



Lucara Diamond

**ANNUAL INFORMATION FORM
(FOR THE YEAR ENDED DECEMBER 31, 2017)**

DATED: MARCH 21, 2018

TABLE OF CONTENTS

	Page No.
DEFINITIONS	1
DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS	2
1.1 DATE OF INFORMATION	3
ITEM 2 CORPORATE STRUCTURE	4
ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS	5
3.1 SIGNIFICANT ACQUISITIONS	10
ITEM 4 BUSINESS OF LUCARA	10
4.1 GENERAL	10
4.1.1 MINING BUSINESS	11
4.1.2 ROUGH DIAMOND SALES PLATFORM BUSINESS	13
4.2 DESCRIPTION OF MINING PROPERTIES	14
4.2.1 KAROWE MINE - BOTSWANA	14
4.2.2 PROSPECTING LICENCES – BOTSWANA	26
4.3 SOCIAL AND ENVIRONMENTAL POLICIES	27
4.3.1 CORPORATE AND SOCIAL RESPONSIBILITY CHARTER	28
4.3.2 ENVIRONMENTAL POLICY	28
ITEM 5 RISKS AND UNCERTAINTIES	29
ITEM 6 DESCRIPTION OF SHARE CAPITAL	38
6.1 GENERAL DESCRIPTION OF CAPITAL STRUCTURE	38
6.2 DIVIDENDS	38
ITEM 7 MARKET FOR SECURITIES	39
7.1 EXCHANGE LISTING	39
7.2 TRADING PRICE AND VOLUME	39
7.3 ESCROWED SECURITIES	39
ITEM 8 DIRECTORS AND OFFICERS	39
8.1 NAME AND OCCUPATION OF DIRECTORS AND OFFICERS	39
8.2 SHAREHOLDINGS OF DIRECTORS AND OFFICERS	41
8.3 COMMITTEES OF THE BOARD	41
8.4 CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS	42
8.5 CONFLICTS OF INTEREST	44
ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS	44
ITEM 10 AUDIT COMMITTEE	44
10.1 OVERVIEW	44
10.2 AUDIT COMMITTEE CHARTER	45
10.3 COMPOSITION OF THE AUDIT COMMITTEE	45
10.4 AUDIT COMMITTEE OVERSIGHT	46
10.5 PRE-APPROVAL POLICIES AND PROCEDURES	46
10.6 EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)	46

ITEM 11	INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....	47
ITEM 12	TRANSFER AGENTS AND REGISTRARS	48
ITEM 13	MATERIAL CONTRACTS	48
ITEM 14	INTERESTS OF EXPERTS	48
ITEM 15	ADDITIONAL INFORMATION	48
	AUDIT COMMITTEE CHARTER.....	A1

DEFINITIONS

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

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

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

Clara means Clara Diamond Solutions Corporation, a wholly owned subsidiary of the Company and owner of a digital sales platform for the sale of rough diamonds

CDN\$ means Canadian dollars

CIM Guidelines means the “CIM Standards on Mineral Resources and Reserves - Definitions and Guidelines” adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000 and as subsequently amended

cpht means carats per hundred tonnes

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

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

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

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

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

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

TSX means the Toronto Stock Exchange

US\$ means United States dollars

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

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

- *widespread diamond industry adoption of the Clara Platform;*
- *the Company's ability to protect its intellectual property;*
- *risks inherent in the implementation of new technologies, including the Clara Platform, including potential intellectual property infringement claims;*
- *industrial job disturbances;*
- *environmental and other regulatory requirements, including changes in the same;*
- *acts of the governments where Lucara's operations are located;*
- *obtaining and maintaining governmental approvals and permits including but not limited to mining licenses;*
- *estimation of mineral resources, including the continuity of grade of diamondiferous mineralization;*
- *risks related to property titles;*
- *the dependence on transportation facilities, infrastructure and information technology systems;*
- *the Company is required to carry uninsurable risks;*
- *the mining industry is competitive;*
- *risks associated with current and future legal proceedings;*
- *conflicts of interest;*
- *dependence on management and technical personnel;*
- *risks associated with volatility in the securities market;*
- *risks associated with reliance on IT systems that could be compromised; and*
- *risks associated with climate change including the impact of extreme weather events on mining operations.*

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

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

INTRODUCTION

1.1 DATE OF INFORMATION

All information in this AIF is as of December 31, 2017 unless otherwise indicated.

Currency

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

As at December 31	2017	2016	2015
Close	1.2552	1.3442	1.3872

Accounting Policies and Financial Information

Unless otherwise indicated, financial information in this AIF is derived from the Company's consolidated financial statements which are presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Classification of Mineral Reserves and Resources

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

ITEM 2 CORPORATE STRUCTURE

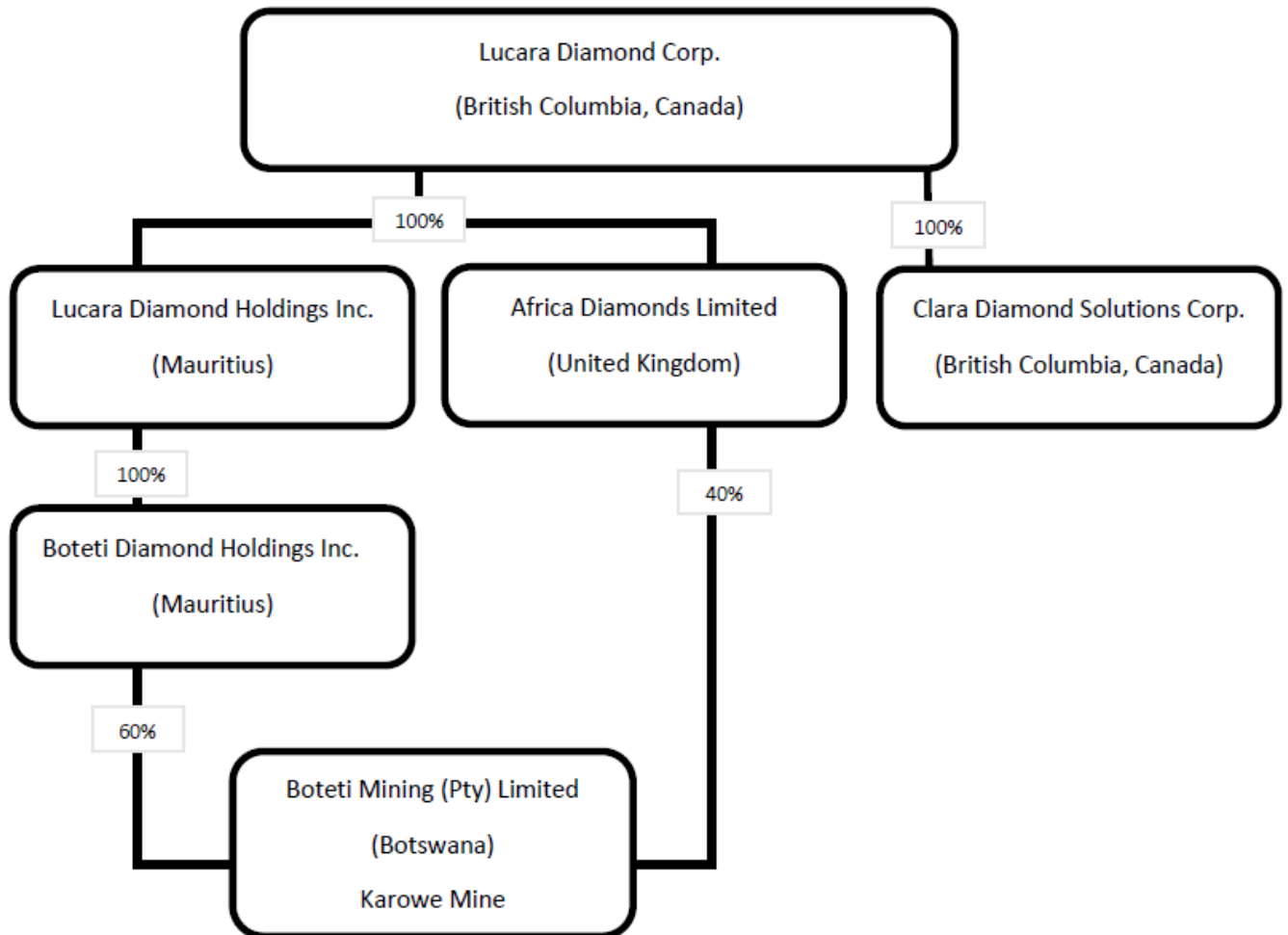
Incorporation and Registered Office

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

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

Intercorporate Relationships

Substantially all of Lucara's business is carried on through its various subsidiaries. The following chart illustrates the Company's main subsidiaries as of March 21, 2018, including where they are incorporated. All of these subsidiaries are wholly owned.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

