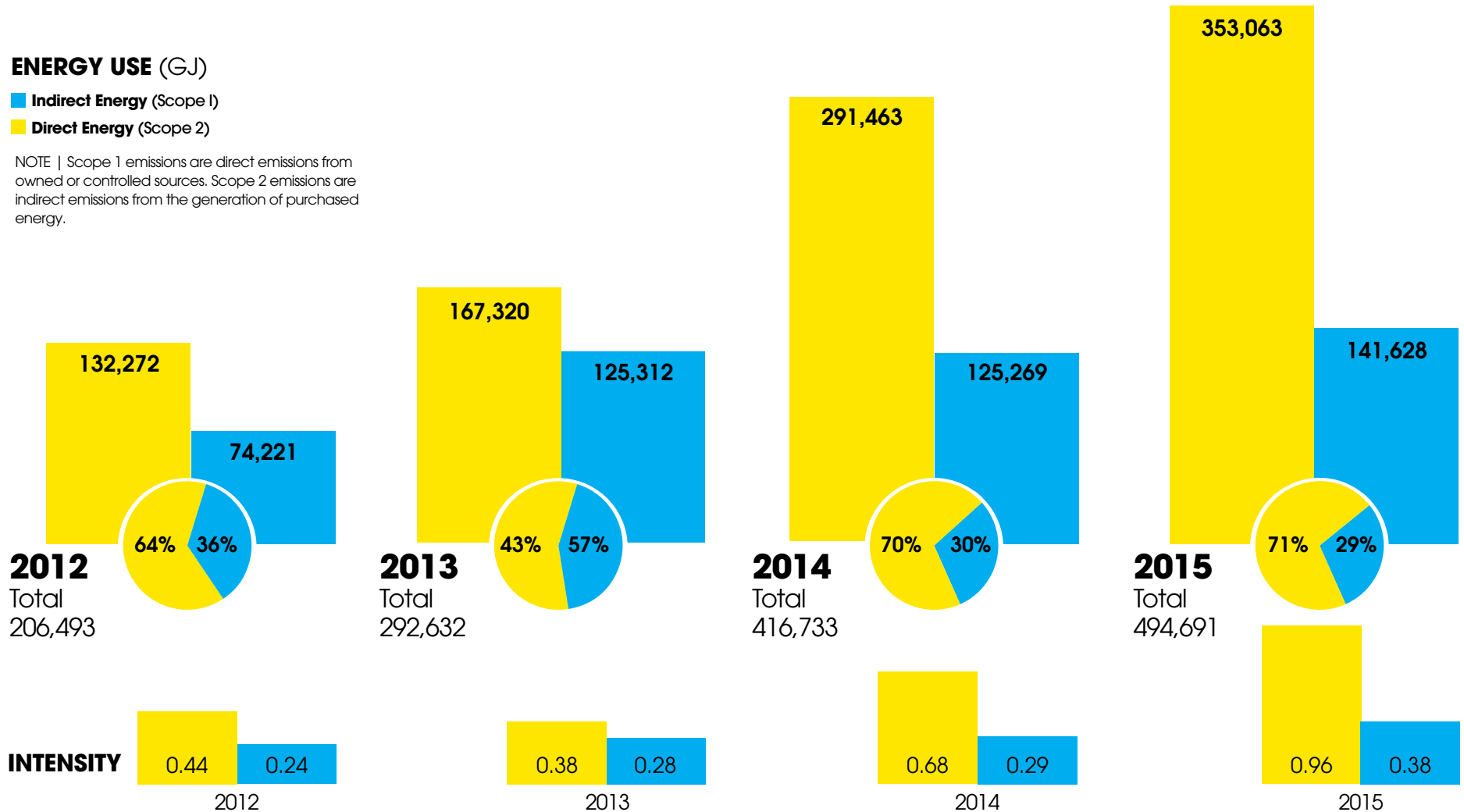
We believe water supply for the mining operations is secure for the long term. We expect our water requirements will not exceed 2 million m³/year for the current operation compared to a permit limit of 8 million m³/year. The depth and extensive nature of the aquifer means water availability is not influenced in a material way by short term water scarcity (such as the lower than average rainfall conditions experienced in 2015).

We apply good international practices to avoid groundwater pollution. Our onsite landfill is lined with an impermeable membrane; transformers are PCB free and constructed to prevent leakage; and we treat our sanitary wastewater to a high quality so that it can be safely used for lawn irrigation around our offices.

ENERGY USE (GJ)

- Indirect Energy (Scope 1)
- Direct Energy (Scope 2)

NOTE | Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy.



NOTE | Energy intensity expressed as energy used (GJ) per carats recovered.

Energy and Carbon Emissions

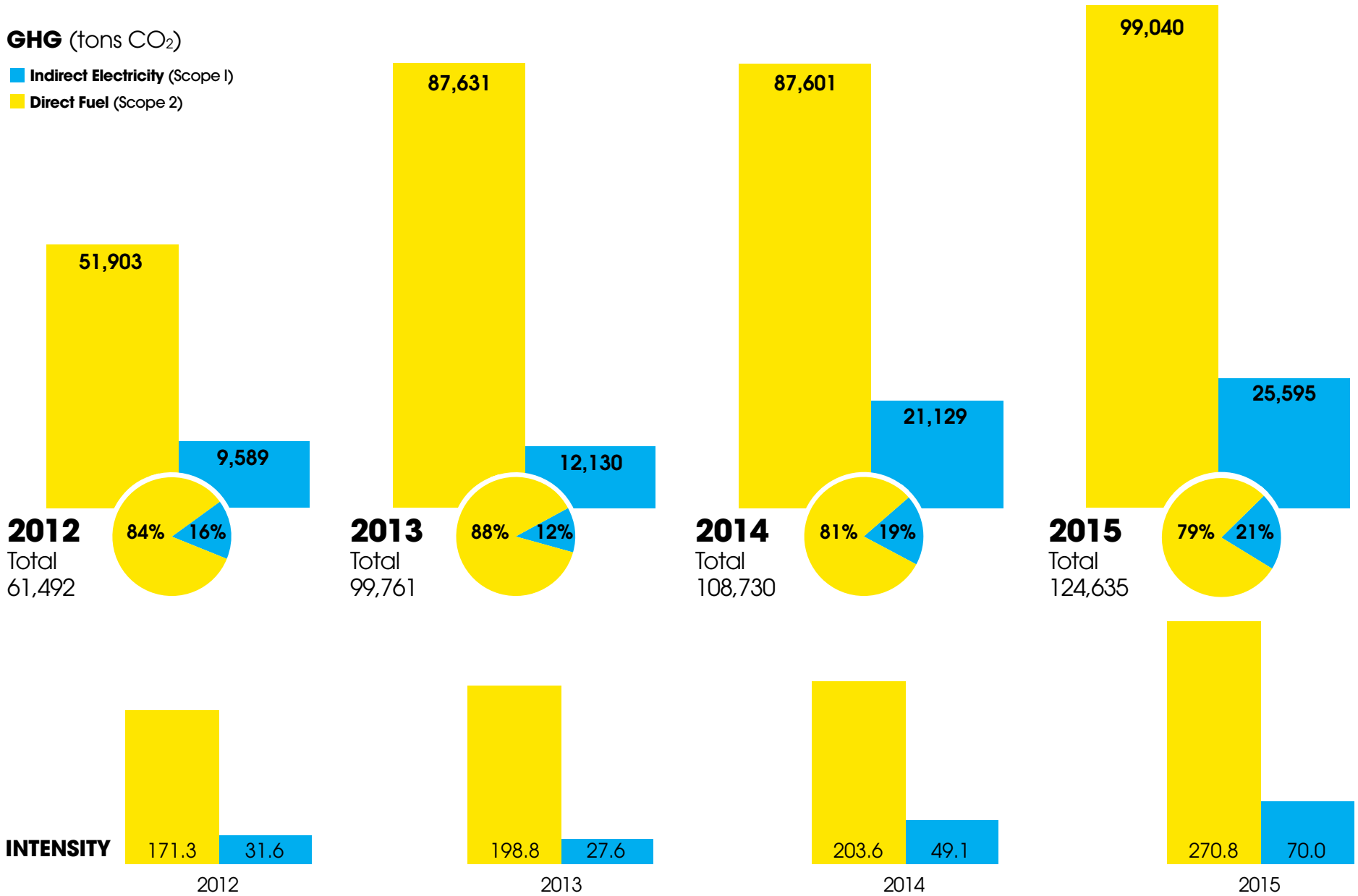
Mining is an energy intensive activity dependent on a reliable power supply. Karowe operations, particularly its mill, run

