



LUCARA
DIAMOND



SUSTAINABILITY REPORT 2021

EXTENDING MINE TO 2040



2021 HIGHLIGHTS



369,390 carats
DIAMONDS PRODUCED



\$230.1 million
REVENUES



\$178.06 million
BOTSWANA BENEFIT¹



1,928 (+38%)
TOTAL WORKFORCE



> 98%
BATSWANA



26 Managers
FEMALE LEADERSHIP



0.00
LTIFR²



None
FRESHWATER IN PROCESSING³

1 – Comprises: Procurement in Botswana: \$125.65 million, Royalties & Corporate Taxes: \$25.04 million, Employee Compensation: \$26.6 million, Community Spend: \$0.694 million; 2 – Lost Time Injury Frequency Rate per 200k hours; 3 – Groundwater TDS from pit dewatering >2,000 mg/l.



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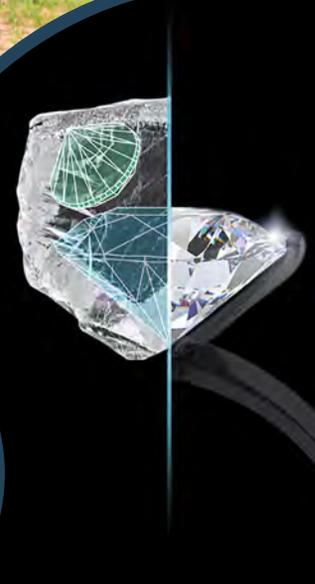
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LUCARA'S PROFILE

Lucara Diamond Corp. (Lucara) is a publicly listed Canadian diamond mining company headquartered in Vancouver, operating the 100% owned Karowe Diamond Mine (Karowe) in Botswana. We sell our diamonds through HB Antwerp, Clara Diamond Solutions Limited Partnership (Clara), our digital sales platform, as well as through quarterly tenders in Gaborone and Antwerp. We are a certified member of the Responsible Jewellery Council, a participant of the UN Global Compact, a founding member of the Natural Diamond Council, and have adopted the Mining Association of Canada's Towards Sustainable Development Standards, the IFC Performance Standards and the Equator Principles.

Lucara's revenue comes from the sale of natural diamonds mined by its indirect, wholly-owned subsidiary Lucara Botswana. All (100%) of the diamonds sold from Lucara Botswana are natural, untreated, ethically-sourced diamonds originating from the Karowe Diamond Mine in the Boteti Sub-District in Botswana.

ABOUT THIS REPORT

This is Lucara's 10th consecutive, annual sustainability report. It covers our performance for the 2021 calendar year, unless noted otherwise. The report was prepared in accordance with the GRI Standards, Core option, and has been subject to third-party assurance. We plan to adopt GRI's updated Universal Standards for our 2022 reporting period. We have also started to incorporate the Sustainability Accounting Standards Board (SASB) Standards for Metals and Mining (2018). We expect to adopt the 2021 SASB standards for 2022. As part of the 2021 reporting efforts, we reviewed the recommendations of the Task Force for Climate-related Disclosure (TCFD). A 3-year data series, the GRI index, and additional information is web-posted: <https://www.lucaradiamond.com/>.



BOITUMELO - 62.7 CARATS

Meaning "Joy"

In July 2021, Lucara Botswana recovered four pink diamonds from the Karowe Mine, weighing between 5.05 and 62.7 carats. The 62.7 carat stone was the largest fancy pink gem to be recovered in Botswana and one of the world's largest rough pink diamonds on record. Named "Boitumelo" meaning "Joy" in Setswana, this diamond honors all of those impacted by COVID in Botswana.

Lucara recognized in The Globe & Mail's



2021

REPORT OF BUSINESS WOMEN LEAD HERE



Board Directors



Corp Executives



Workforce

The Globe and Mail's third benchmark of female leadership in corporate Canada recognized Lucara as the second highest among 74 Canadian companies reported with 75% women corporate executives, including President & CEO Eira Thomas.

At Lucara Botswana, 23 women or 17% hold leadership positions in 2021, an increase of 35% from 2020.

Lucara also won a Junior ESG Award in the Equality and Diversity Category at the Mining Indaba 2022.

OUR V A L U E S

OUR MISSION

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



RESPECT

We respect and listen to our people, our communities and our local governments.



HEALTH & SAFETY

What we do at work, we do at home.



TRANSPARENCY & TRUSTWORTHY

Communicating with openness and honesty.



COLLABORATION

Creating positive economic and social benefits; partnering with our communities.



INTEGRITY

Delivering on our promises and commitments.



PURSUING EXCELLENCE

Contribute to the Lundin Group's history of success and excellence.

Site visit to the Karowe Diamond Mine in Botswana by (from left to right) Ms. Catherine McLeod-Seltzer (Lucara Diamond Corp. Director), Honorable Lefoko Maxwell Moagi, Minister of Mineral Resources, Green Technology and Energy Security, Honorable Setlthomo Lelatisitswe, Assistant Minister of Health and Wellness and Member of Parliament for Boteti East, Ms Naseem Banu Lahri (Managing Director, Lucara Botswana), the First Lady Mme Neo Jane Masisi, His Excellency Dr. Mokgweetsi Eric Keabetswe Masisi, the President of the Republic of Botswana, Mr. Paul Conibear (Lucara Diamond Corp. Lead Director), Johane Mchive (General Manager, Karowe Mine), Ms. Eira Thomas (President, CEO & Director, Lucara Diamond Corp.)



LUCARA DIAMOND CORPORATION

MESSAGE FROM THE PRESIDENT & CEO



2021 marks the 10th year of safe, reliable and profitable operations at our 100% owned Karowe diamond mine and the 10th year in Lucara's sustainability journey, focused on protecting the environment and maximizing local employment and social benefits within our communities of interest.

Key themes for the year focused around resiliency and recovery as we worked to manage the ongoing COVID-19 crisis and emerged into a stronger diamond price environment following the deep discounts and weak demand experienced in 2020. Another critical development for our Company was the completion of a supplemental debt financing package in support of a formal sanction of the underground expansion program which is expected to extend mine-life to at least 2040.

Whilst our mine remained fully operational in 2021, adhering to strict protocols with respect to social distancing and social hygiene, the roll out of vaccines in Botswana was slow. We were incredibly saddened to lose three of our employees before a wide-spread vaccination effort was implemented in the latter half of the year. I am pleased to report that by year-end more than 94% of our workforce had been fully vaccinated and an additional 3% had received at least one dose.

As participants of the UN Global Compact, we are committed to implementing, disclosing and promoting its principles of human rights, labour, anti-corruption and environmental responsibility. This report serves as our Communication of Progress.

COVID-19 Response

Measures and guidelines implemented by the Government of Botswana in late March 2020 have allowed the Karowe Mine to remain fully operational throughout the pandemic. These measures designated mining as an essential service in Botswana and included increased travel restrictions, reduced overall staffing levels and appropriate social distancing, among other restrictions. The Government of Botswana extended the state of emergency several times before it was lifted on September 30, 2021. The Company was able to continue mining and processing activities during the state of emergency as over 98% of the workforce are Botswana Nationals.

Strong Performance

Operations in 2021 remained strong, achieving production guidance in terms of tonnes mined, milled and carats recovered and exceeding guidance in respect of revenues, owing primarily to stronger diamond demand and increased prices. We also had another record year in respect of the recovery of large diamonds greater than 10.8 carats in size referred to as Specials, which typically contribute 70% of our annual revenues.

Diamond price recovery began in the fourth quarter of 2020 and had largely improved to pre-pandemic levels by the end of 2021, owing to strengthening diamond jewelry demand and declining global diamond supply. Importantly, this price strength has been observed across a range of sizes, qualities and colors for both rough and polished diamonds, highlighting a return to a healthier, balanced supply chain and a positive outlook for sustained price strength going forward.

The price performance of very large (+50 carat polished), high value diamonds remained an outlier to this trend owing to the significant volume of high value rough diamond inventory that was sold by others at deep discounts during the pandemic. Our novel sales agreement with HB, initiated during 2020 and subsequently extended in 2021, afforded us the opportunity to begin protecting and defending prices for this important segment of our production and by December 31, 2021 this market segment had stabilized and also began to strengthen.

Product Stewardship

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

Besides eliminating the need to physically inspect the diamonds in person, Clara's sales process uses technology to create a more efficient process, unlocking significant value for all participants and enhancing traceability within the supply chain. In Clara, each manufacturer is awarded individual rough diamonds fingerprinted at source (the mine site) that are optimal to fulfill its polished requirements, stone by stone.

These diamonds can then be tracked through the pipeline, providing assurance on diamond provenance. In 2021, Clara continued to gain scale and interest. A total of 21 sales took place with a total sales volume transacted of \$28.7 million, a 168% increase from the \$10.7 million transacted in 2020. The number of buyers on the platform increased to 88 by December 31, 2021 with the Company maintaining a waiting list to manage supply and demand.

Social Licence

Strong, local engagement with 19 communities in and around our mine site continues to drive our community investment priorities and programs. Although our investments in 2021 continued to be heavily focused on providing assistance in response to the pandemic, we were also able to advance three important community projects under our Karowe Village Initiative.

These projects are community identified, driven and owned, and, like all of our community investments, are aimed at improving the lives and livelihoods of the people living in those communities. We also continued construction of the sports complex in Letlhakane, one of our largest investments to date. Our goal remains to invest in, and support initiatives in order that they will become sustainable and continue beyond the life of the mine.