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

Three Year History – Major Developments

2015

- In April 2015, the Company announced the recovery of a 342 carat gem quality diamond at its Karowe Mine. This stone subsequently sold for US\$20.55 million.
- A share purchase agreement was entered into in July 2015 with Paragon Diamonds Limited (“Paragon”) to sell the Company’s 75% interest in the Mothae Project to Paragon.
- In August, the ongoing recovery of Exceptional Diamonds was announced including a further 336 carat stone, a 184 carat stone, a 94 carat and an 86 carat stone.
- The primary focus of the Company in 2015, was the completion of the plant optimization project at the Karowe Mine, to modify the process plant to treat harder, more dense material at depth and improve the recovery of Exceptional Diamonds.
- In the fourth quarter of 2015, Lucara completed the construction of a bulk sampling plant and commenced bulk sampling activities associated with the two precious stone prospecting licenses granted in 2014.
- The Company made diamond history in November 2015 with the recovery of a 1,111 carat Type IIa diamond (1,109 carats post cleaning) at its Karowe Mine. The largest gem quality diamond recovered in more than a century and the second largest ever recovered.
- Lucara announced the recovery of two further Exceptional Stones in November, an 813 carat stone and a 374 carat stone.
- As a result of Paragon being unable to complete its purchase obligations for the Mothae Project, Lucara agreed to relinquish its 75% interest in the Mothae Project to the Government of Lesotho and entered into discussions on the form on the relinquishment including release of rehabilitation obligations related to the Project.
- The Company paid two dividends in 2015, of CDN\$0.02 per share for a cumulative dividend of CDN\$0.04 per share. In December 2015, the move to a quarterly dividend commencing in 2016 was announced.
- A total of eight sales of rough diamonds from the Karowe Mine were held in 2015. Two of the sales were Exceptional Stone Tenders. A total of 377,136 carats were sold generating gross revenues of US\$223.8 million.

2016

- Lucara's focus in 2016 was to consolidate and initiate further process plant improvements at the Karowe Mine and to maximize value for the two Exceptional Stones, the 1,109 carat and 813 carat stones, recovered in the last of quarter of 2015.
- In February 2016, Lucara announced a contest to name, by the citizens of Botswana, the 1,109 carat Exceptional Stone. The name given to the stone was "Lesedi La Rona".
- On March 31, 2016, the Company completed the relinquishment of its 75% interest in the Mothae Project by transferring its shares in Mothae Diamond Pty Ltd. and the site bulk sample plant associated with the Mothae Project to the Government of Lesotho. In consideration, the Government provided a release to the Company of its rehabilitation liability for the Mothae Project.
- In April 2016, Lucara announced the results from the year's first Exceptional Stone Tender. The sale consisted of 10 diamonds totaling 1,525 carats for US\$51.3 million (US\$33,632 per carat); 7 diamonds sold for more than US\$2.0 million each, including 4 stones which sold in excess of US\$5.0 million each.
- In May 2016, the Company sold the 813 carat diamond for US\$63.1 million (US\$77,649 per carat), a record for a rough diamond to Nemesis International DMCC. As part of the sale, the Company will receive 10% of net profits received from the sale of the resultant polished diamonds. The stone was named the Constellation diamond.
- The Company retained Sotheby's to auction the Lesedi La Rona on June 29th, 2016. Prior to the auction, Lucara showcased the stone in Singapore, Hong Kong, Dubai, New York, Geneva, Antwerp and London. The reserve price set for the stone was not met at the auction.
- During the second quarter, the Company announced positive results from the mini bulk sampling program at the BK02 Kimberlite located 30 kilometers east of the Karowe Mine. A total of 274.33 carats were recovered from the processing of 5,916 tonnes for a sample grade of 4.6 cph (carats per hundred tonne). The largest diamond recovered was a 5.48 carat brownish octahedron. In addition, a total of 24 stones greater than 1.0 carats were recovered and 3 diamonds in excess of 2.0 carats were recovered. The AK12 Kimberlite was also tested but results showed a low diamond content and no further work will be carried out. The Company also announced a deep drilling program at the Karowe AK6 pipe to test the inferred resource below the 400 metres level within the prolific South Lobe.
- In July 2016, Lucara announced, in addition to its 2016 quarterly dividend of CDN\$0.015 per share, the approval of a special dividend of CDN\$0.45 per share to shareholders of record on September 2, 2016.

- In August 2016, the Company announced the installation of four new XRT diamond recovery units to target diamonds in the finer size fraction between 4mm and 8mm. This upgrade was forecast to cost up to US\$30 million and was expected to be completed in Q4 2017.
- In October 2016, the completion of the first stage of plant modification to upgrade the Large Diamond Recovery (“LDR”) circuit was completed at Karowe. The modification enables the processing of ore up to 90mm in size and allows for the recovery of a diamond similar in size to the 3,106 Cullinan diamond recovered in 1905.
- In November 2016, the second Exceptional Stone Tender was completed resulting in the sale of 12 single stones totaling 1,098 carats yielding gross revenue of US\$38.7 million (US\$35,230 per carat). Five diamonds sold for more than US\$2.0 million each.
- In November 2016, the Company provided 2017 guidance of a planned annual dividend of CDN\$0.10 per share to be paid in four equal payments at the end of each financial quarter.
- In December 2016, Lucara terminated its contract with Eqstra Botswana, the mining contractor at its Karowe Mine, and initiated plans to transition to a new contractor. During the transition period, the plant at Karowe was fed with stockpiled material with no material impact on production. A new mining contractor for the Karowe Mine, Aveng Moolmans, was appointed in January, 2017.
- Lucara completed the year by announcing a milestone achievement of exceeding sales totaling US\$1.0 Billion from its Karowe Mine. The Karowe Mine, at that point, had yielded 1.8 million carats at an average of US\$566 per carat. The mine also surpassed the 5,000,000 Lost Time Injury Free hour mark.
- During 2016, a total of 353,974 carats from the Karowe Mine were sold generating gross revenues of US\$ 295.5 million.

2017

- In February 2017, the Company’s new mining contractor, Moolman Mining Botswana (Pty) Ltd, a subsidiary of Aveng Moolmans, commenced mobilization and mined ore from stockpile during its ramp up.
- A drilling program at the Karowe Mine to test the AK06 kimberlite at depths below 400m was completed in February 2017. Mineral Services Canada was contracted to assist in the development of the sampling program and internal geology updates that will be utilized for an updated resource estimate for the inferred portion of the Karowe Mine resource estimate, between a depth of 400 to 600m below surface (600 to 400masl).

- During Q1 2017 further work was conducted on the exploration sites BK02, AK11, AK13 and AK14. Based on the grade and yield information from the exploration activity, the Company determined that it would not continue additional work on BK02 or AK14.
- During Q2 the Company's mining contractor, Moolmans, experienced equipment availability issues, which resulted in lower than planned ore and waste mined. As a result of the reduced ore mined volumes, the Company reduced forecasted carats recovered to between 265,000-285,000 carats and carats sold to between 260,000-275,000 carats.
- In September 2017, the Company announced the completion of two diamond recovery capital projects: the Mega Diamond Recovery ("MDR") project and Sub-middles XRT project within budget and ahead of schedule. The commissioning of the MDR and Sub-middle circuits advanced the Company's ability to recover diamonds prior to the comminution process where diamond damage may occur and thus maximize value for its exceptional diamonds.
- In September 2017, the Company announced the sale of the 1,109 carat Lesedi La Rona for US\$53 million.
- During Q3 2017, Moolman's ramp up to full capacity was longer than anticipated, and the Company and Moolman worked to address and improve operating inefficiencies. As a result, the Company focused on waste mining and lower grade stockpile was substituted for fresh ore which led to lower carats recovered during the year. As a result, the Company decreased 2017 revenue guidance to between US\$165 million and US\$175 million, excluding the sale of the Lesedi La Rona.
- During Q3 2017, the Company transitioned to a new mine processing contractor at the Karowe Mine which increased capabilities of Karowe's new diamond recovery technology.
- In November 2017, the Company announced the results of its Preliminary Economic Assessment for underground development at the Karowe Mine (the "Karowe Underground PEA"). Based on the positive results, the Company is continuing with the development of a pre-feasibility study ("PFS"), which is expected to be completed in H2 2018. As a standalone underground project, the Karowe Underground PEA reported after-tax undiscounted net cash flow of US\$820 million and an after-tax NPV (5%) of US\$451 million and IRR of 38.9% with a total Life-of Mine ("LOM") production of 2.72 million carats. For further information refer to the Section 4.2.1 below entitled "Karowe Underground Preliminary Economic Assessment".
- On December 15, 2017, the Company filed an updated Technical Report for the Karowe Mine which summarized the results of the Karowe Underground PEA in accordance with NI 43-101.