on electricity supplied by Botswana Power Corporation (BPC) via a substation located within the Karowe mine lease area, and connected to a main substation at Orapa.

The power supply to Botswana as a whole faces ongoing challenges and risks of interruption. BPC operates two coal-fired power stations at Palapye, in eastern

GHG (tons CO₂)

■ Indirect Electricity (Scope 1)
 ■ Direct Fuel (Scope 2)



NOTE | GHG intensity expressed as tons CO₂ per 1000 carats.

Botswana, and supplies the whole country. BPC's Morupule A power station was out of service in 2015 awaiting refurbishment in 2016/17. The new Morupule B power station has experienced operational problems since its completion in 2014.

As a result, BPC resorts to power shedding or selected suspension of supply across the country. However, the associated business interruption risk to Karowe is considered low because the mining industry is granted priority. Karowe experienced no power interruptions during 2015.

Botswana also purchases and imports power from South Africa, which, in turn, is also experiencing power shortages and occasional load shedding. Through a combination of refurbishment, upgrading and supply contracts with South Africa, the security of BPC's supply is expected to improve over time.

The electricity from the national grid to operate our mill accounts for the bulk of our indirect energy use. Indirect energy use increased 13% in 2015 compared to 2014 reflecting the harder ore characteristics and plant modifications to add the large diamond recovery circuit. This was also due to the lower volume of carats produced per volume milled.

Diesel fuel consumed by the mining truck and equipment fleet operating at Karowe accounts for the bulk of our direct energy use. It increased significantly again in 2015, by 21% compared to 2014. This is explained by the overburden stripping we refer to as 'Cut 2' as part of a 4-year stripping programme which started in 2014, and continued through 2015. The purpose of this stripping programme is exposing more kimberlite for mining from 2018 onwards. The stripping activity is also reflected in the higher energy intensity measured in GJ/carat recovered.

Climate Change

Climate Change is highlighted as an important global environmental challenge. In Botswana, related impacts could affect rainfall patterns, soil erosion and groundwater recharge. Botswana is already witnessing such impacts which have affected agricultural production, increased food insecurity and exacerbated water stress, trends which are projected to intensify over time.

However, these effects are not expected to materially impact Karowe's operations within its remaining projected mine life of 10 years.

As part of the December 2015 Paris Agreement to combat Climate Change,

Botswana communicated its intent to achieve an overall emission reduction of 15 percent by 2030, using 2010 as the base year. Botswana also communicated that it would be targeting mainly the energy and transport sectors for mitigation of GHG emission reductions.

Waste Management

Our environmental management plan details our waste management strategy and approach. We segregate our waste streams into three main categories. These are inert, general, and special wastes, the latter including different classes of hazardous wastes.

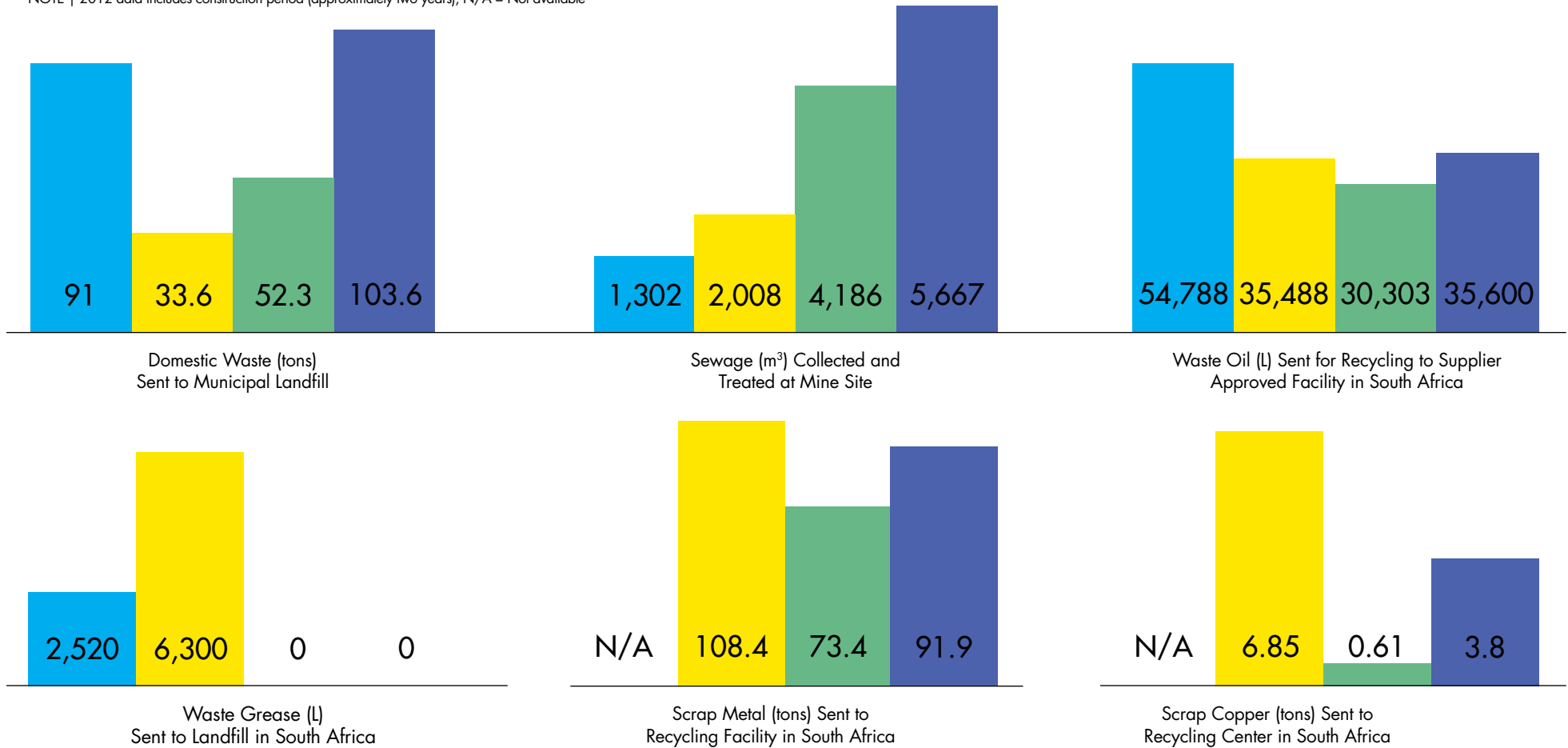
We have four waste management facilities within the mine lease area: a landfill, sewage treatment plant, mobile incinerator and a salvage yard.