Positioning for Growth

Although progress on the underground expansion project was necessarily slowed during 2020 because of COVID-19, we were able to get back on track in 2021, and, following closing a \$220 million senior secured project debt financing, the project was formally sanctioned by the Board of Directors in 2021. A total project investment of \$86.3 million was primarily focused on detailed design and engineering, establishing surface infrastructure and shaft pre-sinking. We are on track to spend a further \$110M in 2022, focused on the completion of the transmission line and transitioning to full shaft sinking.

Looking Ahead

In 2021, the continued health and safety of our workforce and communities will remain a top priority as we work to navigate the ongoing uncertainty in relation to the global pandemic. The underground expansion project will remain key focus area operationally, and we are on track to initiate main shaft sinking during the 2nd quarter of 2022.

Our approach to sustainability remains foundational to everything that we do and in 2022 climate action will be a key focus area as we continue to progress the work that we have started under each of the United Nations' Sustainable Development Goals we have identified. Importantly, our workforce remains committed and excited to help us meet these goals and I am extremely proud and grateful to all of our employees for their continued efforts. I would also like to acknowledge the strong ongoing support of our senior leadership and Board.

Eira Thomas, President and CEO Lucara Diamond Corp.

Material Topic

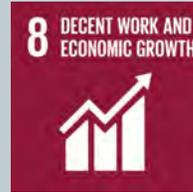
INNOVATION & ECONOMIC PERFORMANCE



PRODUCT STEWARDSHIP



NATIONAL CONTENT: PEOPLE & SUPPLY CHAIN



COMMUNITY DEVELOPMENT



Metrics

Extend Life of Mine
Digital sales channels
Financial performance

Kimberley Process
RJC certification
MAC TSM

Batswana Nationals
National Procurement
Taxes and Royalties

Sustained investments
Community Grievances

2021 Performance Highlights

Mining license extended to 2046

\$86.3 million capital spending for underground expansion

Adapted and continued operations during COVID-19

Revenues \$230.1 million or \$603/carats

Clara's sales grew by 168%

HB Antwerp agreement extended; Partnered with Louis Vuitton

Kimberley compliance

Certified RJC member

External verification of MAC TSM self-assessment

Board approved Human Rights policy in Q1/2021

Over >98% Batswana

National Procurement: \$125.65 million (79% of total procurement)

Taxes and Royalties: \$25.04 million (see also ESTMA report)

Female leadership in Botswana increased by 17%

UNDP assists with local supplier development

Continued construction of \$3.2 million sports complex

\$1.67 million total community programs expenditure (includes COVID-19 response)

Mokubilo Farm increased by 1.5 ha, reached 500 families and 720 local students

Recorded and resolved one grievance

Material Topic

<p>HEALTH SAFETY & WELLNESS</p>  	<p>PARTNERSHIPS</p>  	<p>ENVIRONMENTAL STEWARDSHIP</p> 	<p>COVID-19</p>  
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Metrics

<p>Lost time injury frequency (see overleaf for COVID-19)</p>	<p>Generate and magnify positive SDG impacts</p>	<p>Regulatory compliance Resource use, emissions, wastes and spills</p>	<p>Testing Positivity Rate Additional Support</p>
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2021 Performance Highlights

<p>LTIFR: 0.00 (per 200,000 hours worked)</p> <p>Certified ISO 45001:2018</p> <p>Externally verified top scores on MAC TSM's H&S KPIs</p>	<p>Partnered with council & communities on projects</p> <p>COVID-19 support to government & communities</p> <p>Advanced collaborative regional groundwater model, supplied excess water to neighboring mine</p> <p>Worked with UNDP to add 7 additional local suppliers</p>	<p>Zero regulatory non-compliance, spills, or fines</p> <p>No Freshwater used in processing</p> <p>Maintained zero discharge</p> <p>Total GHG 75,117 tCO₂e (Scopes 1 & 2)</p> <p>ISO 14001 aligned</p> <p>Conducted MAC TSM self-assessment and first external verification</p>	<p>94% of workforce fully vaccinated</p> <p>4,841 PCR tests, positivity rate: 16%</p> <p>Additional counselling services made available</p> <p>\$980,000 for pandemic- related donations</p>
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Material Topic

CLIMATE CHANGE



BIODIVERSITY



TAILINGS MANAGEMENT



Metrics

GHG emissions
Explore TCFD

Special Conservation Status

Global Industry Standard on Tailings Management (GISTM)
Emergency response planning

2021 Performance Highlights

Climate change risk assessment using TCFD

Identified GHG reduction pathways

Established Climate Change Technical Working Group

Added Rooftop Solar to administration block

Q1/22: Issued RFP for study for up to 30 MW solar PV plant

Surveyed new transmission line, and new footprints, updated management plans

Adopted mitigation measures for species with conservation interest

Engaged with NGOs, MOU with Birdlife Botswana

Sponsored Mokupi Conservation Trust

IFC Performance Standard 6 Review

Progressed engineering for TMF expansion, started alignment with GISTM

Registered TMF's with Church of England Pension's Board tailings portal

Completed external verification of MAC TSM self-assessment

Initiated biodiversity and archeological assessment of new TMF footprint area

Acronyms: ESTMA – Canada's Extractive Sector Transparency Measures Act; Freshwater – GRI/SASB defines freshwater having TDS < 1,000 mg/l; GHG – Greenhouse Gas; GISTM - Global Industry Standard on Tailings Management; H&S KPIs – Health and Safety Key Performance Indicators; LTIFR – Lost Time Frequency Injury Rate; MAC TSM – Mining Associations of Canada's Towards Sustainable Mining; MOU – Memorandum of Understanding; NGO – Non-governmental Organization; RFP – Request for Proposal; RJC – Responsible Jewellery Council; SDG – Sustainable Development Goals; TCFD – Task Force for Climate-related Financial Disclosure; TMF – Tailings Management Facility

GOVERNANCE & COMMITMENTS

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

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

During the reporting period, the Board approved a new Human Rights Policy, a Human Rights Standards, and amendments to the Code of Business Ethics. These further codify our approach and alignment with good international practice. Our policies are posted on our website.

We also reviewed our Climate-related governance and disclosures against the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD). During this process, we also evaluated our decarbonization pathways, created a climate change working group, and initiated a climate action plan.

Since 2018, Lucara has been a Participant of the United Nations Global Compact. This means that we are committed to implementing its Ten Principles focused on Human Rights, Labour, Environment and Anti-Corruption. We also support the United Nations Sustainable Development Goals, and have adopted the IFC Performance Standards, the World Bank Group's Environmental, Health, and Safety Guidelines for Mining, and the Equator Principles.

Governance & Assurance

In 2021, our Governance & Assurance department conducted 16 audits as part of our risk-based audit plan. The areas covered included Security, Mining, Process, Engineering, Human Resources, Finance and Sales, and activities also included assistance with due diligence of mining contractors.

The establishment of a Risk, Compliance and Business Continuity Champion Forum has enabled improved identification, management and monitoring of risks emanating from various departments. We also continued training on the Compliance and Business Continuity module and use of associated risk management software.

We also reviewed, revised and updated our Control Standards for five key areas, including Leadership & Governance, and Process Integrity. These will be rolled out to the Lucara Botswana management, staff, and contractors in 2022.

PRODUCT STEWARDSHIP

We are a certified member of the Responsible Jewellery Council, the world's leading standard setting organization for the jewelry and watch industry (externally audited and recertified in 2021). We adhere to the Kimberley Process, an international certification scheme which regulates trade in rough diamonds. Lucara is also a founding member of the Natural Diamond Council, which seeks to advance the integrity of the modern diamond jewelry industry and inspires, educates, and protects the consumers.

ECONOMIC PERFORMANCE

Despite the ongoing COVID-19 pandemic, 2021 marked a second record-setting year in terms of recovery of Specials. These are rough diamonds exceeding 10.8 carats and contribute 60 to 70 percent of our revenues. During the reporting period, a total of 841 stones in excess of 10.8 carats each were recovered, including our third diamond in excess of 1,000 carats since 2015.

While global restrictions continued for many diamantaires, interest in Clara, our safe, digital sales platform, continued to grow significantly in 2021. The number of buyers on the platform increased from 75 to 88, and Clara continued selling stones on behalf of third-party sellers. Our revenue of \$230.1 million was up 84% from 2020, and the average price per carat rose to \$603/carats, an increase of 80%.

In March 2021, we executed a mandate for a senior secured project financing package of up to \$220 million to fund the underground expansion of Karowe. A syndicate of five international financial institutions, including ING Bank N.V., Natixis, Societe Generale, London Branch, Africa Finance

Corporation, and Afreximbank acted as the Mandated Lead Arrangers.

During the reporting period, we also closed two concurrent equity financings that generated net proceeds of \$31.3 million.



Lucara Botswana, headquartered in Botswana is a wholly owned subsidiary of Lucara. The Karowe Diamond mine is our sole mining asset. It continued operation in 2021 and with the sanction of the underground expansion project, conservatively estimated to add \$4 billion to future revenues and extend life of mine to at least 2040.



LUCARA BOTSWANA

MESSAGE FROM THE MANAGING DIRECTOR



We will forever remember 2021 for the great moments and the sad moments. The latter reminds us of the losses in our personnel that were lost to COVID-19. At the height of the pandemic during the third wave, we lost colleagues, friends and relatives to Covid 19 and we hope given the efforts on vaccination and others, humankind will not be subjected to further such traumatic experiences. May the souls of those who passed on, rest in eternal peace.

We have also evolved to be more prepared in dealing with the effects of Covid 19, given that we put up external services of medical practitioners to early diagnose the virus and make the timely and appropriate medical intervention. We also have a licensed clinic, dealing solely with COVID-19 cases. The organisation boasts a vaccination rate of over 94%.