- During Q4 2017, final sampling of drill core was completed for density, petrography, and microdiamond analysis. The Company progressed the updated geological and resource model for AK6. This program is designed to increase confidence in the geological model for the south lobe of the AK06 kimberlite and provide sufficient data and material for an updated resource to be utilized in the underground pre-feasibility study currently underway.
- The Company paid four quarterly dividends in 2017 of CDN\$0.025 per share for a total annual dividend of CDN\$0.10 per share.
- During 2017, a total of 249,767 carats from the Karowe Mine were sold generating gross revenues of US\$220.8 million.

2018

- In February 2018, the Company announced the acquisition of Clara, a company whose primary asset is a secure, digital sales platform for the sale of rough diamonds, for up-front consideration of 13.1 million shares of Lucara and further staged equity payments totaling 13.4 million shares that become payable upon the achievement of performance milestones related to total revenues (revenues from rough diamonds bought and sold) generated through the Clara Platform. The Company also agreed to a profit sharing mechanism whereby the founders of the Clara technology, and management of Clara, will retain 13.33% and 6.67%, respectively, of the annual EBITDA generated by the platform, to a maximum of US\$25 million per year, for 10 years.
- In February 2018, the Company announced William Lamb's retirement as the Company's CEO, Eira Thomas' appointment as CEO and Catherine McLeod-Seltzer's appointment as a board member.

3.1 SIGNIFICANT ACQUISITIONS

No significant acquisitions that would require disclosure pursuant to Part 8 of National Instrument 51-102, *Continuous Disclosure Obligations* were completed by Lucara during the year ended December 31, 2017.

ITEM 4 BUSINESS OF LUCARA

4.1 GENERAL

Lucara is a diamond producer and explorer focused on developing its portfolio of advanced stage diamond assets in Africa. The principal asset and current focus of Lucara is its Karowe Mine in Botswana. The Karowe Mine came into production in 2012 and produced a total of 249,767 carats in 2017. On the exploration side, two licenses (with expiry dates of September 2018 and September 2019) were granted in 2014 to Lucara's subsidiary, Boteti, by the Botswana government to prospect for Special Stones in two areas in close proximity to the Karowe Mine. More detailed information regarding the Karowe Mine and the Botswana prospecting licenses can be found under Description of Properties.

The Company mines and markets high quality rough diamonds from its Karowe Mine in Botswana. The Company sorts the rough diamonds into internationally recognized sales assortments according to a number of criteria (including size, colour, clarity, expected polished yield and value). After valuing the rough diamonds, they are sold out of Botswana into various international diamond markets via a sealed bid tender process involving the sale of rough diamonds from its regular production. Most sales of Exceptional Stones are also conducted by sealed bid tender. In 2017, the Company sold a 1,109 carat diamond, the Lesedi La Rona, via a direct sales contract instead of utilizing the tender process. During 2017, there were 4 tenders of regular production stones and 1 Exceptional Stone tender. Each tender lasts between seven and ten working days, during which time customers view the assortments and place a confidential electronic bid on desired parcel of their choice, and upon conclusion of the tender, the highest bidder wins the parcel. In 2017 viewings for tenders were held exclusively in Gaborone, Botswana. The Company's rough diamond clients are international diamond buyers based in the major diamond cutting and polishing centers across the globe.

The Company expanded its business in 2018 with the purchase of Clara, a company whose primary asset is a secure, digital rough diamond sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies and ensuring diamond provenance.

4.1.1 MINING BUSINESS

Specialized Skill and Knowledge

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

Diamond Market

Rough diamond prices in 2017 increased slowly but steadily, putting more pressure on manufacturing margins. However, manufacturers benefitted from healthy retail sales in the three main consumer markets: USA, China and India.

Similar to 2016, polished diamond prices were under pressure throughout the year. It was only by the end of December that some niche polished diamond product achieved positive price movement reducing polished inventories in certain size and quality fractions.

Both De Beers and Alrosa, the two main diamond producers, mined more diamonds in 2017 than in 2016. De Beers reported that average selling prices decreased by 13% in 2017 compared to the previous year.

According to a study conducted by Bonas Diamond Brokers in 2016-2017, synthetic diamonds accounted for 2.3 million to 4.2 million carats, which was three per cent of total natural diamond production volume of 127.4 million carats in the world. The United States is a significant market for retailing synthetic diamonds while India, China and Singapore are production hubs. There is some commercial output of large synthetic diamonds from Russia, as well as synthetic diamond producers in Europe who are focused on research and development.

Competition

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

Production

During 2017, Karowe Mine's fifth full year of production, 249,767 carats were recovered from 2.34 million tonnes of ore processed.

Karowe recovered a total of 521 Special Stones (stones greater than 10.8 carats) with an average stone size of 26.63 carats per stone. A total of 17 stones greater than 100 carats were recovered including 2 stones greater than 200 carats. Overall the Special Stones account for 5.6 weight percent of the total 2017 production at the Karowe Mine.

Environmental Protection

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

Employees

At the end of 2017, Lucara had approximately 250 employees in Canada, United Kingdom and Botswana plus approximately 1070 employees of contractors employed in ongoing mining operations at its Karowe Mine in Botswana. The majority of its employees are located at the Karowe Mine.

4.1.2 ROUGH DIAMOND SALES PLATFORM BUSINESS

Status of Development of Clara Sales Platform

Lucara will be commercializing the Clara Diamond Platform (the “Clara Platform”) in 2018. This platform is a commercial digital platform that applies proprietary, computing algorithms to match rough diamond production to specific polished manufacturing demand on a stone by stone basis. It allows buyers to source rough diamonds tailored to specific polished diamond demand resulting in improved margins for both buyers and sellers. Further, the platform efficiently integrates with blockchain technology, ensuring provenance tracking across the entire diamond supply chain. Other benefits of the Clara Platform include the elimination and dependency on a fixed sales cycle, and reduced inventory carrying costs for all stakeholders. The Company will utilize the Clara Platform to sell a selection of diamonds from the Company's Karowe Mine. Thereafter, Clara will be scaled to accommodate diamond uptake from a variety of sources across the supply chain.

Research and Development

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

Competition

Currently there is no competitor that has gone to market with a Platform with 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.

Employees

The Company anticipates increasing manpower for the initial set up and launch of the Clara Platform as well as for ongoing maintenance and operation.

4.2 DESCRIPTION OF MINING PROPERTIES

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

Project	Interest	Type and No.	Date of Grant	Renewal or Expiry	Area (km ²)
Karowe Mine	100%	Mining License (1)	October 2008 (Updated May 2011)	October 2023	15.3
Exploration Work Orapa Kimberlite Field – Two Sites	100%	Prospecting Licences (2)	October 2014	PL367/18 (September 2018) PL371/19 (September 2019)	1.07 (Licence PL367) 25 (Licence PL371)

4.2.1 KAROWE MINE - BOTSWANA

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

“Karowe Diamond Mine, Botswana, NI 43-101 Independent Technical Report (Amended)” effective December 31, 2013 (the “Karowe Technical Report”) was compiled and prepared by MSA Geoservices (Pty) Ltd. and Mineral Services Canada Inc. and authored by: Mr. Michael Lynn, Principle Consultant – Diamonds MSA (PrSciNat, FGSSA); Dr. Tom Nowicki, Senior Principal Geoscientist Mineral Services Canada Inc (Ph.D. P.Geol.); Mr. Michael Valenta, Consulting Professional Engineer (Metallurgical)(P.Eng (Int) FSAIMM); Mr. Mark Gallagher, Consulting Mining Engineer (P.Eng); Mr. John Sexton, Professional Financial Analyst (QV); Mr. Robin Bolton, Consulting Environmental Scientist (PrSciNat) and Mr. Beric Robinson, Consulting Professional Engineer (P.Eng), each of whom is a qualified person within the meaning of this term in NI 43-101.