The landfill, for non-hazardous non-recycled waste, was completed in June 2014 in accordance with guidelines of the Department of Waste Management and Pollution Control, and includes a protective membrane. The licence application process is ongoing and expected to be completed in 2016.

Our sewage treatment plant treats sanitary waste to a quality compliant for surface

Waste Disposed ■ 2012 ■ 2013 ■ 2014 ■ 2015

NOTE | 2012 data includes construction period (approximately two years); N/A = Not available



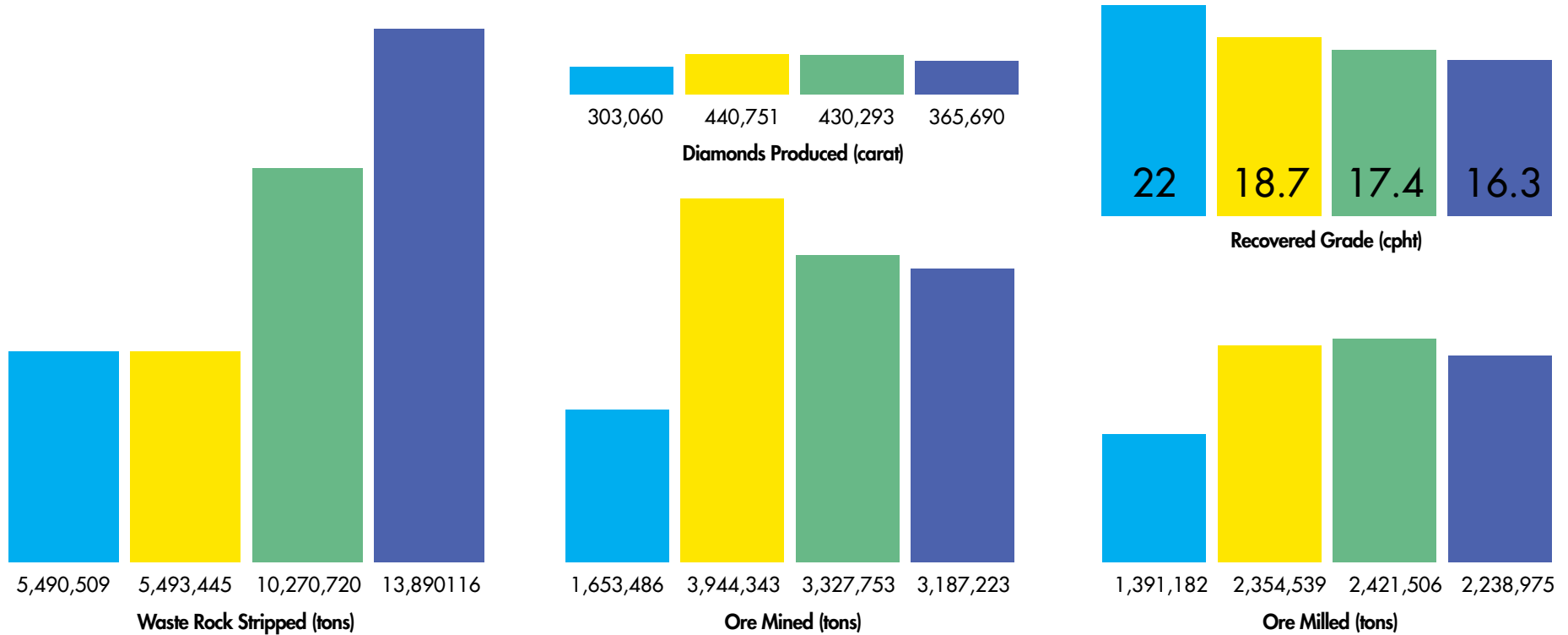
water discharge, including disinfection of pathogens. We use the treated water to irrigate lawns and gardens around our office buildings. Sludge is dried and stored with the intention of using it as fertiliser for future land restoration areas.

We have a small mobile waste incinerator, mainly for oil rags and for recovery area waste for security reasons. Our fenced and secure salvage yard is used to sort and store different kinds of waste prior to removal off site to appropriate facilities. Materials include

scrap metal, light vehicle tyres, oil, grease and fluorescent tubes. Waste oil is stored in a bunded area for protection against leaks. Our diamond cleaning facility was relocated to Gaborone in 2014. The cleaning process

PRODUCTION STATISTICS 2012 2013 2014 2015

NOTE | CPHT = Carat per Hundred Tons Ore Milled



uses hazardous acids to remove host rock materials and clean recovered rough diamonds. Effluent is neutralised before discharge to a municipal industrial waste facility.

We do not yet have a long term plan for disposing of, or recycling large truck tyres, but we are reviewing options.

Our generation of domestic waste and sewage continued an increasing trend in 2015, reflecting the impact of increased activities and larger staff numbers. Oil and scrap metal waste show a more stable trend with some year-to-year variation. We do not discharge any effluent at Karowe mine, except for treated wastewater used safely for lawn irrigation.

Dust Fallout Management

Dust fallout concentrations observed during 2015 at 11 sites around Karowe and the access road were below the South African residential and non-residential area standards we use as our benchmark. We routinely apply water for dust suppression on the unpaved mine access road since adjacent communities

can be affected. No grievances were recorded concerning dust fallout during 2015. We monitor dust levels and respond with mitigation as needed.

Biodiversity

The broader area hosting the Karowe deposit was historically modified through cattle grazing and other pastoral activities.

The region also hosts several other diamond projects and operations.

Mining operations results in vegetation and wildlife being disturbed and removed in the operational footprint areas. The environmental impact assessment concluded the overall impact was low since the area used for the Karowe operation contained no rare or endangered species. Some species in the area are threatened by human gathering and hunting by the local communities, but we prohibit such activities on the mine lease area, therefore providing some protection.

Our biodiversity action plan highlights the need to clear vegetation only when required, protect woody vegetation where practicable, and implement an invasive species eradication program. In accordance with our EMP and mine closure plan, we intend to replace topsoil and re-vegetate disturbed areas using native plants.

Waste Rock and Tailings Management

The open cast mining of our deposit requires the removal of overburden and waste rock to provide access to the diamond-bearing Kimberlite ore. In 2014 we began with an elevated overburden stripping programme to expose kimberlite ore in a new push back known as 'Cut 2' to enable ore mining to commence by 2018. This was the beginning of a 4-year programme continuing through 2015.

During 2015, we upgraded the ore processing technology to ensure improved efficiency and enhanced capability to recover the larger, more valuable diamonds. The upgrade was in part necessary due to a reducing ore grade, which is common as kimberlite mining progresses. The upgrading works meant processing stopped for approximately 24 days. This is reflected in lower total production of both ore and diamonds in 2015. However, we expect the improvements will provide returns of increased processing and stone recovery in 2016.

The amount of overburden stripped in 2015 increased by 35% from 2014. Ore mined reduced by 4% during 2015, and ore milled decreased by 8% due to the upgrad-

ing works noted earlier. The waste product emerging from crushing and processing of the ore to remove the diamonds comprises coarse and fine tailings (slimes) materials, which are deposited in designated areas.