We continue to improve our performance in sustainability matters. For example, we made a record milestone by being the only mine in Botswana to have gone to the external verification stage on The Mining Association of Canada's- (MAC) Toward Sustainable Mining standards (TSM). Our impact in the implementation of TSM, spearheaded by MAC and the Botswana Chamber of Mines, was given a big boost when Lucara Botswana participated in the panel discussion on TSM at the 2022 Mining Indaba in Capetown, where we advocated for the adaptation of TSM standard in the Botswana context. In 2021, Lucara was also certified by the responsible Jewelry Council and completed the ISO 45001 certification. Also noteworthy, was a demonstration of our commitment to zero harm as the mine finished the year without an LTI.

Naseem Lahri, Managing Director – Lucara Botswana

MESSAGE FROM THE GENERAL MANAGER



The Karowe mine continues to drive efficiency and productivity. This was demonstrated by the record 2.8 million tonnes of ore milled in 2021. Thanks to our asset management strategy and other components, this was a new annual record. The mine recovered 369,390 carats as 2021 was another record setting year for the recovery of Specials by weight (single diamonds greater than 10.8 carats). The year was also characterised by the following recoveries:

- ◆ Five top white Type Ila gem quality diamonds in excess of 200 carats, including three in excess of 300 carats;
- ◆ A 1,174 carat clivage gem of variable quality with significant domains of high-quality white gem material, the third +1,000 carat diamond recovered from the Karowe Mine since 2015;
- ◆ A 470 carat top light brown clivage diamond;
- ◆ A 62.7 carat high quality, fancy pink Type Iia gem diamond.

Adding the underground expansion to our profile has made the site even more exciting, every day we are seeing our men and women making history as we are heading to be the first diamond mine in Botswana to transition from open pit to underground. We are also creating opportunities for growth for our employees and participation of locals in the underground expansion. I have also inquired hard, to no avail, to determine if is there anywhere in Southern Africa where there are two vertical shafts of over 700m each being sunk concurrently, demonstrating the new ground we are breaking and the uniqueness of the expansion project.

We continue to be super proud of our Corporate Social Investment initiatives, as they meaningfully change ordinary people's lives, of course driven by our priorities and the 2030 united nations sustainable development goals that we have adopted. We will remain reasonably responsive to the community needs and work with our communities to jointly determine and implement support for those needs.

Johane Mchive, General Manager – Karowe Diamond Mine

OPERATIONS



3.7 million tons
ORE MINED



2.8 million tons
ORE MILLED



369,390 carats
DIAMONDS PRODUCED



39 stones +100 carats
2nd RECORD YEAR



Licensed to 2046
MINING LICENSE EXTENDED



\$86.3 million
UNDERGROUND EXPANSION



Operations & Expansion

In 2021, the COVID-19 pandemic continued to impact our operation, employees, contractors, and local communities. Designated an essential service by the Government of Botswana, Karowe remained fully operational. We also continued to receive fuel and other essential goods.

We added additional measures to protect our staff against COVID-19, ranging from vaccination (rate of 94% achieved by end of 2021) to contactless access control systems. We also continued community investments to assist with the COVID-19 response, as detailed in this report.

We also pressed forward with our underground expansion project, which will extend the life of our operation for over 20 years.

Operational Performance

We achieved a record-setting 2.8 million tonnes of ore processed, recovered 841 Specials, which are diamonds over 10.8 carats, and our third 1,000+ carat diamond since 2015.

We did not experience any strikes or lockouts during the reporting period. A government sponsored vaccination program commenced mid-year and, by the end of December 2021, 94% of our workforce was fully vaccinated.

Procurement



Being the upstream start of the diamond sector's supply chain, we demonstrate our commitment to responsible mining practices to our customers and other stakeholders by being a certified member of the Responsible Jewellery Council, a Participant (signatory) of the UN Global Compact, adopting the Mining Association of Canada's Towards Sustainable Mining standards, and transparency through reporting using the GRI Standards and Canada's Extractive Sector Transparency Measures Act (ESTMA). It also assures the provenance or origin of our rough diamonds and enables traceability along the diamond value chain from mine to finger.



Start of Underground Shaft

Our own procurement objectives include sourcing materials and services from within Botswana to generate local and national socioeconomic benefits. To support this effort, Lucara Botswana has aligned procurement to Citizen Economic Empowerment Policy. We also set up cross functional teams to assist with our due diligence process by reviewing suppliers' background and work performance.

Since 2020, we partnered with the United Nations Development Program (UNDP) to provide capacity building as part of our localization strategy. In 2020, we piloted this program with two local suppliers. In 2021, we provided UNDP's assistance to seven additional local suppliers from the Letlhakane area located near the Karowe Mine.

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

Contractors Trollope Botswana Pty (mining), UMS Botswana (Shaft Sinkers), and Marung Development Services represent our top tier service providers. We collaborate closely with them to ensure their adherence to our codes, charters, and policies.

Security & Loss Control

During the reporting period, we introduced a contactless access control system at the Karowe Mine which will further enhance our COVID-19 prevention measures. We have reduced number of workers in our confined operations, and continue with contact-less searches and escorts.

During the reporting period, 94 officers - both from the employed and outsourced security staff - were trained on Voluntary Principles on Security and Human Rights (VPSHR) and 83% of our security staff had been trained by the end of 2021. We expect to train the remaining 17% of the Security personnel in the year 2022. These personnel have not been trained yet as they are new employees who are employed by Lucara Botswana and the Underground project. Due to COVID 19, the training was conducted online through our third-party assurance partner.

UNDERGROUND EXPANSION

This underground mining expansion project has an estimated capital cost of \$534 million, and will extend the life of the Karowe Mine by approximately 20 years to 2040. During the reporting period, we completed capital spending of \$86.3 million.

The schedule to 75% of full production from the underground expansion has increased by 1.3 years, driven mainly by COVID-19 related delays to commence the shaft pre-sinking, and additional planned time for the underground development. Open pit mining operations have been adjusted to limit the risk of production shortfalls during the ramp up of the underground mine operations in 2026. As part of our commitment training programs were initiated with UMS Botswana for training related to shaft sinking activities. We are committed to implementing training programs for Lucara Botswana technical staff as well as programs once shaft sinking is complete and lateral development and underground mine construction is initiated.

A self-build agreement has been signed with Botswana Power Corporation for construction of two substations and a 29 km 132kV transmission line upgrade. Substation contracts were awarded and the power line corridor was cleared. Phase 1 of a 200-person construction camp was completed allowing its use by 100 workers of the planned 200-person capacity. All necessary permits, including a mining license extension to 2046, have been obtained to support construction and production activities for the ongoing open pit and planned underground mines.

TAILINGS FACILITIES

In 2021, we started aligning the disclosure and governance of our tailings facilities with the Global Industry Standard on Tailings Management released in August 2020. We have registered our tailings facilities with the Investor Mining and Tailings Safety Initiative hosted by the Church of England Pensions Board. The data is available digitally through the Global Tailings portal and our website. We also conducted an independent verification of our first self-assessment of the Mining Association of Canada's Towards Sustainable Mining standards, which include the Tailings Management Protocol.

Although no residents live in the zone of influence of our tailings management facilities, a potential breach could affect our workforce, the open pit, the underground project, and portions of the mine plant. In accordance with the criteria outlined in the South African National Standards 10286:1998 "Code of practice, Mine residue", the facility is classed as a high hazard facility. In response to this analysis, our emergency response plan was updated in 2021 and a drill is planned in 2022. We also plan to revisit the expansion plans of the tailings facilities, which will be designed in accordance with hazard and risk ratings and governance structures that align to GISTM and to implement changes which could reduce our risk classification. In addition, we plan to conduct an external verification in 2023 to affirm our compliance with the new standard.

OUR PEOPLE



1,928 (+38%)
TOTAL WORKFORCE



23 (17%)
FEMALE MANAGERS AT LB



558
EMPLOYEES AT LB



137 (25%)
WOMEN AT LB



>99%
BOTSWANA NATIONALS



25,840
HOURS OF TRAINING



4%
STAFF TURNOVER

LB – Lucara Botswana





Growing Our Workforce

Maintaining and growing local talent is one of our focal areas. Local employment and development are fundamental components of our success as a business. We strive to be an employer of choice.

In Botswana, our total workforce increased by 38% to 1,928 by the end of 2021. This includes our main mining and processing contractors, and additional contractors (peak: 617) involved with the underground expansion. This represents a 38 percent increase from 2020. Botswana nationals remained at 99 percent of our total workforce. The number of directly employed workers at Lucara Botswana increased to a total of 558.

At four percent, staff turnover for 2021 increased by two percent from 2020, but remained below our threshold target of five percent.

Diversity & Gender

We promote equal opportunities throughout the recruitment process of our work force. While the proportion of women in the mining sector continues to be generally low, we have one of the highest ratios of women in mining in southern Africa. The total number of women among our direct employees has increased to 137 in 2021 (from 133 in 2020).

We are an equal opportunity employer with a number of women in top management roles. In addition, to the CEO and CFO of Lucara, and the MD and CFO of Lucara Botswana, there are now 23 women in leadership positions in Lucara Botswana, representing an increase in seventeen positions from 2020.

As noted in the section on benefits further below, we introduced a more generous maternity and paternity leave for our employees that exceeds the 12 weeks regulated maternity leave in Botswana. There is no provision for paternity leave in Botswana.

Employee Development

We held career development discussions with our employees to identify and formalize growth opportunities. In 2021, we provided or financed over 25,840 training hours across all departments to continue to up-skill our employees. We also actively encourage women to apply for all of our positions, including those available with our contractors. A good example is Ms. Itumeleng Phakama (see box), who is a shift supervisor with Marang Development Services, our drilling and blasting contractor.