Updates to the technical data is also contained within the following technical report:

“NI 43-101 Technical Report on the Preliminary Economic Assessment of the Karowe Diamond Mine Underground Project” effective 31 October 2017. The report was prepared and compiled by Royal HaskoningDHV and authored by Mr. Guillaume Johannes Oberholzer (Pr.Eng, SMSAIEE) Royal HaskoningDHV, Mr. Norman George Carroll Blackham (BSc Honours(Min. Tech.), Fellow SAIMM) Royal HaskoningDHV, Mr. John Anthony Cox (Pr.Eng, ECSA, Fellow SAIMM) Royal HaskoningDHV, Mr. Jody John Thompson (B.Eng, Fellow SAIMM) Royal HaskoningDHV, Dr. Kym Lesley Morton (BSc

Honours, MSc Hydrogeology, PhD, MBA) KLM Consulting, Dr. Tom Nowicki (P.Geo) Mineral Services Canada, Dr. John Armstrong (P. Geol.) Lucara Diamond Corporation

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

The qualified person, as defined in NI 43-101, who supervised the preparation of the Company's revised mineral reserve and mineral resource estimates as of December 31, 2017 is Dr. J.P. Armstrong (Ph.D. P.Geo) an employee of the Company.

Description and Location and Access

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

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

The area lies on the northern fringe of the Kalahari Desert of central Botswana. It is described as being flat lying sand savannah which supports a natural vegetation of trees, shrubs and grasses. The natural vegetation has been modified by many years of cattle grazing and limited arable farming.

The property is at an elevation of 1,022m above sea level. The ground slopes very gently to the north into the Makgadigadi Depression. The dry valley of the now fossil Letlhakane River passes some 18 km to the northeast of the property and is the only notable physiographic feature in the immediate area.

The property area is communal agricultural land used mainly for cattle grazing with limited arable farming. Surface rights have been secured over the mining license to provide sufficient space for rock dumps, tailings dams and mine infrastructure. An amendment to the mining license was subsequently approved in 2011 to increase the surface rights area of the mining license.

The property is accessed by 15 km of well-maintained all weather gravel and sand road from the tarred Letlhakane to Orapa road. Letlhakane village is the closest settlement and offers basic facilities. At the 2011 census Letlhakane had a population of 33,586 which was estimated to rise by 1.8% annually (Central Statistics Office, Gaborone), thus at present, has an estimated population of approximately 38,000. There are good telecommunications including cellular telephone networks in the area. Letlhakane is reached from the major cities of Gaborone and Francistown by good quality tarred roads. There is an 1800 metre airstrip at Karowe and the

closest airport with commercial flights is Francistown, some 200 km to the east and 2.5 hours away by road. There is also an airstrip within the nearby Debswana controlled Orapa Township. Both the Karowe and Orapa airstrips have immigration and customs facilities and can thus service international flights.

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

Electrical power is provided by Botswana Power Corporation's national grid. Water for the existing mines derives from a strong aquifer at the contact of the Ntane Sandstone Formation and the overlying Karoo basalt.

Boteti has obtained common law land rights for surface area of the mining license and for the access road. These rights will remain in force for the life of mine.

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

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

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

History

The AK6 Kimberlite was discovered by the De Beers group of companies in 1969, but was initially considered to be small and low grade based on early work. Reassessment started in 2003 revealed that the kimberlite was larger and had a higher grade than previously estimated. All historical work was carried out by De Beers. In 2009, Lucara acquired an initial 70% interest in Boteti, the owner of a 100% interest of the AK6 Project. In 2010, the Company increased its ownership in Boteti, through the acquisition of African Diamonds Limited, to 100% thereby becoming the sole owner of the AK6 Project. A feasibility study was finalized in 2010, which lead directly to a construction decision. Ground breaking for the project early works occurred in September 2010, with official project approval occurring in November 2010 and construction being completed in Q1 2012. Commissioning and ramp up to full operational capacity was completed in Q3 2012. In early 2014 construction started on an upgrade to the process plant to increase the efficiency of the comminution circuit and to incorporate a circuit to recover all diamonds greater than 8mm in size through XRT (X-ray transmission) technology. In 2016, modifications to the process plant allowed the maximum diamond size recoverable to be increased to 90mm. In 2017, additional XRT machines were installed to increase the maximum diamond size recoverable to 125mm before the autogenous mill, as well as recover diamonds in 4 to 8mm material using XRT technology.

Geological Settings, Mineralization and Deposit Types

Regional Geology

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

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

Local Geology

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

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

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

Property Geology

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

Bedrock is covered by a reddish brown top soil layer 1.0 - 1.5m thick made up largely of aeolian sand. There is a discontinuous thin gravel layer or 'stone line', <0.6m thick, at the base of the soil with clasts from 20 - 50mm in size. The gravel is partly calcretised. Testing by De Beers has shown it to be barren of diamonds. The soil and gravel are underlain by a friable calcrete to a depth of 3 - 4m, below which is a massive silcrete horizon, often densely veined by calcite. Over the kimberlite, the silcrete grades downwards into highly weathered and partially silcretised kimberlite with extensive calcite veining. Indicator minerals and vaguely preserved macrocrystic kimberlite texture can be seen in places. Kimberlite can be clearly identified below about 8 - 10m depth.

Kimberlite Geology

The geology of the AK6 Kimberlite has been deduced from geophysics, drilling and trenching.

Below the highly weathered layer, generally at a depth of 8 to 12m below surface, the kimberlite is reddish brown to grey, soft and friable, and intensely veined. Lenses of calcrete and silcrete occur up to 15m below surface.

AK6 is pinched at surface, and its sub-outcrop consists of a core covering 4.2 ha surrounded by an area where the kimberlite is capped by basalt or basalt breccia. The peripheral basalt breccias are not included as kimberlite in the geological model, and are thus excluded from the resource.

The AK6 Kimberlite is regarded as a volcanoclastic kimberlite, possibly pyroclastic, showing various degrees of welding.

Mineralization and Deposit Types

The property includes the AK6 Kimberlite pipe which is demonstrably diamond bearing. Diamonds occur as xenocrysts which have been entrained by the kimberlite magma during its ascent to surface from depths ranging between approximately 150km and 180km. Factors influencing the grade of mineralization include the quantity of diamonds originally entrained by rising magma, the rate of ascent to surface and possible resorption of some diamond into graphite, and dilution of the primary kimberlite magma by barren country rock material. The grade of the AK6 Kimberlite has been estimated by successive sampling programmes to produce an indicated mineral resource to a depth of 400m and an inferred mineral resource to a depth of 750m.

Exploration

The exploration of the AK6 Kimberlite is described in the Karowe Technical Report pages 46 to 48. Advanced exploration work done on the AK6 Kimberlite by Boteti from December 2003 until May 2007 is summarized in the report. All work was carried out by De Beers, the previous operator, under prospecting license PL13/2000.

Drilling

Beginning in late 2003, extensive drilling works were undertaken on the AK6 Kimberlite. The drilling can be divided into that done to delineate the extent of the kimberlite and to map its internal geology, and density, and that done to obtain samples for diamond grade and revenue estimation. Details on drilling activities are described in the Karowe Technical Report pages 49 to 50.

Sampling, Analysis and Data Verification

Details on sample preparation, analyses, security measures and data verification are described in the Karowe Technical Report pages 51 to 57.