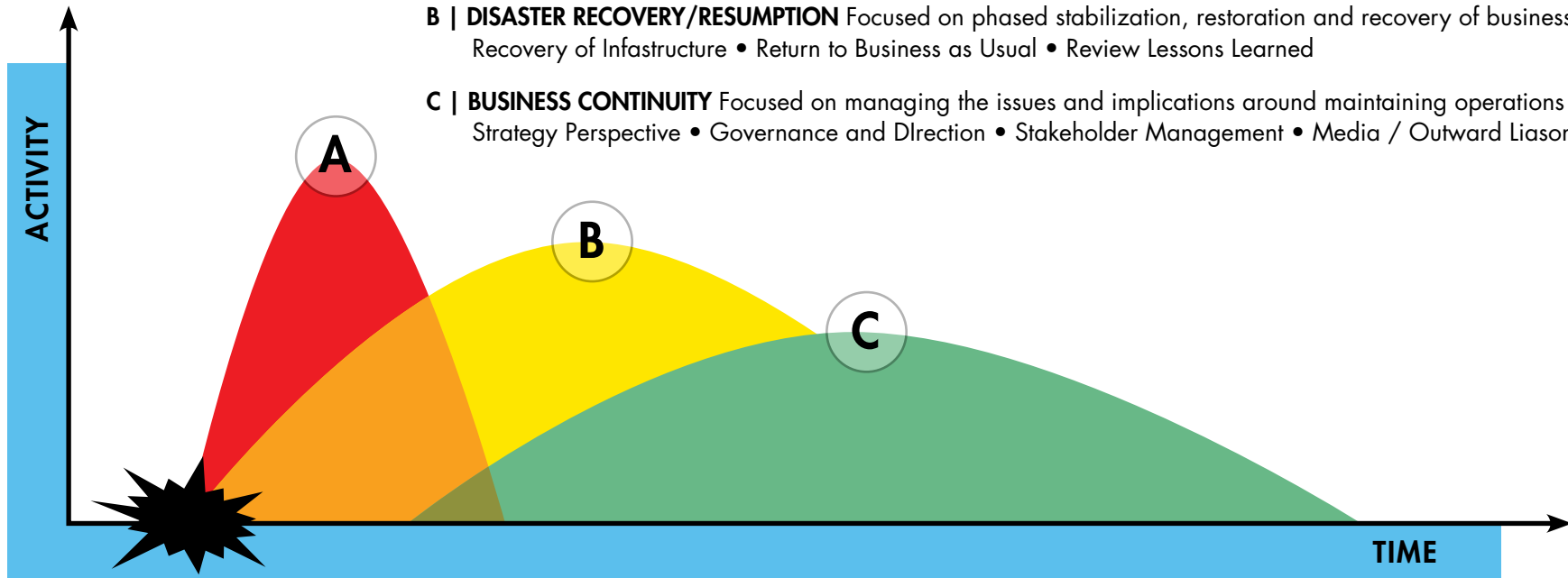
The stability of our slimes dam and course tailings facility is monitored by internal and external technical specialists. We also provide statutory reports with regard to tailings management to the Government Department of Mines. We did not experience significant spillage of tailings, slimes, or other significant process materials during 2015.

Business Continuity Management

In 2015 we implemented a new framework to ensure we can continue to deliver critical services following a disruptive event. The framework aims to build high level resilience in all departmental services and sites when facing major adverse events. This adaptive capability also increases security awareness, minimises financial impacts and effects on service delivery targets, improves understanding of functions and opportunities for improvement, enhances stakeholder confidence, protects corporate assets and reputation, and strengthens relationships with emergency response partners.

OUR APPROACH TO DISRUPTIVE EVENTS

- A | EMERGENCY RESPONSE** Focused on safeguarding people, organization assets and the environment
Preserving Life • Damage Assessment • Stabilization & Security
- B | DISASTER RECOVERY/RESUMPTION** Focused on phased stabilization, restoration and recovery of business process
Recovery of Infrastructure • Return to Business as Usual • Review Lessons Learned
- C | BUSINESS CONTINUITY** Focused on managing the issues and implications around maintaining operations
Strategy Perspective • Governance and Direction • Stakeholder Management • Media / Outward Liason



We maintain an incident register, and record and report significant incidents. A tiered classification and reporting system was maintained in 2015. No major environmental incidents were recorded in 2015.

One lost time injury was reported during the year, for which more detail is provided in the safety section of this report.

Land Management

2015 saw a sharp increase in land newly disturbed as part of executing the mining plan. This included new laydown areas for the new contractor, as well as the advancement pushovers of the slimes dam wall, tailings dump, topsoil dump and waste rock dumps.

Environmental Expenditures

The most significant expenditures related to broader environmental aspects and management of our facilities relate to the construction and phased expansion of our tailings and slimes facilities, and rehabilitation and mine closure related activities, including financial provisioning.

KAROWE'S LAND MANAGEMENT DATA (hectares)

	2012	2013	2014	2015
Total Amount of Land Owned	1,523	1,532	1,523	1523
Total of Land Disturbed and Not Yet Rehabilitated	359	363	388	422
Total Amount of Land Newly Disturbed within Reporting Period	359	3.81	29	34
Total Amount of Land Rehabilitated within Reporting Period	0	0	0	0
Total Amount of Land Rehabilitated and Handed Over to Local Government	0	0	0	0

NOTE | Karowe is an open pit mine with anticipated mine life of over 12 years

Decommissioning and Site Restoration

Our closure plan was developed in accordance with the Mines and Minerals Act (1999) which requires mining companies to develop closure and rehabilitation plans, which should, as a minimum make workings and facilities safe, and restore the environment as close as possible to its natural state.

First developed in 2010, we review the plan at least every 3 years, and update it as appropriate, in particular to incorporate any new expansion or development plans. Details are contained in the most recent Environmental Monitoring Plan, and the basic

components of the closure plan are as follows:

- Remove buildings, structures, paved roads, fencing, inert waste
- Some facilities or structures may remain where relevant, such as monitoring facilities, and others subject to community agreement, and will be made safe
- Site plant nursery and topsoil stockpiles will be used to rehabilitate the land and help restore it to a natural condition or previous use, such as for grazing.
- Groundwater quality and levels will be monitored until steady state is reached, using existing monitoring boreholes

– The pit area will be fenced and the slopes will be made safe

– Environmental monitoring and maintenance will continue for three years or until the closure certificate is obtained.

We maintain an updated high level closure cost estimate assessment, to cover both unscheduled (premature) and scheduled closure. Lucara's closure and site provisions are calculated based on total estimated rehabilitation costs discounted back to their present values. The pre-tax discount rates and inflation rates are adjusted annually and reflect current market assessments.



KEY ENVIRONMENTAL EXPENDITURES (\$million)

	2012	2013	2014	2015
Tailings and Slimes Management (capital)	1,381,221	203,156	2,027,964	1,505,397
Water Recycling	1,916	0	0	0
Environmental Monitoring	35,539	38,499	31,253	43,206
Waste Management	129,736	85,563	79,671	82,926
Rehabilitation and Mine Closure	627,283	1,504,138	1,561,036	1,157,579

We applied a pre-tax discount rate of 8.2% percent as at December 31, 2015 (8.4 percent as at December 31, 2014) and an inflation rate of 4.4% percent as at December 31, 2015 (5.3 percent as at December 31, 2014) for Karowe. The rehabilitation costs are expected to be in-

curred in 2026 for the Karowe mine. The estimated total liability for reclamation and remediation costs on an undiscounted basis is approximately \$18 million (December 31, 2014 - \$23.0 million).