Talent Management Initiative

Lucara Botswana introduced the Talent Management Initiative in 2021. The intent is to develop a best practice talent management model comprising these key elements:

- Attraction and retention strategies
- Performance management
- Training and development initiatives
- Coaching and mentoring
- Succession planning

These processes and activities are designed to provide us with a competitive edge to attract, engage, develop and retain human resources.

Despite Covid-19 challenges, we increased our training programs. A total of 938 employees benefited from 78 courses delivered. During the reporting period, we recorded a total of 25,840 hours for training.

The Workplace Accreditation Application was submitted to the Botswana Qualifications Authority (BQA) for consideration, and a response is anticipated in Q1/2022.

A total of 28 students (all citizens from Botswana) from various local and international universities were afforded experiential learning across all disciplines of our organization. The program also includes assessments in the form of monthly reports and panel presentations to the host department and lecturers from their respective Institutions.



MS ITUMELENG PHAKAMA

From Childhood Dream to Mining Engineer

Itumeleng grew up as an only child hearing her father's stories about mining in South Africa. She developed a fascination that led her to pursue a degree in mining engineering from Botswana International University of Science and Technology. Itumeleng also holds an open cast blasting license, and a supervisory and management skills certificate. She began her career in 2021 with Marung Development Services, a drilling and blasting contractor for the Karowe Mine. Due to her commitment and hard work, Itumeleng completed her training early and, at the age of 27, is already a drilling supervisor.



MS KEOIKANTSE MOKURU

Hard work to become Drill and Blasting Foreman

Keoikantse is 30 years old working as Drill and Blasting Foreman at Marung Development Services. She was born in a village called Gumare and grew up in the tourist town of Maun in the North West of Botswana. She studied in the US, receiving a Bachelor of Science in Mining Engineering and Bachelor of Arts in Economics at Missouri University of Science and Technology and started her professional career in waneng Debswana Mine as an attachee. Her education was funded by the proceeds from diamonds. In 2021, she became Blasting Foreman at Marung Development Services and in 2022 she was promoted again to her current position of Drill and Blast Foreman. Starting as a volunteer, she encourages young women like her to 'go for it' despite the challenges and not rely on their male counterparts to do the job. She lives by the motto '**If its not safe, don't do it**'.

Employee Benefits

In 2021, we introduced progressive benefits, such as a 6-months maternity leave for our female employees, and paternity leave of 2 weeks for our male employees. Previously, maternity leave was 84 days (three months) and there was no paternity leave. Instead of the statutory 25 percent pay during maternity leave, our employees receive 100 percent of wages for up to three children.

The company also moved all its employees to a better medical aid option, and increased the maximum employer contributing amount by over 100%. This means that most of our employees will receive free medical aid.

Our employees with a permanent contract and fixed term contracts of one year and more, receive a housing allowance, medical aid subsidy, group life insurance and statutory workers compensation. Our employees are paid a gratuity (a form of pension) every three years. Our employees benefit from 14 national holidays annually in addition to statutory leave.

In 2021, we implemented our new human resources system. Our employee handbook provides guidance to employees and details of our approach. The handbook covers issues such as disciplinary code, statutory labour requirements, labour case law, good labour practice, and our grievance procedure.

Labour Engagement

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

Botswana Mine Workers Union Lucara Branch was established in 2018. They had 349 members (61 percent) by December 2021. The Lucara Branch Committee Union also experienced smooth change of leadership as they underwent an election in June 2021. Our main contractors have their own union branches to represent their workforce. Union capacity building in 2021 covered skills needed for meaningful engagement with Management.

We continued with our regular consultation and negotiation meetings with the Union in 2021, to further strengthen our relationship. This led to the development of key documents like the Employee Consultation & Participation on Occupational Health and Safety Agreement between the Parties, and an updated Relationship Building by Objectives.

We continue to support the Union to attend conferences and provide time off work to attend union-related activities. Our operations did not experience any strikes or lockouts during the reporting period.



Labour Grievance

We maintain a formal and tiered grievance procedure. Employees are encouraged to first approach their line manager or human resources representative. For unresolved concerns, grievances are escalated to the Lucara's General Manager or Managing Director. Union members may also pursue their grievances through their union representative.

In 2021, we recorded one employee grievance. Although the Union confirmed our management assessment, the employee decided to pursue the case through the court system. We did not register any complaints of discrimination or other types of violations of labour rights. No gender discrimination cases were recorded in 2021.

HEALTH, SAFETY & WELLNESS



ISO 45001 Certified
OHS MANAGEMENT SYSTEM



0
FATALITIES



0
LOST TIME INJURIES



0.00
LTI FREQUENCY RATE



0.07
TRIFR



46,096
NEAR MISSES



94%
COVID-19 VACCINATED

LTI – Lost Time Injury, see annex and GRI Index for additional data;
OHS - Occupational health and safety; TRIFR – Total Recordable Injury
Frequency Rate



Our Approach

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



COVID-19
VACCINATION



The total number of employees tested including contractors for 2021 using both rapid and PCR was 4,841. These tests identified 776 individuals testing positive for COVID-19. The positivity rate was approximately 16 percent. All positive cases received medical attention and isolated before returning to work. Unfortunately, we lost three members of the Lucara Team. By December 2021, 94% of the workforce was fully vaccinated, and an additional 3% had received their first dose.

Systems & Standards

The mine has adopted an Occupational Health and Safety Management System based on the ISO 45001:2018 standard. Through teamwork and dedication displayed by the various departments and business partners, the mine successfully attained its first certification in November 2021.

In 2020, Lucara adopted the Mining Association of Canada Towards Sustainable Mining (TSM) standards. An externally verified self-assessment confirmed Lucara's highest (AAA) ratings against TSM's five key performance indicators related to health and safety.

Risk Management

As part of our risk management philosophy, we require every employee to be well informed with the hazards and risks relating to their work areas. Once this is accomplished, we apply the hierarchy of controls to mitigate against identified risks. All employees, business partners, and visitors are expected to undertake this risk management process. We also encourage our employees and business partners to contribute positively to our safety culture by reporting any unsafe acts or conditions. All work-related incidents, illnesses and near misses are reported. This triggers an investigation of root causes to prevent recurrence. Our workforce is required to generate near misses or stop & fix notifications and actions. In 2021, these totaled 46,096 of which 91 percent were closed. These efforts supported our accident prevention philosophy as evidenced by our zero lost time injury rate in 2021. We continue to strive for improvement.

Community First Aid Training

In 2021, we invited members of the community from Moreomaoto, Xere, Xhumo, Rakops, Mmadikola and Toromoja villages, to take part in our first aid training initiative. A total of approximately 35 community members participated. We also partnered with the Motor Vehicle Accident Fund on a national campaign to produce and present videos aimed at sensitizing the viewers on first aid steps for everyday accidents they may encounter.

SELECTED HEALTH & SAFETY TRAINING IN 2021



1,128

HAZARD IDENTIFICATION
& RISK ASSESSMENT



108

FIRE SAFETY AWARENESS



266

SNAKE AWARENESS TRAINING



206

FIRST AID TRAINING



110

ISO 45001 OHS
MANAGEMENT STANDARD



COVID-19 Response

Covid-19 remained as one of the mine's top risks in the year 2021, recording 776 covid-19 cases and three lives lost. The total number of employees tested, including contractors, in 2021 using both rapid and PCR was 4,841. The Covid 19 health protocols remain key in management of the pandemic. Lucara developed a COVID-19 policy to mitigate the spread of COVID-19 to sustain a healthy and safe workplace for all workers, visitors and contractors. The policy outlines specific steps Lucara must take to safeguard employees' health and well-being during the pandemic while ensuring its ability to maintain essential operations and continue providing essential services to the customers. The mine was granted approval from the Ministry of Health to set up a vaccination center ending the year with 94% of the workforce fully vaccinated; 3% had received their first dose and 2% were not vaccinated.



Training & Communication

All employees and contractors receive safety training at commencement of employment, and regularly throughout their career with Lucara. By adjusting our training to COVID-19 safety protocols, we were able to deliver several training and awareness courses to our employees using a risk-based approach. Some of the training offered to our employees and business partners included ISO 45001:2018 Safety and Health Management System Understanding and Implementation, ISO 45001:2018 Lead Auditors training, SHE representatives training, Understanding Health and Safety Laws, water rescue training, HAZOP training, first aid training and fire safety awareness.

Health & Wellbeing

We promote a culture of health and wellbeing. We maintain on-site health care unit at Karowe. It is staffed by two consulting doctors and a nurse offering primary health care, a wellness program, and occupational health services to the entire workforce. Additional emergency services are contracted to be available, as required. In addition to conducting pre-employment and periodic medical exams, the medical and health program also covers HIV/AIDS, tuberculosis, obesity, diabetes, and hypertension. In response to COVID-19, we also continued a counselling service for our workforce.

Occupational Diseases

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

PARTNERSHIP & ENGAGEMENT



19 Villages

TRADITIONAL KGOTLA MEETING



\$0.694 million

COMMUNITY EXPENDITURE



\$0.44 million

NO POVERTY (SDG 1) INVESTMENT



19 Villages & Orapa

GENDER & GBV EVENTS



\$0.042 million

CULTURAL CONSERVATION PROJECTS



\$0.98 million

COVID-19 CONTRIBUTIONS



1

GRIEVANCES

GBV – Gender Based Violence



Guided by SDG 3, Lucara Botswana partnered with Boteti Regional Football Association in the region's Division One League in 2019. In 2021, Lucara sponsored the regional association's division with \$22,600. Since the sponsorship was launched, the number of teams in the league has increased from 10 to 16 and there is a higher level of competitiveness and sports development in the region.