Mineral Processing and Metallurgical Testing

Subsequent to the commissioning of the Karowe Mine during 2012, the plant has performed successfully. The AG mill, Dense Media Separation (DMS) circuit and recovery plant have all performed to expectation. However, Lucara recognized even at the Feasibility Study stage that the greatest metallurgical risks are the ability of the grinding circuit to grind the fresh hard kimberlite (in order to liberate diamonds) below the weathered zone, and the ability of the DMS circuit to cope with very high yield material from portions of the M/PK(S) unit identified in the geological model of the South Lobe which is expected to produce DMS yields in excess of 17%. A further risk that became apparent following the recovery of exceptionally large, high value diamonds at Karowe, is the breakage of large stones. Testwork was undertaken on technologies to mitigate these risks. In 2015, the Company implemented the use of XRT (X-ray transmission) technology to recover diamonds independent of the material density profile or luminescence along with enhanced comminution systems.

Mineral Resource and Reserve Estimates

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

In December 2013, a revised resource update was completed by Mineral Services Canada Inc. taking into account mining activities at Karowe since the start of production in April 2012 and includes changes to the geological model, re-interpretation of diamond size distributions, and the results of all diamond sales. The revised mineral resource estimate of December 2013 to a depth of 400m (including gains and losses due to mining) was 7.61 million carats in 48 Mt at an average grade of 16 cpht classified as indicated resource and 3 million carats in 21 Mt at an average grade of 14.8 cpht in the inferred category between 400m and 750m below surface. The 2013 estimate demonstrates that the South Lobe of the AK6 kimberlite hosted the majority of the Indicated Resource with 37.89 Mt at a grade of 16 cpht for 5.89 million carats to a depth of 400m below surface.

Mineral Services Canada Inc. noted that although there was some month to month variation in predicted diamond grade as compared to actual recovery grade, however the overall mine-call factor during the period was very good at 99.07%. As unweathered higher yielding South Lobe ore constitutes a greater proportion of overall mill feed, variations in the MCF below that noted in the 2013 resource update have been observed and will be incorporated into the updated mineral resource statement which is expected to be issued in Q2, 2018.

The following tables provide the revised resource estimates for the Karowe Mine as of December 25, 2017 and reflect depletion due to gains and losses to the resource and mining activity since December 2013.

Mineral Reserves

2017 YE Reserve Classification	Resource	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
Probable	North+Centre Lobe	3.87	0.59	15.29
Probable	South Lobe	16.74	2.47	0.15
Probable	Working Stockpiles	2.00	0.2	9.7
	Total	22.61	3.26	0.14

Notes:

Statement of the estimated remaining Mineral Reserve in the AK6 Kimberlite deposit as of December 25, 2017. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the Company and a qualified person within the meaning of NI 43-101.

1) Based on a recoverable grade model (1.25mm bottom cut off size).

2) Diamond price is based on diamonds recoverable with current Karowe plant process and 2016/17 Lucara Diamond rough diamond sales data.

3) Volume to a depth of 400m below surface (600masl), tonnes and carats are reported in millions (M).

4) Working Stockpiles are available for blending and supplementing feed to the process plant. Table contains rounded figures.

Mineral Resources

2017 YE Resource Classification	Resource	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
Indicated	North+Centre Lobe	5.62	0.88	15.70
	South Lobe	30.50	4.42	14.5
	Working Stockpiles	2.0	0.19	9.71
	LOM Stockpile	2.4	0.09	3.79
	Total	40.49	5.59	13.81
Inferred	North+Centre Lobe	0.20	0.03	14.8
	South Lobe	20.37	2.95	14.47
	Total	20.57	2.98	14.48

Notes:

Statement of the estimated remaining Mineral Reserve in the AK6 Kimberlite deposit as of December 25, 2017. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the company and a qualified person within the meaning of NI 43-101.

1) Based on a recoverable grade model (1.25mm bottom cut off size).

2) Diamond price is based on diamonds recoverable with current Karowe plant process and 2016/17 Lucara Diamond rough diamond sales data.

3) LOM = Life of Mine; Indicated to a depth of 600 metres above sea level and Inferred from 600masl to 260 masl, tonnes and carats are reported in millions (M).

4) Working Stockpiles are available for blending and supplementing feed to the process plant.

5) Mineral Resources are reported inclusive of Mineral Reserves.

6) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table contains rounded figures.

Mining Operations

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

The mine is a conventional open pit drill and blast; truck and shovel operation. Ore is typically mined from three benches simultaneously, and a second pushback known as Cut 2 is underway and waste is currently being mined from Cut 2 to access the deeper ore. Ore is mined and either fed directly to the primary crusher or stockpiled for future treatment. Waste is mined and hauled ex-pit and dumped on a waste dump to the west of the pit, in a manner that permits concurrent rehabilitation.

Processing and Recovery Operations

The initial processing plant constructed in 2012 was a simple circuit designed to process and recover diamonds from the weathered near surface ore which constitutes the upper 70m of the AK6 orebody. The fresher ore at depth, is significantly harder than the weathered ore that has already been processed. In addition, the more competent un-weathered ore has a higher density results in a higher DMS yield to the recovery plant. A program to upgrade the process plant to deal with these orebody characteristics was undertaken in 2014/2015. This involved the incorporation of seven new circuits. All works are complete and the final circuits were commissioned in mid 2015 and Q3 2017.

Current process circuit methodology is as follows. The Run of mine (ROM) ore is either fed directly to the process plant front-end, or stockpiled for later treatment. The process facility, with a nameplate capacity of 2.5mtpa, comprises a comminution section of a primary crusher, which feeds onto a sizing screen which separates material into three factions, including material in the 50 to 123mm size range which is sent to the Mega Diamond Recovery (“MDR”) plant. The MDR was added in 2017. Oversize material from the sizing screen reports to a splitter which permits all or a portion of plus 125mm ore to proceed to a secondary gyratory crusher. The gyratory crusher product, undersize sizing screen material, crusher-bypass material and material rejected by the MDR proceed onto a crushed ore stockpile as a storage buffer ahead of the AG mill. Mill feed is via a single conveyor running from the coarse ore stockpile to the AG mill. AG mill discharge is screened at 90mm with oversize proceeding to a pebble crusher and the underflow proceeding to a bulk sorter sizing screen where it is further screened at 8mm and 4mm. Underflow (-4mm ore) proceeds to a dense media separation circuit (“DMS”). Pebble crusher product may be routed either back to the fine ore stockpile or alternatively to a 28mm bleed screen. When pebble crusher product is directed to the bleed screen all or a portion of the screen underflow is directed to the bulk sorter sizing screen feed belt. The oversize and the residual portion of the undersize rejoin the mill feed.

The XRT circuits consist of eight machines dealing with four size fractions. The largest size fraction +35-90mm is processed through the Large Diamond Recovery (“LDR”) XRT machine. The +14-35mm fraction is processed through two coarse XRT machines, the middles +8-14mm fraction is processed through two middles XRT machines and the finest +4-8mm size fraction reports to three newly installed (2017) 4-8mm sub-middles XRT machines. All XRT concentrate is directed to a high security ‘Red Area’ directly below the XRT machines, and into separate, individual sorting glove boxes, where hand sorting takes place. A re-concentration machine is implemented in the 4-8mm size fraction prior concentrate reports to sorting gloveboxes. This area is joined to the main recovery secure area by a secure corridor and all sorted diamonds and glove box tailings are transported to the main recovery area using a hands-off vacuum transport system for a validation and accounting prior to being shipped to Gaborone. Glovebox tailings are periodically audited to ensure efficient sorting.

LDR XRT tailings rejoin the mill discharge screen overflow and proceed to the pebble crusher. The tailings from the coarse XRT size fraction are screened at between 20mm and 28mm with the screen underflow going to coarse residue disposal via an XRT audit circuit. The overflow is fed to a tertiary crusher which operates at a 14mm closed size setting. The tertiary crusher product returns to the bulk sorter sizing screen for further processing. Middles XRT tailings proceed to the coarse residue disposal via the XRT audit circuit. The XRT audit circuit consists of an XRT machine designed to treat ore in the +8-28mm size range at a rate of up to 50 tonnes per hour. A portion of the tailings from the middles and coarse XRT recovery machines are continuously diverted to the XRT audit circuit as an online quality control check on the upstream XRT recovery circuit. A new audit circuit is expected to be commissioned in Q2 2018 to incorporate auditing of the 4-8mm size fraction.

Oversize discharged from the mill (+90mm) is combined with rejects from the LDR and sent to the pebble crusher which operates at a 35mm closed side setting. Product from the pebble crusher is diverted either to the crusher ore stockpile or to the product sizing screen where specific sizes and volumes are diverted back to the AG Mill to optimize performance.