LABOUR, HEALTH AND SAFETY

Human Resources

At the end of 2015, our workforce in Botswana – including the contract mining group and process/mill contractor – numbered 807 (2014: 881). Of these, 97 percent were Botswana nationals, down 1% from 98% in 2014. The number of our female workers, typically low in the mining sector, increased to 15% of our workforce from 13% in 2014.

We consult with local communities as the need for recruitment arises. During 2015, we introduced a graduate internship scheme and recruited seven graduates in the mine's technical and commercial departments: one in engineering, one in finance, two in SHE & CR, one in Mineral Resources Management (Geology) and two in Mining.

We have maintained a relatively low staff turn-over rate of 7% per year over the last two years, compared to 13.1% in 2013. Exit interviews are performed and, together with the results of an employee survey performed in 2015, enable us to consider appropriate actions to further improve employee satisfaction.

At Karowe, we continue to implement our human resource (HR), training and development policies, along with localisation

and succession plans. All employees receive annual career development reviews as part of our robust performance management system. We track progress on a weekly and monthly basis. The HR Manager reports directly to the General Manager on HR related progress and any relevant labour issues. Our employee handbook provides guidance and assist employees at the Karowe mine on communication and compliance matters such as grievance procedures, disciplinary code, statutory labour requirements, labour case law and good labour practice.

Botswana nationals currently comprise 97% of our workforce

Our full-time workforce generally receives a housing allowance, medical aid subsidy, gratuity, and group life insurance. Although the Karowe labour force is not formally unionized, we do not place any form of restriction on right of association. We recognised the Botswana Mine Workers Union (BMWU) who now represents about a third of one of our main contractor's workforce, MCC. This means that, in terms of Botswana labour legislation, MCC is required

to engage with the trade union on any employment and labour matters such as wage negotiations before a final decision is made.

We maintain good workplace relationships and an open door policy where employees are free to raise issues and discuss them with management.

We are still in the process of implementing a pension scheme, and replacing fixed term contracts with unlimited duration contracts. Consultation with our full time employees in this regard commenced in 2015.

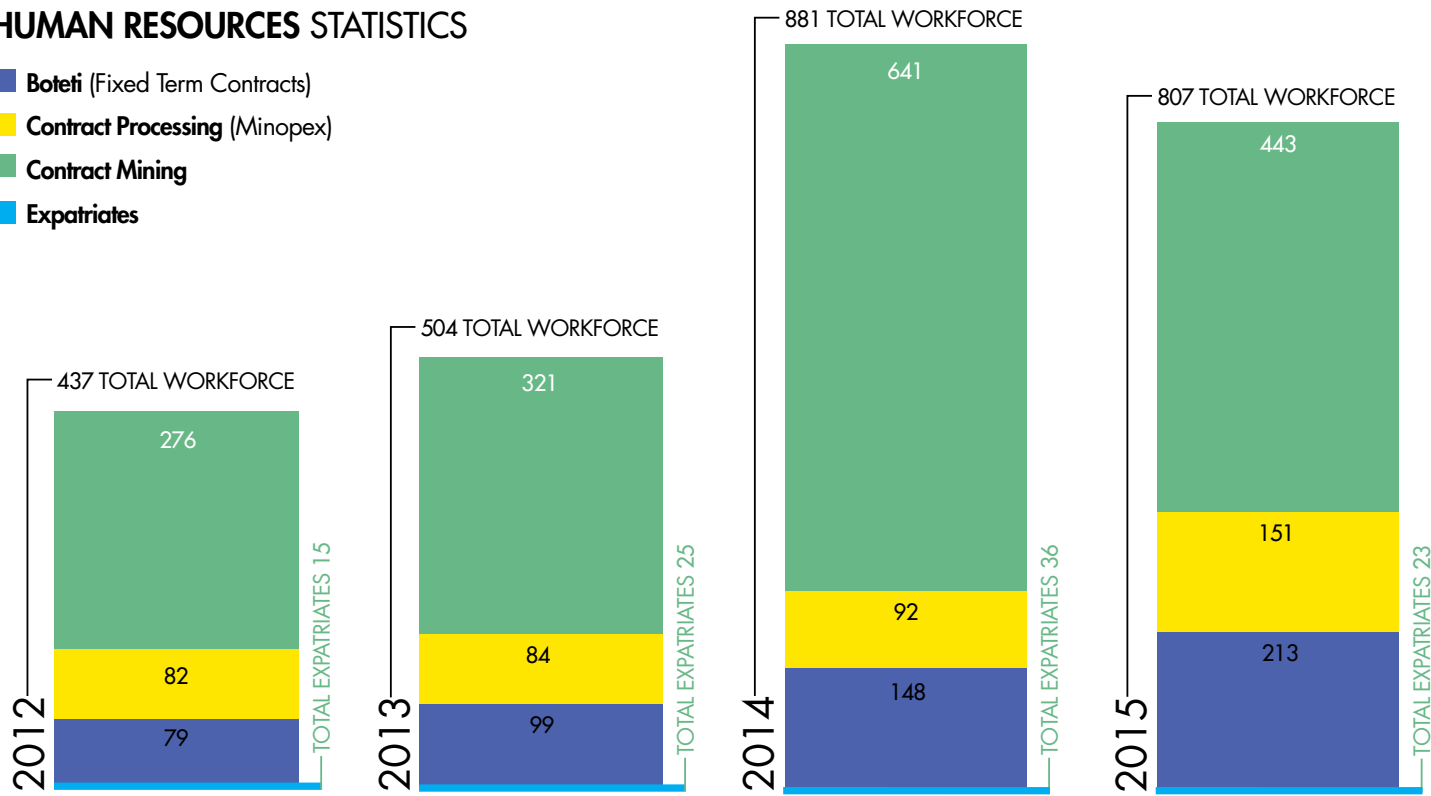
Karowe did not experience any strikes or lockouts during the reporting period, and no complaints of discrimination or other types of human right violations were recorded during 2015. All employees are trained on our grievance reporting procedure.

Occupational Health and Safety

We recognise that working on a mine site presents health and safety risks that need to be carefully managed. In line with our Occupational Health and Safety Policy, available on our website (www.lucaradiamond.com) and in the workplace, we believe there is a clear relationship between safe and healthy

HUMAN RESOURCES STATISTICS

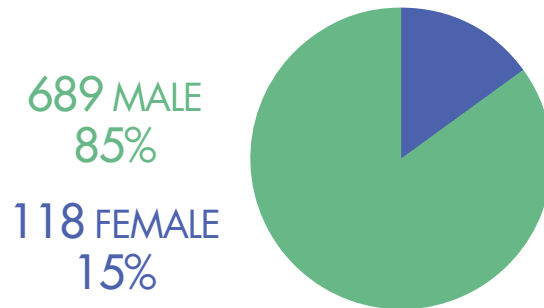
- Boteti (Fixed Term Contracts)
- Contract Processing (Minopex)
- Contract Mining
- Expatriates



Total Proportion BOTSWANA NATIONALS

2012 **97%**
 2013 **96%**
 2014 **98%**
 2015 **97%**

GENDER SPLIT (2015)