Lucara Botswana also collaborated with Government stakeholders from several different departments to advance a Towards Sustainable Mining (TSM) task force, which is now driving our implementation of TSM activities

COVID-19 Response

With the increase in number of Covid-19 cases in the local district and Botswana as a whole, the mine received approval from the Ministry of Health to open a Covid 19-day clinic in Letlhakane to allow management of patients. The mine also established a Covid 19 vaccination center with the approval of the Ministry of Health. By the end of 2021 the mine had 94 percent of the workforce fully vaccinated, with an additional 3 percent having received their first dose. To help the community with Covid 19 management, the mine donated isolation pods at Mmatshumu village.

Approach

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

Engagement

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

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

Partnerships

In 2021, we partnered with Dream Choice, a local contractor, and the Moreomaoto Village in Boteti West to build a house for a senior citizen who spent 15 years volunteering to cook for students at a local Primary School in Moreomaoto. By so doing, Lucara Botswana was addressing the No. 1 No Poverty, No. 3 Good Health and Well-being, No. 6 Clean Water and Sanitation, and No. 17 Partnerships of the sustainable development goals for our CSR Strategy.

Lucara Botswana continues to support community projects such as Mokubilo Farm, Khwee Small Stock and Fodder Production as well as drilling community boreholes in Bogogobo in Kgalagadi, Mosu, Gweta and Borolong to name just a few. These projects were inspired by the many examples of hope and opportunities that we have witnessed. These projects continue to build economic sustainability in the communities within which we operate. It is through these projects that we saw how basic capital funding and business skills training has transformed the lives of the youth and people working there and their families, by creating a growing business with significant opportunities for growth and expansion.

Lucara Botswana continues to support the publicly owned Letlhakane abattoir, the abattoir will be privatized after general refurbishment of the building and equipment. Boteti Sub-District Council will elect a technical board to oversee the operations of the abattoir and a private operator to run the abattoir.



After assessing the needs of the community in Letlhakane and surrounding areas, it was evident that there was a need for a sports complex to support sports development in the area. The sports complex, initiated in 2020, is an important development in the community and significant economic driver. The project currently employs 116 men and women and total salaries paid by the project amount to P471,000 per month. In addition, P174,000 is paid in rental fees per month to the local community in Letlhakane. Water, concrete and sand are sourced from local suppliers as a way of empowering the local community. The project is expected to be completed in November 2022 and also expected to generate income once its fully operational.

Gender Equality & GBV Awareness

In line with the 2030 United Nations Sustainable Development Goals, our CSI programs have made a substantial impact on lives in Botswana. Our business partners and our communities have also embraced the SDGs, as demonstrated by activities that they partake at a local level. We have seen achievements in the areas of food security, quality education, provision of clean water to communities, development and support of sports at the grassroots level, fight against gender-based violence and ensuring that dignity is restored in affected groups like women and girls. This year we increased our efforts to deal with mental health among our employees, as we partnered with ICAS to provide specialized mental health care to our employees and their spouses. Our efforts in the fight against GBV earned the best corporate award at the ceremony organized by UNDP in partnership with Men and Boys for Gender Equality.

We also saw Gender Based Violence heightening through the pandemic in the area where we operate and responded by introducing the Gender Based Violence Campaign at Karowe Diamond Mine and in the entire Sub District, covering all the 19 villages and Orapa. We managed GBV committees throughout the Boteti Sub District and they were also trained to be able to deal with GBV appropriately.



Karowe Village Initiatives

In response to requests by our local communities, we developed the Karowe Village Initiatives Program. Its features include community-ownership and governance, and a focus on vulnerable communities. Projects sponsored under this program are those that are sustainable and have measurable impacts. In 2021, we invested approximately \$107,630 to develop and further expand the Mokubilo and Kwee co-operative farms, respectively, and establish a hardware store at the Mmadikola village. These are all Needs-based projects identified by communities:





Mokubilo Farm

Since 2018, we have supported the development of an integrated model farm (3.5 hectare cultivated) to target malnutrition and youth unemployment at the Mokubilo village, which has a population of 2,245.

There are currently 394 chickens which supply 740 eggs per week to the Mokubilo Primary School. An additional 1.5 ha of crops were planted in 2021, including squash, watermelon, cabbage, tomatoes and others making a total of 2.2 ha planted supported by a drip irrigation system. Mokubilo farm now employs 12 locals and has 96 members in the cooperative that share in dividends from the farm. In the village, 500 families are buying from the farm and 740 students receive food, which has reduced malnutrition by 7.7% since the project began.

Khwee Farm

The success of the Mokubilo Farm encouraged us to sponsor the establishment of another farm at Khwee village, with a population of 1,417. The farm will specialize in small stock and fodder production. Activities completed in 2021 include fabrication and erection of staff ablutions and a storeroom, completion of a second borehole drilling and equipping completion of small stock kraals, erection of water storage tank stands, and the procurement of drip irrigation system. In line with SDG 17, we partnered with Epiroc Botswana for the drilling and equipping of one of the boreholes through their Water for All program. The project is now 89% complete and will be handed over to the community in 2022.

Hardware Store at Mmadikola

In 2021, we continued with the implementation of the community hardware store project in Mmadikola village, which has a population of 983. The project is now at 95% completion and will be handed over to the community in 2022. The project is expected to employ 7 locals and 22 cooperative members will receive dividends from the project revenues.

ENVIRONMENTAL PERFORMANCE



No Freshwater Used*
IN PROCESSING



Zero Discharge
NO EFFLUENTS DISCHARGED



426,952 GJ
ENERGY USE



66.4 (-14.8%)
ENERGY INTENSITY¹



75,117 tCO₂e
GHG (SCOPE 1 & 2)



11.7 (-13.7%)
GHG INTENSITY²

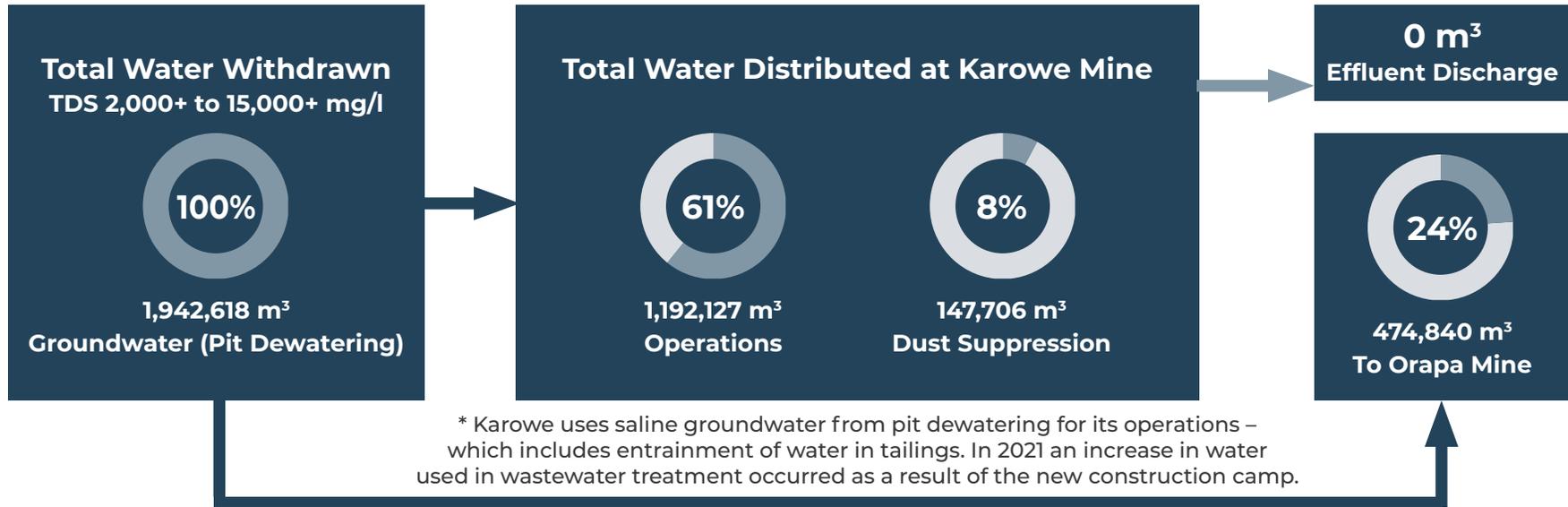


Zero Non-compliance
NO REPORTABLE SPILLS

* TDS over 2,000 mg/l;
GHG – Greenhouse Gas; tCO₂e – tons of carbon dioxide equivalent;
1 – Energy Intensity – Total Energy (GJ)/Ore + Waste Rock Mined (kt);
2 – GHG Intensity – Total CO₂e(kt)/ore + waste rock mined (t)



NO FRESHWATER* USE AT THE KAROWE MINE



Water Stewardship

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

Management Approach

Our responsible mining policy emphasizes the need for conservation of natural resources. The Karowe Mine’s water

balance was last updated in 2020 to help plan our future underground mining construction and operation. Our emergency response plan covers water related aspects, such as spills and floods.

Our water reporting is aligned with GRI’s Water and Effluent Standards (effective 2020), and SASB’s Mining and Metals Disclosures (2018). The background quality of our groundwater resource is brackish to saline. Abstraction rates are dictated by ore access and mine safety considerations.

Goals and Targets

Our goals include remaining a “zero discharge” operations, further improving our engagement and data sharing with neighboring agricultural water users, and providing surplus water from our pit dewatering activities to a neighboring mining operation.

Dewatering the Pit

The aquifers we pump from, at over 100 meters depth, are extensive across central Botswana. Our water usage does not adversely affect neighboring farm wells, which are typically shallow. As part of our underground mining plans, and an updated regional groundwater model, we plan to introduce water level monitoring equipment at neighboring farms in 2022 to better track and manage any future impacts, if any.