The bulk sorter sizing screen underflow (-4mm) ore fraction proceeds to the DMS circuit, with DMS floats proceeding to coarse residue disposal, and DMS sinks, the heavy minerals, which include diamonds are fed to a highly secure Main Recovery section where the diamond rich concentrate from the DMS is further concentrated utilizing two stages of magnetic separation and three stages of x-ray recovery technology followed by secure hands off sorting to recover the diamonds. The final product is then shipped to Gaborone where all diamonds are cleaned prior to being sorted into specific size and quality categories and sold via a sealed bid tender process.

The -1.25mm material from the various sizing screens is fed to a de-grit plant and thickener. Grits are disposed of on a Course Tailings Stockpile, along with the low density material from the DMS plant and the -20mm XRT tailings. The slimes are thickened and disposed of in a fine tailings impoundment. Decant water from this facility is returned for re-use in the process plant along with water recovered from the thickener.

Process plant performance in 2017 was as follows:

Process Plant Performance	Measurement	2017 Results
Tonnes Milled	tonnes	2,335,550
Mined Grade	cpht	13.00
Diamonds Delivered to Plant	ct	303,595
Plant Inventory Change	ct	-
Recovered Grade	cpht	10.7
DIAMONDS PRODUCED	ct	249,767

Reduction from mined grade to recovered grade are a combination of mining, stockpiling strategy, liberation and plant efficiency.

Infrastructure, Permitting and Compliance Activities

Karowe lies on the northern fringe of the Kalahari Desert of central Botswana, and the nearest centre of population is Letlhakane (population 38,000) approximately 20km from the mine. The property is accessed by 15 km of all-weather gravel and sand road from the tarred road linking Letlhakane to Orapa. This in turn is part of the extensive tarred road network in Botswana. Letlhakane enjoys tarred road access to both Martin's Drift and Tlokweng border post with South Africa through which the majority of spares and consumables are transported to the mine. 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 pumped to surface within the mining lease area. The water is slightly brackish and not fit for domestic or agricultural consumption. Karowe has an airstrip within the mining lease area which is primarily used for the export of diamonds, but is also used for the transport of manpower and critical spares.

Environmental governance at Karowe is driven by an accredited Environmental Management Plan ("EMP") which was drawn up in 2010 following the 2008 environmental impact assessment. Adherence to the EMP is undertaken at specific intervals agreed to between the mine and the Dept. of Environment, by an independent auditor. The EMP incorporates the requirements to adhere to the following legislation in Botswana:

- Environmental Assessment Act
- Waste Management Act
- Atmospheric and Pollution Prevention Act
- Water Act
- Public Health Act
- Mines and Minerals Act
- Radiation Protection Act

Lucara recognises the various local stakeholder groups within the ambit of operations at Karowe, and a dedicated Community Relations Officer is employed at Karowe to ensure that a

healthy relationship centred around 100% transparent communication exists between the mine and all local stakeholders.

The main request that comes from the local community is the opportunity for employment at Karowe for local community members and therefore all vacancies are advertised through a local Kgotla system. Lucara participates in Corporate Social Responsibility (“CSR”) activities within the Letlhakane sub-district and these are driven by Lucara’s CSR charter as set out in Section 4.3.2 below.

CSR activities included the construction and equipping of an abattoir to support the local livestock industry, the formation of a micro-lending facility to finance local entrepreneurs and a village initiatives program to develop sustainable community owned projects. As recognition of its CSR activities, the Company was awarded the Prospectors & Developers Association of Canada (PDAC)’s 2016 Environmental & Social Responsibility Award for its stakeholder initiatives, community engagement and its focus on sustainable practices at the Karowe mine.

Capital and Operating Costs

Capital Costs

Sustaining capital expenditures of up to US\$11 million are forecasted for 2018 which includes final expenditures for the sub-middles XRT project which is estimated to be US\$3.0 million.

During 2017, the Company completed the Karowe Underground PEA in accordance with NI 43-101 for the development of an underground mine to commence production before the completion of the current open pit at the Karowe Mine. Based on the positive results, the Company has continued with the development of a PFS which is anticipated to be completed in Q4 2018.

The costs of a PFS in 2018 are forecasted at approximately US\$3 million. Costs associated with geotechnical and hydrogeology drilling and additional studies in support of a PFS are forecast at up to US\$26 million in 2018. The Company plans to complete all geotechnical and hydrogeological drilling to a feasibility level of accuracy.

A budget of up to US\$6 million has been allocated to advance exploration work on the Company’s prospecting licenses. The Company is focused on drill programs at AK13, AK24 and LDD programs based on results of core drilling and geophysical surveys in the vicinity of AK11 and AK24. Completion of processing of AK11 LDD samples and additional drilling will be conducted if warranted. The Company continues to set staged hurdle targets throughout its exploration program, where results will be evaluated to determine whether funding will be advanced for further work.

Capital Expenditures	Estimates 2018 US\$M
Sustaining Capital (include \$3 million for sub-middles XRT audit machine)	11
PFS - AK6 Underground	3
Geotechnical and Hydrogeology drilling and additional studies - AK6 Underground	26
Exploration programs - AK 11,13,24	6
Total Capital Expenditures	46

Operating Costs

The Karowe Mine's operating cash costs are expected to be between US\$38.00 and US\$42.00 per tonne. To fully gain access to the cut 2 south lobe ore a large volume of waste is required to be mined which significantly impacts forecasted operating cash costs in 2018 similar to 2017. Operating cash costs, excluding waste mining is expected to be between US\$21-\$24 per tonne processed. The strip ratio is forecasted at approximately 5.0-6.0 in 2018 before decreasing significantly in 2019 to approximately 2.7 and then forecasted at under 2.0 stripping ratio going forward from 2020 onwards. The decrease in waste mining is expected to add to free cash flow once the cut 2 push back is complete in 2019.

Exchange Rate Forecast for 2018 Capital and Operating Costs

The capital and operating costs for 2018 have been forecast using a US\$/Pula exchange rate 9.8.

Tax Rate Forecast 2018

Boteti's progressive income tax rate computation allows for the immediate deduction of operating costs, including the mining of waste as well as capital expenditures in the year they are incurred. Boteti's income tax rate was 22% in 2017. Based on 2018 revenue guidance of US\$170-\$200 million and the additional waste mining next year along with the Company's capital program, the Company forecasts an income tax rate of between 22%.

Karowe Underground Preliminary Economic Assessment

During Q4 2017, the Company announced the positive results of a Preliminary Economic Assessment prepared in accordance with NI 43-101 for the development of an underground mine to commence production, after the completion of the current open pit mine at the Karowe Mine. The Karowe Underground PEA was prepared under the direction of Royal HaskoningDHV out of Johannesburg RSA and by leading independent industry consultants.

The results of the PEA represent forward-looking information that are subject to a number of risks, uncertainties and other factors that may cause results to differ materially from those presented.

Highlights of the PEA are summarized below: (all figures apply to a stand-alone underground project and are additive to the current open pit operations):

- After-tax undiscounted net cash flow of US\$820 million

- After-tax NPV (5%) of US\$451 million and IRR of 38.9%
- Total Life-of Mine ("LOM") production of 2.72 million carats
- Resource remains open at depth
- Average LOM operation costs of US\$49.4 per tonne
- Pre-production capital costs (including a 25% contingency, the costs of a pre-feasibility and feasibility study and hydrogeology and geotechnical testing and modelling costs) of \$195 million

Diamond price and exchange rate assumptions include a 2.5% per annum real diamond price increase, a US\$/South Africa Rand rate of exchange of US\$/R13.00 and a Rand/Pula exchange rate of R1.3/BWP1.

The Karowe Underground PEA evaluates the development of a Sub-Level Caving ("SLC") operation to extract the AK06 kimberlite resource, with all kimberlite being processed at the existing Karowe processing plant over a 10-year period following the depletion of the current open pit operations, which is expected to occur in 2026.

The Karowe Underground PEA is preliminary in nature and includes the use of the Inferred Mineral Resource which is considered to be too speculative geologically to have the economic considerations applied to it that would enable it to be categorized as a Mineral Reserve. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability, therefore there is no certainty that the Karowe Underground PEA will be realized.

Based on the positive Karowe Underground PEA results, the Company has continued with the development of a pre-feasibility study, with an anticipated release in H2, 2018.