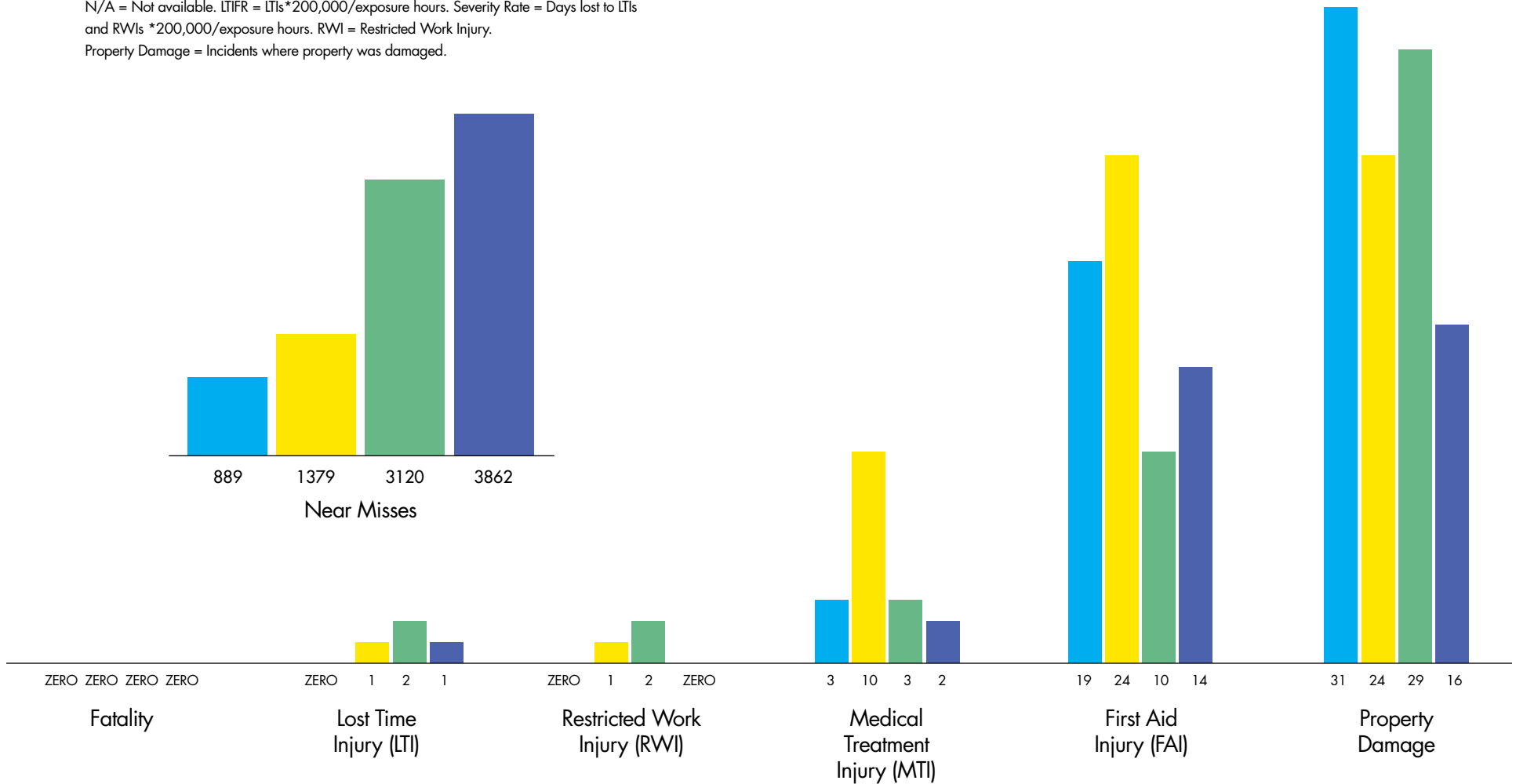


Turnover at BOTETI

2012 **12.7%**
 2013 **13.1%**
 2014 **7.0%**
 2015 **7.0%**

SAFETY STATISTICS ■ 2012 ■ 2013 ■ 2014 ■ 2015

N/A = Not available. LTIFR = LTIs*200,000/exposure hours. Severity Rate = Days lost to LTIs and RWIs *200,000/exposure hours. RWI = Restricted Work Injury. Property Damage = Incidents where property was damaged.



Absenteeism Rate	Days Lost LTI	Days Lost RWI	LTIFR	Severity Rate	Exposure Hours
2012 N/A	2012 0	2012 0	2012 0.0	2012 0.0	2012 2,183,980
2013 0.2	2013 3	2013 3	2013 0.17	2013 0.8	2013 766,859*
2014 0.1	2014 18	2014 6	2014 0.2	2014 0.4	2014 2,005,610
2015 0.3	2015 31	2015 0	2015 0.08	2015 2.44	2015 2,540,440

*construction finished in 2012

workplaces, and optimal production results. Our line managers, supported by professional safety staff, are held accountable for the safety performance and management at each site.

All employees, including contractors, are given safety training at commencement of employment and thereafter, regularly throughout their career. They are expected to be engaged in maintaining safe work sites through involvement in health and safety committee meetings, and by conducting safety inspections.

Each site maintains a Joint Health and Safety Committee (JHSC) which addresses new regulations, site procedures, and actions to improve health and safety, and an emergency response capability suited to its working environment and risks.

Safety and health coordinators report to the Safety, Health, Environmental & Community Relations Manager who, in turn, reports to the General Manager. Each shift has a qualified Safety, Health and Environmental representative. By year end 2015, we had 67 appointed first aiders, 31 Safety, Health and Environmental representatives and 20 fire team members. In 2015, we trained 11% of our workforce in first aid, against a target of 5% per year. We also trained 75% of our work-

force on fire prevention and protection in 2015.

Our supervisory performance monitoring programme was maintained during 2015. As part of this programme we look at the individual safety performance of supervisors in terms of leading indicators, such as planned task observations, procedures briefed, toolbox talks held, number of near misses, closure of inspection findings, and training conducted.

We are proud of our improved safety performance in 2015, achieving an LTIFR of 0.08 (2014: 0.2). Only one lost time injury was recorded during 2015 (2014: two LTIs). The employee sustained an arm injury above the wrist while attempting to stabilise a suspended crane load. We encourage our employee to report all unsafe conditions and near misses so that we can identify and mitigate risks.

Cultivating a Health and Safety Culture

We have maintained our “Karowe Diamond Cardinal Sins” awareness raising drive to influence safety behaviours as a means to address our highest safety risk areas in 2015. The “Cardinal Sins” are posted in all workplaces to keep awareness up. We encourage our employees to report all

unsafe conditions and near misses in order for us to identify and mitigate those risks.

We hosted a successful inter-mine first aid competition with 15 teams from 7 mines.