Water Quality

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

Water Use and Recycling

The volume of groundwater withdrawn to dewater the open pit varies over time. It is dictated by our mining activities and variable hydrogeological conditions encountered. Our main water losses occur through entrapment in tailings materials and evaporation. We collect and meter decant water from the fine tailings storage facility. This water is returned to the processing plants for reuse. In 2021, decanted water from tailings allowed us to recycle 724,991 m³ of water, slightly less than the quantity in 2020.

As in previous years, we continued to have surplus water from our dewatering activities. In 2021, as part of our collaboration with the Water Utilities Corporation and the Debswana Diamond Mining Company, we were able to direct 474,430 m³ of surplus water to Debswana's Orapa Diamond Mine. We also

used 147,706 m³ of water for dust suppression on the access road to our mine.

The water consumption associated with the new mine camp (capacity: 100 workers) is counted towards water used in operations. We estimated that the municipal (tap) water consumption in our offices in Vancouver and Gaborone, which serve a combined workforce of less than approximately 50 individuals, or the approximate 120 company-sponsored houses used by our workforce in Letlhakane and surrounding villages, contribute below one percent of our total water footprint. This is why we don't routinely monitor or report this water use. Also, given relatively small annual quantities involved and significant evaporation, we do not routinely monitor or report rainfall captured within our operational footprint.

Wastewater Treatment

In 2021 the wastewater treatment plant at the Karowe was upgraded from 52 m³ per hour to 100m³ per hour, and a wetland was also installed to further treat and polish treated effluents. This plant processes sanitary effluents from the Karowe mine, as well as company-sponsored housing in Letlhakane. In 2021, the plant treated 17,563 m³ of effluents.

The process is design to generate effluents which meet surface water discharge standards, including disinfection of pathogens. In 2021, we also installed a lined pond and wetland area to further polish effluents.

Treated effluents are not discharged offsite. Instead, this water is used to irrigate lawns and gardens around our office buildings at the Karowe mine. Solid waste from wastewater treatment is either incinerated or stored as fertilizer for future land restoration areas.

ENERGY USE & GHG



230,143 GJ
DIRECT (DIESEL)



196,809 GJ
INDIRECT (POWER)



426,952 GJ
TOTAL ENERGY



66.4 (-14.8%)
ENERGY INTENSITY¹



16,618 tCO₂e
GHG SCOPE 1



58,494 tCO₂e
GHG SCOPE 2



75,117 tCO₂e
TOTAL GHG



11.7 (-13.7%)
GHG INTENSITY²

GHG conversion factors used for diesel fuel is 2.68787 kgCO₂/l (DEFRA, 2020) and Botswana grid power is 1.07 kgCO₂/kWh (Harmonized IFI Default Grid Factors 2021 v3.1);

1 – Energy Intensity – Total Energy (GJ)/Ore + Waste Rock Mined (kt);
2 – GHG Intensity – Total CO₂e(kt)/ore + waste rock mined (t)





Botswana's Context

The national electrical energy demand of approximately 3,900 GWh per annum is being met partially from domestic coal-fired power plants, such as Morupule A (132 MW, reliability approximately 77%) and Morupule B (600 MW, chronically low reliability of approximately 32%). The demand balance, typically in the order of approximately 30 percent, is imported mainly from South Africa's Eskom. According to Statistics Botswana: "Botswana imported 37.5 percent of total electricity distributed during the first quarter of 2021. Eskom was the main source of imported electricity at 65.1 percent of total electricity imports. The Southern African Power Pool (SAPP) accounted for 22.1 percent, while the remaining 7.4 and 5.4 percent were sourced from NanPower and Cross-Border Power electricity markets (Table 8). Cross-border electricity markets is an arrangement whereby towns and villages along the border are supplied with electricity directly from neighboring countries such as Namibia and Zambia."

Botswana published its intention to achieve an overall emission reduction of 15% by 2030, taking 2010 as the base year. The Botswana Power Corporation, the state-owned utility, continues to seek to attract independent power producers to invest in two 50 MW Solar PV power plants to be developed in Jwaneng and Selibe Phikwe. This is in line with the integrated resource plan of 2020 which approved 100MW and 25MW projects. In November 2020, Botswana launched a modest rooftop solar PV net metering scheme for a total of up to 10MW, which was supported by the United States Agency for International Development (USAID). As at December 2021 the 10 MW target had not yet been exhausted.

In January 2022, the Sustainable Energy Fund for Africa (SEFA), managed by the African Development Bank, approved a \$1 million grant to facilitate Botswana's transition to clean energy. The technical assistance project will support the government in closing critical gaps in policy, regulatory and legal frameworks.

Management Approach

We carefully monitor fuel and power consumption, which are important contributors to our operating costs, and continuously seek opportunities for efficiency gains. In 2021, we benchmarked ourselves using the recommendations of the Task Force for Climate-related Financial Disclosure (TCFD), externally verified our self-assessment against the Mining Association of Canada's Towards Sustainable Mining Climate Change Protocol, established a climate change committee, and identified suitable decarbonization pathways. We have also initiated renewable energy as a priority in our community development projects.

Goals and Targets

As we encourage the necessary regulatory changes to enable investments in utility-scale solar PV projects in Botswana, we plan to initiate a feasibility study to integrate such power plants into our power mix. The objective of the study is to help us understand if and how we could reduce our GHG footprint by 15 to 30 percent by 2030.

We also plan to establish our Scope 3 GHG footprint in 2022. Due to the characteristics of the diamond mining sector, which does not feature GHG intensive downstream processing (such as smelting for concentrates), we expect our study to confirm a relatively small contribution to our overall carbon footprint from our Scope 3 emissions.

We are investing approximately \$18 million to improve our access to grid power by building a new transmission line and substation. This transmission line is expected to be completed by Q1/2023.

With enabling changes introduced by BPC, we piloted the installation of a 120kWp rooftop solar PV system at the administration block at the Karowe Mine in 2021. The installed system was inspected, approved for use by the Botswana Energy Regulatory Authority, and grid-connected in early 2022. The expected annual energy yield and CO₂ reduction over 20 years are 194 MWh and 1,306 tCO₂e, respectively. Further pilot projects are planned for 2022 and 2023.

We also expanded our engagement with key stakeholders - in government, multilateral agencies, industry associations and non-profits - to participate and help drive Botswana transition to a low carbon-intensive economy.

We have also identified a series of energy efficiency improvement measures, such as transitioning to LED lighting and converting some direct online process pumps to variable speed drives, which will be implemented over the next five years.

Energy Access

The Karowe Mine is connected to the national grid, which is supplied by coal-power generated by the state-owned Botswana Power Corporation, or imported from neighboring countries, mainly South Africa.

The mine also operates a diesel-fueled mobile mining fleet. The fuel is typically imported from South Africa. Although COVID-19 created temporary disruptions at the borders, our fuel supply from South Africa remained intact.

In 2021, up to six diesel generators - each with a capacity of 1250 kVA - were installed and operating at Karowe to support on-going construction activities related to the underground mining expansion program. These generators are expected to be taken offline and serve as emergency/back-up power generators once the new overhead power line has been completed by approximately Q1/2023.

Energy Consumption

In 2021, lower tonnage of materials moved and processed resulted in approximately 11.3% lower fuel consumption, while power consumption increased 1.2% compared to 2020, respectively. During the year, we recorded heavy rainfalls in January and February affecting power supply to the mine and within the mine. We were also impacted by BPC's major planned and unplanned outages in October and November 2021.

Energy Efficiency

By 2021, over 60 percent of the plant lights were converted to LED lights in an effort to improve our energy efficiency. We plan to phase out non-led lighting over the next five years. Procurement specifications have been updated to accommodate this change. Other energy efficiency opportunities have also been considered, such as further optimizing process plant controls and converting to more energy efficient variable speed drives.

GHG Emissions

Our 2021 GHG emissions (Scope 1 & 2) increased by 1.3% from 2020 to 75,113 tCO₂e. This is mainly due to increased grid-power consumption and using more conservative GHG emission conversion factors for Botswana grid power.

Climate Change Risk

Botswana, a semi-arid country, is vulnerable to Climate Change risks. The Government's scenario planning indicates hotter temperatures, marginal change of precipitation, increased evaporation, and more use of groundwater. Livestock productivity is expected to decrease, while crop yields can both increase and decrease, depending on the type and location of activities. Adverse health impacts are expected to include an increase in malaria and malnutrition. We have established the goal to engage with our communities and other stakeholders to explore relevant intervention opportunities to support Climate adaptation required by our local farmers and ranchers.

In 2021, we completed a Climate Change Risk Assessment and further reviewed transition and physical risks to our operations. Physical risks may include disruption of power supply due to unusual seasonal rainfall events. As in previous years, we experienced such impacts during heavy rainfall events in 2021, in addition to impacts from planned and unplanned outages by BPC. The on-going construction a new transmission line with an estimated investment cost of approximately \$18 million will help reduce power interruption risks

Other risks may include carbon-related cost escalation, and competitive or market pressure, both of which could be mitigated by including renewable power into our power mix at Karowe, which we expect to pursue guided by the outcome of the feasibility study.

Climate-related opportunities include cost savings by adopting solar PV and battery storage as part of our power mix. Other opportunities relate to Clara, our digital sales platform. It can support buyers to reduce or eliminate the need for in-person viewing of rough diamonds, thus reducing their travel-related GHG emissions. In 2021, the Clara platform resulted in sales of \$28.7 million, a 168% increase over 2020.