4.2.2 PROSPECTING LICENCES – BOTSWANA

In 2014, Lucara's wholly owned subsidiary, Boteti, was awarded two precious stone prospecting licenses within the Orapa Kimberlite field in close proximity to its Karowe Mine. A bulk sampling plant (15 tonnes per hour) was ordered in Q4 2014 and commissioned within the 3rd quarter of 2015. The Bulk Sample Plant is used to process surface mini bulk samples from the Block A and Block E licenses. Extension applications from the Ministry of Mines were received in Q4 2017 for each of the Prospecting Licences ("PL's") (PL367/2014 and PL371/2014). The BK02 licence (PL367/18, 1.02km²) was extended for one year to September 30, 2018 and the AK11/13/24 licence (PL371/19, 25km²) extended for two years until September 30, 2019.

Block A or the BK02 license is 1.07 km² in area and located approximately 30 km to the east of Lucara's Karowe Mine. The BK2 kimberlite has a surface area of approximately 2.4ha and is exposed in a series of narrow trenches dug by previous operators and elsewhere by a thin veneer of sand. BK02 was discovered in 1967 and has seen episodic exploration with programs ranging from surface trenching, drilling, and microdiamond sampling. Insufficient drilling has been completed to properly outline the size of the intrusion and establish the internal geology.

At BK02 a total of 17 drill holes totaling 1,990 metres were drilled during Q4 2016 and Q1 2017, with microdiamond sampling completed in Q2, 2017. In Q2 2017, an independent valuation of

the combined diamond parcel was under taken in Antwerp. The observed average price per carat for the combined parcel of US\$56.76 per carat combined with the recovered sample grade, preclude additional drilling and sampling of the BK02 kimberlite. Based on the valuation and grade information no further work is planned at this time.

PL371/19 (Block E) is 25km² in area and located immediately to the south and east of Debswana's Orapa Mine lease and approximately 15km to the north of Lucara's Karowe Mine. The prospecting license holds 5 known kimberlite occurrences (AK11, 12, 13, 14, and 24). The extension of the Prospecting Licence decreased the area by 50% to 25km² and dropped AK 12 and AK 14. The AK11 is poorly constrained geologically and has an estimated surface area of 2.4ha. During Q3 2016 a drill programme was initiated and completed at AK11 with a total of 10 core holes (1570 metres of drilling). This programme constituted the first ever drilling on AK11. Nine holes were drilled at AK11 and all intersected kimberlite, the tenth hole which did not intersect kimberlite tested a geophysical anomaly to the west of AK11. Preliminary core logging indicates that AK11 has two distinct pipe infill sequences, a well preserved crater infill (graded bedding, re-sediment kimberlite) and a more magmatic/pyroclastic kimberlite phase. Drilling confirmed the size of AK11 at approximately 2.5 hectares. During Q3 2016 a drill program was initiated and completed at AK11 with a total of ten core holes (1,570 metres of drilling), with nine of the holes intersecting kimberlite and the tenth hole which did not intersect kimberlite tested a geophysical anomaly to the west of AK11. Drilling confirmed the size of AK11 at approximately 2.5 hectares. During Q4 2017, the Company completed a large diameter drilling hole (LDD) program at AK11, a total of 1510 metres were drilled in 8 LDD holes yielding an estimated in-situ tonnage of 490 tonnes. Material recovered from the LDD samples commenced processing at the Company's Bulk Sample Plant located at the Karowe Mine in early Q4 2017, results are expected in Q2 2018.

4.3 SOCIAL AND ENVIRONMENTAL POLICIES

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

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

certification. Further information on the RJC and its Code of Practices can be found at www.Responsiblejewellery.com.

In February 2018, Lucara became a registered participant in the United Nations Global Compact (the “UN Global Compact”), the world’s largest corporate sustainability initiative. As a participant, Lucara is committed to implement and advocate the principles of the UN Global Compact on human rights, labour, environment and anti-corruption. Further information on the UN Global Compact and their stated principles can be found at www.Unglobalcompact.org.

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

4.3.1 CORPORATE AND SOCIAL RESPONSIBILITY CHARTER

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

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

4.3.2 ENVIRONMENTAL POLICY

The Company’s Environmental Policy is as follows:

Lucara Diamond Corp (“Lucara”) 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 Environmental Impact Assessments (EIA’s) and effective implementation of our Environmental Management Plans (EMP’s) at each of our operations.

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

Lucara will:

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

ITEM 5 RISKS AND UNCERTAINTIES

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

Diamond Prices and Marketability

The mining 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; increased production of other diamond producers, especially due

to the small concentration of producers and sellers within 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.

Synthetic Diamonds

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

Commercialization of the Clara Platform

The Company has issued shares and incurred expenses to acquire Clara and will incur further expenses to commercialize the Clara Platform. The Clara Platform must achieve market acceptance in order for the Company to recoup its investment. The Clara Platform could fail to attain sufficient market acceptance for many reasons, including, without limitation, the following:

- a failure to accurately respond to market supply and demand;
- defects, errors or failures in the platform;
- negative perception about the platform's performance or effectiveness;
- delays in full commercialization of the platform; and
- the introduction of competing products.

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

Economic Conditions

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

Uncertainties Related to Mineral Resource Estimates

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

distribution and average diamond value necessary to make any realistic decisions regarding future development.

Licenses, permits and approvals

The Company's mining operations require licenses, permits and approvals from various governmental authorities. As noted above, the Company is in possession of a mining license for the Karowe mine and certain prospecting licenses for its exploration work in the Orapa kimberlite field. The Company believes that it currently holds and is presently complying in all material respects with all licenses and permits that are required under applicable laws and regulations to conduct its current operations including compliance with the terms of these key mining and prospecting licenses. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. More specifically, the Karowe mining license is due to expire in October 2023 and the prospecting licenses PL367/18 and PL371/19 in September 2018 and 2019, respectively. Additional licenses, permits or license/permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these licenses and permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting or licensing processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn.

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

Intellectual Property Rights

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

Intellectual Property Infringement

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

attention of management and key personnel from core operations. Any of the foregoing could have a significant adverse effect on the business and operating results of the Company.

Currency Risk

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

Dependence on Single Mine

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

Mining and Processing

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

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

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

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

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

Foreign Operations Risk

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

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

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 and Botswana, will not adversely affect the Company's operations.

Mineral Exploration and Development

The business of exploring for diamonds and mining is highly speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing diamond properties in which it has an interest will result

in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a diamond bearing deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

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

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 those countries 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.

Infrastructure

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

Rehabilitation Funds and Mine Closure Costs

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

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 the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company's operations, or the mining

industry generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

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

Uninsured Risks and Insurance Coverage

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

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

Competition

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

Legal Proceedings

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

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

Conflicts of Interest

The Company's directors and officers may 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.

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, there is competition for personnel. The degree to which the Company is not successful in retaining and developing employees at its mine sites could lead to a lack of knowledge, skills and experience required to operate the mine effectively.

Natural Disasters and Health Risks

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

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.

Dividend Expectation and Share Price

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

Compliance with Legislation, including ESTMA, and Public Company Obligations

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

Information Technology Systems and Cybersecurity

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

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

Climate Change

The effects of climate change or extreme weather events may cause prolonged disruption to mining operations and/or the delivery of essential commodities to the Karowe mine which could negatively affect production efficiency.

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

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 395,719,334 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 Lucara's board of directors. The common shares are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

6.2 DIVIDENDS

In 2017, the Company declared four quarterly dividend payments of CDN\$0.025 per share for a total annual dividend payment of CDN\$0.10 per share. The Company's current dividend policy references an anticipated annual progressive dividend with quarterly payments. The policy also specifies that the Company may, from time to time, pay a special dividend, in addition to the quarterly dividend, based on the Company's overall financial position and other factors existing at the time of consideration of such dividend. Payment of any cash dividend under the policy is subject to the banking and funding obligations, and capital requirements, of the Company and the Board's determination at the appropriate time that the declaration of a dividend is in the best interests of Lucara and Lucara's shareholders and is in compliance with all laws and agreements of Lucara applicable to the declaration and payment of cash dividends. The Company's dividend policy may be amended or terminated at any time at the discretion of the Company's Board of Directors.