Karowe Diamond Mine, with the support of Botswana Chamber of Mines (BCM), hosted its first Inter-Mine First Aid Competitions in 2015. The objectives of the competitions are to promote safety in the workplace by imparting first aid skills on the workforce. Seven mines in the region entered a total of 15 teams to participate in this year’s competitions, held under the theme “First Aid Everywhere for Everyone”

We had a number of safety drives during 2015 to promote a safety awareness culture at Karowe. Following an unfavourable trend on safety incidents in 2014 the Lelobu (Chameleon) Safety Campaign was launched. The impact of the campaign was immediate. Safety performance has been improving ever since. There is evidence that more and more employees are taking responsibility for their safety and that of others. Pre-task risk



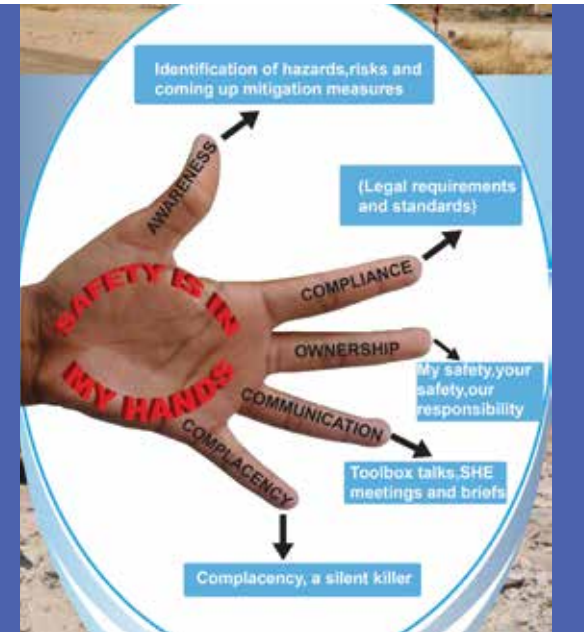
KAROWE DIAMOND MINE CARDINAL SINS

1. Speeding
2. Overtaking on haul roads
3. Engaging in physical fighting
4. Rendering safety devices inoperable
5. Concealing an incident or injury on duty
6. Operating plant without completing pre-start check list
7. Working on equipment / machinery without lock out or isolation
8. Coming to work under the influence of intoxicating liquor or narcotics

LELOBU (CHAMELEON) SAFETY CAMPAIGN

WHY LELOBU?

- Is always **focused** and **scans** its **surroundings** – do your risk assessment
- It takes its journey **step by step** – follow procedures
- Is **cautious** when it moves – take care of yourself, your peers and equipment you are operating, execute tasks cautiously and operate equipment with great care
- It knows **when to act** when **danger** comes – act on any unsafe act and unsafe condition
- Adapts to the **environment** - For any change in the process – do risk assessment, wear appropriate PPE, use the correct tools



assessments are taking place and people are stopping and fixing unsafe conditions.

Another important safety drive has been the 'safety-is-in-your-hands' campaign aimed to sensitise employees to awareness, compliance, ownership, communication and complacency in the work place. (insert image from safety is in your hands pdf) A road safety 'silly-season' campaign was also introduced during 2015 to combat the higher road accident rates normally experienced during the year-end holiday season.

Our primary health care and occupational

health services include Occupational Health Services, Primary Health Care and Emergency Response. The Occupational Health Nurse reports to the SHE & Community Relations manager.

We conduct medical examinations on staff, including contractors, prior to employment, annually during employment, and also when employment terminates. We keep medical data in accordance with International Labour Organisation (ILO) standards. Two private medical doctors offer occupational health services.

Our health care unit offers daily consultation

to employees and dispensing of drugs. Health promotion is rendered to all employees and contractors in an effort to prevent workplace injuries and occupational diseases. Topics covered include: HIV/AIDS, Tuberculosis, Diabetes, and Hypertension.

The clinic offers a continuous emergency response service for all incidents and accidents. Referrals are sent to Orapa or Letlhakane hospitals.

No Noise Induced Hearing Loss (NIHL) cases were recorded in 2015.

A photograph of two workers in a construction or mining environment. They are wearing yellow hard hats and dark blue safety jackets with reflective orange and white stripes. The worker on the right is also wearing sunglasses and has an 'MCC' patch on her sleeve. They are both looking at a set of documents held by the worker on the left. In the background, there is a large piece of heavy machinery, possibly a truck or loader, and a brick building. The overall scene is brightly lit, suggesting an outdoor setting.

OCCUPATIONAL HEALTH INITIATIVES STARTED IN 2015

- Improving the quality of hearing protection devices
- Introducing software to monitor Occupational Health Programs
- Improving our system for drug monitoring
- Introducing an electronic patient filing monitoring system
- Improvement of ergonomics at the clinic by:
 - providing shade & chairs for patients
 - providing air-conditioning in all offices
 - providing ramps to wheel in patients
 - structural changes to avail more office space

STAKEHOLDER ENGAGEMENT



Lucara Diamond Corp. was selected as the Prospectors & Developers Association of Canada's (PDAC) 2016 Environmental & Social Responsibility Award recipient for "its stakeholder initiatives, community engagement and focus on sustainable practices and long-term benefits at their Karowe mine in Botswana."

Our award-winning community liaison officer leads our engagement with local communities.

Since the beginning of development of the Karowe Mine, we have engaged with our communities and other stakeholders in a structured way.

We maintain a community liaison office in Letlhakane, the town closest to our mining operation. We also participate regularly in traditional kgotla or community meetings at the 18 villages in the Boteti Sub-District.

The objective of these kgotla meetings is to inform communities about on-going activities at Karowe, such as the micro-lending facility and progress on the abattoir upgrade project (see Community Investment section), discuss

CSR CHARTER

Lucara recognizes that effective stakeholder engagement can create value and mitigate risk for both the company and its stakeholders. We acknowledge that mining is, by definition, finite and, therefore, will work to provide lasting benefits in the communities where we live and work.

Lucara will:

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

any issues of concern, and identify collaboration opportunities.

Such opportunities realized in 2015 include a road safety awareness event, conducting a village clean-up day, holding a wellness event (rotated between villages every year) and supporting local sports events such as the

Karowe Diamond Mining Cycle Challenge cycle race.

Our key stakeholder groups, how we engage with them, the issues raised and our responses are summarised in the following table.

LUCARA'S KEY STAKEHOLDERS

Stakeholders	Methods and Frequency of Engagement	Issues Raised by Stakeholders	Lucara's Response to Issues
Directly Affected Land Users, Owners	Direct meetings with land owners, meetings with the Sub-Land Board	Dust emissions	We suppress dust at Karowe as well as along the access road from Lethakane
Employees and Contractors	Spill the Beans (ethical conduct and hotline), direct engagement through HR department, performance reviews, employee events, training, newsletters	Compensation and benefits, health and safety, job security and advancement	Decent compensation, health and safety awareness campaigns, training and leadership development opportunities
Governments	Consultation, permits, inspections, strategic community investments, applying GIIIP (Good International Industry Practice), meetings, annual reporting	Positive economic impacts, Kimberley Process, diamond viewing and sales in Botswana, diversification, Canadian CSR Strategy for the Canadian International Extractive Sector	Royalties payment, social investment, sustainability reporting
Local Communities	Regular Kgotla meetings, grievance mechanism	Economic impacts in communities, local employment, community investments, groundwater levels for local farmers	Strategic Investments, community events and projects, e.g. abattoir upgrade project, community donations for schools, swift addressing of grievances raised, sharing water impacts data
Customers and End-users	Regular tenders	Conflict free diamond supply chain	Kimberley certification, tight security, government inspections
Shareholders	Analyst briefings, media releases, quarterly and annual financial reporting, annual sustainability reporting,	Good corporate governance, financial performance, risk management, dividends	GRI reporting, financial disclosure
Financial Institutions	As required	Risk management, financial performance	Applying GIIIP, Equator Principles, GRI sustainability reporting

Community Engagement

As in previous years, Karowe's Community Liaison Officer participated in traditional kgotla meetings in the eighteen villages of the Boteti Sub-District during 2015. Attending these meetings provides an opportunity to present the latest developments and plans at Karowe, and listen to community feedback on the new Karowe Emerging Entrepreneur Fund (KEEF) micro-lending scheme, as well as other involvements in the community. We are receiving warm feedback and have developed cordial relationships with community members who generally are willing partners of our shared community activities.

A prevailing sentiment across the meetings was gratitude that Karowe had been responsive to the local communities by making multiple visits to the villages in 2015, and for the fact that the mine is making good on its promise to help with economic development in the region.