BIODIVERSITY



Licensed Area 1,523 Ha

MODIFIED HABITAT



Management Plan

UPDATED 2021



White-backed Vulture

PLANNING DEFLECTORS ON NEW T-LINE



MAC TSM

EXTERNAL VERIFICATION IN 2021



Partnerships

BIRDLIFE BOTSWANA

Ha – hectares; T-line – transmission line;
MAC TSM – Mining Association of Canada Toward Sustainable Mining



SPECIES WITH CONSERVATION STATUS

Conservation Status	IUNC	Botswana
Critically Endangered	1 ¹	1
Endangered	1 ²	1
Threatened	–	2 ³
Vulnerable	4 ⁴	4

1 – Nests of White-backed vulture (*Gyps africanus*) were observed 1.6 km from the new Transmission Line;

2 – African Elephant (*Loxodonta Africana*) rarely seen within the licensed area;

3 – Devils claw (*Harpagophytum procumbens*) and Hoodia (*Hoodia currorii*) in the License Area;

4 – Ground pangolin (*Smutsia temminckii*), Lion (*Panthera leo*), Cheetah (*Acinonyx jubatus*), Small Spotted Cat (*Felis nigripes*), Leopard (*Panthera pardus*), rarely seen within or near licensed area

Biodiversity Context

Botswana’s 2016 National Biodiversity Strategy and Action Plan highlights the following key causes of biodiversity loss: habitat destruction, habitat conversion and disturbance, barriers to wildlife movement, high populations of elephant concentrated in an ecologically sensitive area, increase in poaching, disruption of natural fire regime, unsustainable use of wild plant species, alien invasive species, climate change, and changes to hydrology and water quality of inflowing rivers as. Indirect threats identified include policy and institutional arrangements that may undermine sound biodiversity management.

Management Approach

We assess and manage our biodiversity risks and opportunities using tools such as surveys, impact assessment, and management plans. We also engage with competent government agencies and conservation NGOs. As detailed further below, our materiality assessment elevated biodiversity to a material topic, which is why we expanded our reporting on this topic in this report.

Modified Habitat

The Karowe mine is located within a distance of approximately 12 km from the Letlhakane village with over 27,000 inhabitants, and surrounded by livestock grazing, farming, as well as several other diamond mining operations. The lease area of the Karowe Mine (1,523 hectares), which is fenced in to improve security, is characterized as a modified habitat. The nearest area of high biodiversity value is the Orapa Game Park, at a distance of approximately 30 km from our operation.

Expansion and Biodiversity

Surveys in 2021 assessing the impacts to biodiversity from construction of a new 29 km long 132 kV transmission line, identified a nest of a White-backed vulture, (*Gyps africanus*) approximately 2 km from the transmission line corridor, and mapped other nests at greater distances. The range of the endangered White-backed vulture extends across Africa, which indicates that the footprint area of the transmission line does not represent critical habitat.

Management Plan

In 2021, we updated our Biodiversity Management Plan and completed an external verification of our self-assessment of the MAC TSM Biodiversity Protocol.

As a precaution, we will install bird protective devices (deflectors) along key parts of the transmission lines to reduce risk of bird collision. We are also exploring opportunities to engage with NGOs to assist with awareness raising to reduce farmers poisoning carcasses of cattle killed by predators which also have fatal consequences for vultures. In response to feedback from our materiality workshop and findings described above, biodiversity was elevated to a material topic.

Dust & Noise Monitoring

The nearest residential community receptors are situated approximately 3-4 km from the Karowe Mine. We conduct monthly dust deposition measurements at 12 sites around Karowe, and at the access road leading to Letlhakane. Mitigation measures applied to reduce dust include dust filtering and extraction technology at our process machinery, applying water for dust suppression on roads, and maintaining speed limits on the unpaved mine access road.

Monitoring during 2021 shows that the dust deposition rates were generally below the residential and industrial limit values stipulated by applicable Botswana standards.

Monitoring during 2021 shows that the ambient noise monitoring was within applicable Botswana Standards (BOS575:2013) for the nearest sensitive community receptors.

No grievances concerning dust or noise were recorded during 2021.

Land Management

The license area for Karowe remains unchanged at 1,523 hectares. The total disturbed areas within the license area will continue to grow as waste rock, tailings deposits and other infrastructure continue to grow, including areas required for the on-going underground mine expansion. In 2021, the size of the newly disturbed land was 27.12 hectares, bringing the total disturbed area to 771 hectares. To date, no land was rehabilitated or handed over to the local government.

Non-Mineral Waste

We segregate our waste in line with our environmental

management plan. We maintain five waste management facilities within the mine lease area: a licensed landfill, a sewage treatment plant, a salvage yard, and two fixed incinerators, the latter mainly used for disposal of oily rags. Waste statistics, including recycling of scrap metal, are provided in the annex of this report.

We also used 195 liters of acids, caustic soda, and methanol at our diamond cleaning facility in Gaborone. The resulting liquid waste is neutralized before authorized discharge to the municipal industrial wastewater facility. We continue to store waste tires on-site until suitable disposal options have been identified.

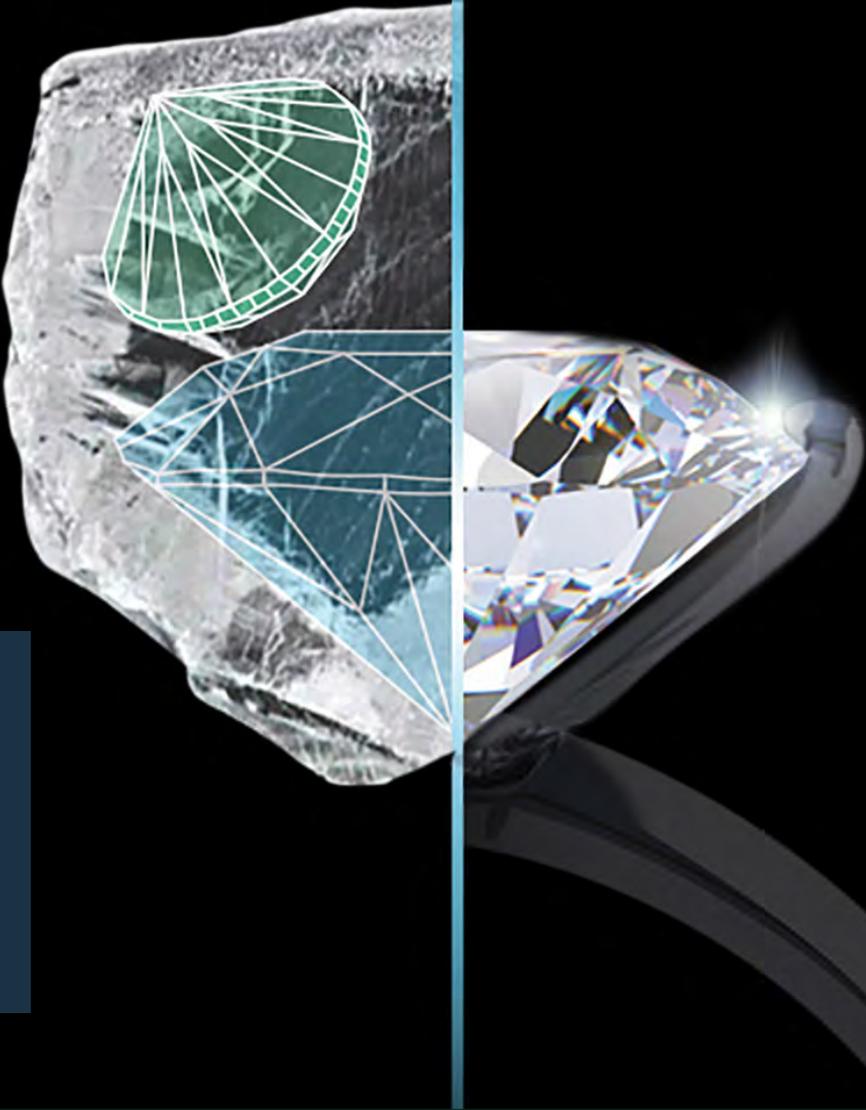
Decommissioning

The Mining License for the Karowe Mine was extended until 2046. Open pit mining is expected to cease in 2025 while the underground mine would extend mining activities at Karowe until 2040 or beyond.

As of December 31, 2021, the estimated liability for reclamation and remediation costs on an undiscounted basis was approximately \$29.7 million (2020: \$33.7 million). Lucara Botswana has provided financial guarantees totalling BWP 243.4 million for reclamation obligations, consisting of cash on deposit of BWP 43.4 million and a BWP 200 million standby letter of credit.

Compliance & Grievances

In 2021, we did not record any grievances. We did not record any incidents of non-compliance associated with water quality permits, standards, or regulations during the reporting period.



81
CUSTOMER BASE



168%
SALES GROWTH

CLARA

DIAMOND SOLUTIONS

About Clara

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

Innovating the Supply Chain

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

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

COVID-19 & Decarbonization

The restrictions placed on travel during the COVID-19 pandemic tested the traditional in-person viewing and purchasing model, and compounded the rationale behind our industry's need to modernize. In 2021, 21 sales took place on Clara with a total sales volume of \$28.7 million, an increase of 168% from the previous year. We also expect that buyers eager to reduce their travel-related carbon footprint will increasingly consider Clara as their preferred digital sales channel.



Intellectual Property

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

Ensuring Provenance

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



MATERIALITY REVIEW



Materiality workshop in Letlhekane, February, 2022

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

Our materiality analysis benefits from our annual sustainability reporting efforts since 2012. Our latest internal and external materiality workshops (conducted in-person in Botswana), including with local community representatives, were conducted in February 2022. Our management team reviewed and deemed the findings of the materiality assessment presented in this report to be valid.

Based on the materiality workshops, we confirmed existing and identified two additional material topics. These comprise biodiversity and tailings management.