ITEM 7 MARKET FOR SECURITIES

7.1 EXCHANGE LISTING

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

7.2 TRADING PRICE AND VOLUME

The following table provides information as to the monthly high and low trading prices and respective aggregate monthly volumes of the Common Shares traded on the TSX during 2017:

Month	High (CDN\$)	Low(CDN\$)	Volume
January	3.17	2.83	5,940,942
February	3.28	2.70	7,311,011
March	3.15	2.62	9,141,697
April	3.31	3.08	4,624,385
May	3.31	2.87	7,931,340
June	3.11	2.71	6,157,012
July	2.91	2.60	7,634,098
August	2.85	2.54	5,449,029
September	2.76	2.28	6,976,893
October	2.53	2.18	4,149,529
November	2.55	2.24	9,406,336
December	2.82	2.32	6,282,967

7.3 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 of Directors of the Company 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, 2018. 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 21, 2018 and for the preceding five years.

Director	Principal Occupation or Employment For Past 5 Years	Served as director since
Richard P. Clark British Columbia, Canada	<ul style="list-style-type: none"> • August 2016 to present – Chief Executive Officer, Orca Gold Inc. (resource company) • April 2013 to May 2015 – President & Chief Executive Officer, RB Energy Inc. (resource company) • October 2011 to January 2014, President & Chief Executive Officer, Sirocco Mining Inc. (resource company) 	February 19, 2010
Paul K. Conibear British Columbia, Canada	<ul style="list-style-type: none"> • July 2011 to present – President & Chief Executive Officer, Lundin Mining Corp. (resource company) 	April 5, 2007
Brian D. Edgar British Columbia, Canada	<ul style="list-style-type: none"> • 2010 to present – Board Chair, Silver Bull Resources Inc. (resource company) 	April 5, 2007
Marie Inkster Ontario, Canada	<ul style="list-style-type: none"> • May 2009 to present – Chief Financial Officer, Lundin Mining Corp. 	June 9, 2014
Lukas H. Lundin Geneva, Switzerland	<ul style="list-style-type: none"> • Mining Executive, Board Chair of numerous resource based companies • April 2007 to present – Board Chair of the Company 	April 5, 2007
Catherine McLeod-Seltzer British Columbia, Canada	<ul style="list-style-type: none"> • September 1999 to present – Board Chair, Bear Creek Mining (resource company) 	February 25, 2018
Eira M. Thomas British Columbia, Canada	<ul style="list-style-type: none"> • February 2018 to present - Chief Executive Officer of the Company • March 2013 to July 2016 – President & Chief Executive Officer, Kaminak Gold Corporation (resource company) 	August 4, 2009

Officers

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

The information in the table is as of March 21, 2018.

Officer	Principal Occupation or Employment for Past 5 Years
John Armstrong Vice President, Mineral Resources Vancouver, Canada	<ul style="list-style-type: none"> • Assumed current position September 2013 • 2005 to September 2013 - Senior Geologist Stornoway Diamond Corporation (resource company)
Glenn Kondo Chief Financial Officer London, United Kingdom	<ul style="list-style-type: none"> • Assumed current position October 2011
Jennifer Lecour Vice President, Legal and Corporate Secretary Vancouver, Canada	<ul style="list-style-type: none"> • Assumed current position December 2014 • 2011 - Corporate Secretary of the Company

8.2 SHAREHOLDINGS OF DIRECTORS AND OFFICERS

As at March 21, 2018, the directors and officers of the Company held, as a group, a total of 15,405,000 common shares, representing approximately 3.89% 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 21, 2017.

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

8.4 CORPORATE CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders

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

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

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

Bankruptcies

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

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

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

Exceptions – Corporate Cease Trade Orders and Bankruptcies

RB Energy Inc.

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

Mr. Clark resigned as a Director and ceased employment as President and CEO of RBI on May 8, 2015.

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

GBS Gold International Inc.

Ms. Inkster was Vice President, Finance of GBS Gold International Inc. ("GBS") from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory note holders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS were suspended from trading on the NEX board and it ceased business.

Tamaya Resources Limited

In 2008 Mr. Kondo was an officer of Tamaya Resources Limited, a company incorporated under the laws of Australia and listed on the Australian Stock Exchange (ASX), which made a Voluntary Appointment of an Administrator as a result of a decision that the company was, or was likely going to become insolvent.

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 Business Corporations Act (BC).

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 Lucara's Board of Directors is principally responsible for:

- recommending to the Company's Board of Directors 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 of Directors 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 Company's Board of Directors has adopted an audit committee charter (the "Charter") which sets out the audit committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Charter is attached as Schedule A to this AIF.

10.3 COMPOSITION OF THE AUDIT COMMITTEE

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

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

			<ul style="list-style-type: none"> • Currently Chair of a public company • Has served as director on boards of a number of public companies
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(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 of Directors, 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 has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company’s financial statements.

10.4 AUDIT COMMITTEE OVERSIGHT

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

10.5 PRE-APPROVAL POLICIES AND PROCEDURES

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

10.6 EXTERNAL AUDITOR SERVICE FEES (BY CATEGORY)

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

Fiscal Year Ending	Audit Fees CDN\$⁽¹⁾	Audit-Related Fees CDN\$⁽²⁾	Tax Fees CDN\$⁽³⁾	All other Fees⁽⁴⁾
December 31, 2017	252,330	64,400	Nil	Nil
December 31, 2016	199,481	52,500	72,880	Nil

(1) Audit fees represent the aggregate fees billed by the Company’s auditors for audit services.

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

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

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

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

On March 2, 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totaling 13.4 million shares may become payable. Such shares will be paid in the event certain performance milestones, related to total revenues (revenues from rough diamonds bought and sold) generated through the platform, are achieved (the "Performance Milestones"). 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 \$US16.67 and US\$8.33 million per year, respectively, for 10 years.

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

Catherine McLeod-Seltzer was also a founder of Clara and, following Lucara's acquisition of Clara, was appointed to the Lucara Board of Directors. 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 (Mineral Resources) of the Company, was a shareholder of Clara at the time of the Company's acquisition of Clara. Mr. Armstrong received 50,000 Lucara shares as consideration for the Clara shares. He may 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 Mr. Armstrong, at the discretion of Lucara's compensation committee based on key performance targets.

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

ITEM 12 TRANSFER AGENTS AND REGISTRARS

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

ITEM 13 MATERIAL CONTRACTS

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

- (i) contracts entered into in the ordinary course of business; and
- (ii) On May 5, 2017, the Company entered into an agreement with the Bank of Nova Scotia to renew its revolving term credit US\$50 million facility. The facility now has a maturity date of May 5, 2020 with no scheduled repayments required before maturity. The facility is available to Lucara for general corporate purposes. Lucara may obtain credit from the facility by way of Base Rate Loans, LIBOR loans and letters of credit. The facility bears an interest rate margin, based upon the Company's leverage ratio above the Alternate Base Rate Canada or LIBOR, depending upon the type of loan it obtains. Lucara is required to comply with financial covenants, which are customary for a financing of this nature. At December 31, 2017, and as of the date of this AIF, March 21, 2018, the facility was undrawn.

ITEM 14 INTERESTS OF EXPERTS

Lucara's auditor is PricewaterhouseCoopers LLP, Chartered Professional Accountants, who have audited the Company's 2017 financial statements. PwC are independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

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 hold beneficially, directly or indirectly, less than 1% of any class of the Company's securities.

ITEM 15 ADDITIONAL INFORMATION

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

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

contained in the Company's Management Proxy Circular prepared in connection with the annual meeting of shareholders of the Company.

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

SCHEDULE "A"



AUDIT COMMITTEE CHARTER

1.0 Purpose of the Audit Committee

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

2.0 Members of the Audit Committee

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

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

2.3 Each member of the Audit Committee shall:

- (a) be a member of the Board;
- (b) not be an officer or employee of the Company or any of its affiliates;
- (c) satisfy the independence requirement applicable to members of audit committees under Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("MI 52-110") and any other applicable laws and regulations; and

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

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

3.0 Meeting Requirements

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

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

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

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

4.0 Duties and Responsibilities

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

- (a) be responsible for making recommendations with regard to the appointment, compensation, retention or discharge of the independent public accountants as auditors of the Company (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;

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

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

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

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

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

5.0 Miscellaneous

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

6 Effective Date

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

END OF SCHEDULE "A"