Community Involvement

We continued our active support and involvement in local community activities during 2015. We also participated in the annual Lethakane clean-up campaign. We spent a day with the Mopipi community shar-

COMMUNITY FEEDBACK

In November 2015, Karowe Mine held a community meeting in Lethakane with more than 50 village members of the Boteti sub-district. Its purpose was to present ongoing and new initiatives and to hear feedback from the community.

Our Sustainability Executive, Mr. Ewetse Mathaba, described our stakeholder engagement initiatives and new mine developments. He also explained the Karowe Emerging Entrepreneur Fund (KEEF) a micro-lending scheme with the key objectives of employment creation, provision of goods and services, and empowerment of Boteti residents through financial assistance. Participants agreed it has an important positive impact on lives in the community.

Mr Mathaba also reflected on grievances lodged by the community and our efforts to address and resolve them.

The community members appreciate the good work done by Karowe mine and its consistency in addressing stakeholder concerns. This includes Karowe's promotion of health, safety, and security in the community, including a Wellness Day event held at the Mopipi Village. Our Community Liaison Officer, Ms. Mokgweetsi, was praised for her positive engagement approach.

The construction of the new abattoir is very well received. It will increase the throughput of cattle and goats, improve hygiene concerns, and contribute to the Boteti economy.

Examples of projects the communities requested further help with from Lucara were medical facilities improvement, electrification initiatives, bus shelter upgrades, a community hall and new school furniture.

ing in the virtues of an active lifestyle. It was a wellness campaign with Karowe employees joining in with the villagers in aerobics, netball, foot-ball and tug-of-war activities. (insert related photos from Q2 newsletter) We sponsored the local Karowe Cycle Challenge in 2015 that attracted many participants from other mines and members from the Letlhakane community. (insert related photos from Q2 newsletter) Our Karowe Masters soccer team was again crowned the 2015 champions of the Badira Mmogo Social league.

We also donated BP20,500 (approx. \$1,800) to five Secondary Schools in six villages for the best performers in Mathematics, Science, English and extra curricula activities.

Lucara contributed CA\$ 250 000 to Lundin Foundation during calendar year 2015.

Grievance Mechanism

Karowe maintains a formalized grievance mechanism. This allows us to receive, log and acknowledge any grievances which may be associated with our operations from time to time. All grievances are assessed, prioritized and forwarded for action to the appropriate department tasked with investigating and resolving issues of concern. Once grievances are closed, they remain subject to monitoring.

During 2015, two minor community grievances were lodged, investigated and resolved. The grievances lodged included

a soil dump close to a community that had to be removed, and an invalid complaint about groundwater depletion by the mine from a local farmer.



PRESIDENTIAL AWARD TO OUR COMMUNITY LIAISON OFFICER



Lucara is proud to announce that our Community Liaison Officer at Karowe, Ms. Kgalalelo Gloria Mokgweetsi received a Presidential Award from His Excellency, The President of Botswana, Sir Seretse Khama. The award was for Ms Mokgweetsi's service to the nation, particularly in relation to sport and women in sport. Although linked to a lifetime of achievements, it helps demonstrate Ms Mokgweetsi possesses the qualities and respect to lead Lucara's community relations at the Karowe mine.

It all started in 1972 when Kgalalelo played netball and captained a team for the first time. This laid the foundation for many future leadership roles up to this day. She played for her school at regional and national levels, going on to play for other teams until 1993 when injury during a tournament forced her to retire from the sport.

In 1994, she was elected Recording Secretary for the Botswana NETBALL Association (BONA), in 1997 as Vice President, and in 1999 as President. In 2004 she was elected Chairperson of Women and Sport Botswana (WASBO) Northern Region, in 2007 as interim Chairperson and in 2009 as Chairperson and Vice-Chairperson of Women in Sport in the SADC Countries.

Kgalalelo is known for her gift of touching people's lives and in 2011, founded the Women Empowerment Network in Boteti Sub District where she is currently based. This network focuses on spiritual upliftment, health issues, social skills, sports participation and women empowerment in the Boteti sub district where most of the Village Development Committees (VDCs) are led by women.

COMMUNITY INVESTMENT



Lucara Diamond is committed to create sustainable value in host communities and countries in which we operate.

Our operations contribute to the social and economic development and wealth of host communities through a number of channels:

- Wages and salaries paid to employees and contractors
- Taxes, royalties, and fees
- Procurement of goods and services
- Installation/upgrading of local infrastructure
- Support of community development programs

Lucara Diamond is committed to creating sustainable value in host communities and countries in which we operate.

Lucara also contributes directly to the Lundin Foundation, the community investment arm of the Lundin Group of Companies. The Foundation designs and manages community investments across four pillars: resource governance, education/skills



training, local procurement, and economic diversification.

The Letlhakane Abattoir expansion and upgrade was close to completion by year-end, awaiting the final delivery of a generator and transformer. Operation of the abattoir is now scheduled to start in the first quarter of 2016.

The Karowe Emerging Entrepreneurs Fund (KEEF) provides financing to early stage

businesses in and around Letlhakane.

The Fund also has a dedicated business development manager who provides pre and post- investment technical assistance to help strengthen capacity of entrepreneurs. Together, the aim is to help high potential entrepreneurs develop and grow their business, create jobs and contribute to a strong, diversified local economy.



ABOUT THE LUNDIN FOUNDATION

Founded in 2005, the Lundin Foundation designs, implements, and monitors initiatives aimed at commuting measureable and sustainable benefits to populations impacts by extractive companies. These initiatives are divided into four thematic areas:

- Strengthening resource governance
- Education and skills training
- Local procurement
- Economic diversification



In 2015, the KEEF Investment Committee in its second round granted financing to five projects from Letlhakane, Rakops, Madikola and Mokobaxane villages. The projects financed include a new wedding venue, a new hardware shop, a new poultry farm, and two new small stock farms. Three of the five projects are female owned activities. A third round of 30 applications have been received for consideration in 2016.

In 2015, supported through the Lundin Foundation and in partnership with the Central District Council, we also saw major progress to upgrading and expanding the Letlhakane Abattoir. This slaughter house had been unable to service the local demand and meet required quality criteria. The nearest other abattoir is located at a significant distance, adding to the transport cost and increasing dependency on third parties. The expansion of the Letlhakane Abattoir is

intended to increase the capacity of the Abattoir, improve compliance to set standards, as well as provide significant long term benefits to livestock owners in the Boteti sub-district. We anticipate the opening of the Letlhakane Abattoir by mid-2016.

CAUTIONARY STATEMENT

Forward looking information

This document contains statements about expected or anticipated future events and financial results of Lucara that are forward-looking in nature and are based on Lucara's current expectations, estimates and projections. This forward-looking information is subject to certain risks and uncertainties, such as legal and political risk, civil unrest, general economic, market and business conditions, the regulatory process and actions, technical issues, new legislation, competitive and general economic factors and conditions, the uncertainties resulting from potential delays or changes in plans, the occurrence of unexpected events and management's capacity to execute and implement its future plans. The actual results, activities, performance or achievements of Lucara may differ materially from those projected by management.

A discussion of factors that may affect Lucara's actual results, performance, achievements or financial position is contained in the filings by Lucara with the Canadian provincial securities regulatory authorities on the system for electronic document analysis and retrieval ("SEDAR") at www.sedar.com. All currencies mentioned in this presentation are in United States Dollars ("US\$") unless otherwise mentioned.

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