Biodiversity surveys identified opportunities to reduce bird collision risks and support conservation of critically endangered vultures, and confirmed the absence of two plant species identified in Botswana’s “Red List” within the planned new construction footprint area within the Karowe Mine lease area (but their presence in other areas), and engage with NGOs to promote biodiversity conservation opportunities, including through community engagement.

The emergence of the Global Industry Standard on Tailings Management in August 2020 has further elevated the topic of dam safety for the mining sector, encouraged us to revisit our design and engineering related to our current and future tailings facility, and formalize our tailings-related governance and monitoring. Therefore, tailings management was elevated to a material topic.

Both biodiversity and tailings management are also among the protocols covered by the Mining Association of Canada’s Towards Sustainable Mining standards.

The material topics incorporated into Lucara’s 2021 reporting are presented below.

OUR 2021 MATERIAL TOPICS	WHY IMPORTANT?	Lucara Diamond Corp.	Lucara Botswana	Clara
Innovation & Economic Performance	Enables sustainable growth and adaptation, also to Climate Change risk.	●●●	●●●	●●●
Product Stewardship	Aligned with our Responsible Mining Policy, host country requirements, and RJC certification. Demanded by our customers.	●●●	●●●	●●●
Local Content: People & Supply Chain	Creates positive local economic impacts and shared value. Entrenches our social license to operate.	●	●●●	
Community Development	Supporting local communities is essential to maintain our social license, generate SDG benefits, and leave a positive legacy.	●●	●●●	
Health, Safety & Wellness	Core value, enabled continued operations during COVID-19 pandemic, aligned with regulatory requirements; Clara improved safety by offering digital sales channels without need for travel.	●●	●●●	●●
Partnerships	Generates and magnifies SDG impacts. Business partnerships improves our cashflows and profitability. Water partnership enables supply of surplus water to the Orapa mine. Working with NGOs can magnify conservation benefits and Climate Change adaptation of communities.	●●	●●●	●●
Environmental Stewardship	Core value, aligned with host country requirements and RJC certification.	●●	●●●	●
COVID-19 Pandemic	Material adverse impact on local communities and disruption of the diamond market in 2020 has rebounded in 2021 and Clara grow its sales by 168%.	●●	●●●	●●●
Climate Change	Mining is a significant energy consumer and emitter of GHGs, Botswana is vulnerable to climatic risks, financial and other stakeholders advocate GHG reduction. Introducing renewables can generate cost savings in addition to reducing our GHG footprint.	●●	●●●	●●
Biodiversity	Although expansion plans will not generate significant adverse impacts, we identified numerous engagement and collaboration opportunities. Working with conservation NGOs will enhance biodiversity conservation and improve our reputation.	●●	●●	
Tailings Management	Industry-wide focal area, which required us to revisit our plans, engineering, governance, disclosure, and emergency response.	●●●	●●●	

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



SUMMARY ESG PERFORMANCE DATA

Economic	Units	2021	2020	2019
Diamonds Produced	Carats	369,390	381,706	433,060
Stones 100+ carats	Carats	39	34	31
Revenues	\$ million	230.1	125.3	192.5
Total Botswana Benefits ¹	\$ million	178.06	125.78	140.06
Clara Customer Base	Number	81	75	25
Lucara Corp Board % Female	%	43	43	43
Lucara Corp Executives % Female	%	75	75	75
Lucara Botswana Board % Female	%	67	67	67
Lucara Botswana Executive % Female	%	67	67	67
Lucara Botswana Senior Managers – % Female	%	36	36	N/A
Workforce in Botswana % Female	%	38	31	18
Workforce	Number	1,928	1,108	878
Batswana (Nationals)	%	99	98	99
Contractors	Number	1,370	563	549
Employees	Number	558	545	329
Employee Union Members	%	63	49	65
Training	Hours	25,840	3,424	11,128
Labour Grievances	Number	0	1	2

Occupational Health & Safety	Units	2021	2020	2019
Fatalities	Number	0	0	0
Lost Time Injury Frequency Rate	Ratio	0.00	0.09	0.16
Environment	Units	2021	2020	2019
Freshwater in Mining & Processing ²	m ³	0	0	0
Effluent Discharge	m ³	0	0	0
Total Energy Use	GJ	426,952	440,135	498,643
Total GHG emissions (Scope 1+2)	tCO ₂ e	75,117	76,501	97,953
Community	Units	2021	2020	2019
Community Investments (US\$)	USD	694,000	1,240,000	590,000
COVID-19 Pandemic Response	USD	980,000	540,000	N/A
Community Grievances	Number	1	1	0

1 – Botswana total Benefit: Royalty, Corporate Tax, Employee compensation, Local Procurement, Donations and Community Investments

2 – GRI and SASB to define freshwater to have TDS < 1,000 mg/l, groundwater from Karowe's pit dewatering exhibits TDS > 1,000 mg/l

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

INTRODUCTION

IBIS ESG Africa (Pty) Ltd (IBIS) was commissioned by Lucara Diamond Corporation (Lucara) to conduct an independent third-party assurance engagement in relation to the sustainability information in Lucara's Sustainability Report (the report) for the financial year that ended 31 December 2021.

ASSURANCE STANDARD APPLIED

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

IBIS INDEPENDENCE AND COMPETENCE

IBIS is an independent licensed provider of sustainability assurance services. The assurance team was led by Petrus Gildenhuis with support from Charlotte de Koker and Bongani Machabe. Petrus is a Lead Certified Sustainability Assurance Practitioner (LCSAP) with over 25 years' experience in sustainability performance measurement involving both advisory and assurance work.

IBIS applies a strict independence policy and confirms its impartiality to Lucara in delivering the assurance engagement. This assurance engagement is the sixth consecutive assurance engagement conducted for Lucara by IBIS.

RESPECTIVE RESPONSIBILITIES OF IBIS AND LUCARA

IBIS' responsibility is to the management of Lucara alone and in accordance with the scope of work and terms of reference agreed with Lucara.

Lucara is responsible for ensuring the integrity of Lucara Sustainability Report of 2021. They satisfy themselves that there is an adequate and effective control environment, which supports the integrity of information used in the 2021 Sustainability Report and the preparation and presentation of sustainability information within the report. This responsibility includes the identification of stakeholders and stakeholder requirements, material issues and commitments with respect to sustainability performance, as well as for the design, implementation, and maintenance of internal controls relevant to the preparation of the report that is free from material misstatement, whether due to fraud or error.

ASSURANCE OBJECTIVES

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

- Adherence to the AA1000AP (2018) AccountAbility Principles of inclusivity, materiality, responsiveness and impact
- Lucara's alignment with the GRI Standards in respect of the 'core' reporting requirements (GRI Index: www.lucaradiamond.com/sustainability)
- Fair reporting on a selection of operational Key Performance Indicators (KPIs) as related to the identified material issues listed below:
 - Total amount of water used and water use intensity (p 2, p37)
 - Total direct and indirect energy used and energy use intensities (p 37, p39)
 - Scope 1 and 2 GHG emissions and intensities (p 37, p39)
 - Waste disposed in the different categories (GRI Index, p. 15)
 - Number of fatal injuries (p27)
 - Lost Time Injury Frequency Rate (LTIFR) (p 2, p26)
 - Absenteeism rate
 - Percentage of Botswana nationals in workforce (p 22)
 - Directly employed staff turnover (p 23)
 - Number of grievances lodged and resolved (p31)
 - Community development spend (p 31)

- Fair reporting of specific disclosure statements as related to material sustainability matters which include:
 - The Mining Association of Canada (MAC) Towards Sustainable Mining (TMS) Performance Indicators self-review and independent review verification statements
 - Responsible Jewellery Council (RJC) certification statement
 - Initiation of an updated Biodiversity action plan

WORK PERFORMED BY IBIS

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

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

Our assurance methodology included:

- Site visits performed at Lucara Karowe operation, which involved testing, on a sample basis, the measurement, collection, aggregation and reporting of selected sustainability information.
- Inspection and corroboration of supporting evidence to evaluate the data generation and reporting processes against the assurance criteria.
- Submitting queries to the operation as they arose to provide an opportunity for explanation and data corrections prior to completion of the assessment process.
- Assessing the presentation of information relevant to the scope of work in the Sustainability Report to ensure consistency with the assurance observations.

ENGAGEMENT LIMITATIONS

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

The assurance work did not include an examination of the third-party derivation factors, assumptions or data used to quantify performance indicators, in the following instance:

- Independent third-party conversion factors are used to derive emissions and energy used from fuel and electricity consumed. The assurance work did not include an examination of the derivation of those independent factors.

ASSURANCE CONCLUSION

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

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

KEY OBSERVATIONS AND RECOMMENDATIONS

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

In relation to the inclusivity principle

Lucara has a dedicated community relations team and maintained formal Stakeholder Engagement during 2021 focussing on consultation with a range of communities in the Boteti region. A structured Stakeholder Engagement Plan supports Lucara's approach to engaging with communities, local government, civil society, media and other key stakeholders. Continued engagement and record keeping is recommended.

In relation to the materiality principle

Lucara's materiality review process is aligned with the GRI Standards, Metals and Mining Standards from the Sustainability Accounting Standard Board (SASB) and TSM indicators. Material issues were reviewed in 2021 by conducting detailed materiality workshops with various stakeholders and reflected the Sustainability Report.

In relation to the responsiveness principle

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

In relation to the impact principle

Lucara reports on a range of material environmental, social and governance topics based on its ongoing monitoring, measurement and evaluation of its impacts; both qualitatively and quantitatively. Ten of the UN SDGs that most closely align with Lucara's business have been adopted and reported on for 2021, demonstrating Lucara's impact related to the relevant topics. This is further supported by Lucara's product stewardship commitments through the Kimberley Process Certification Scheme (KPCS), Responsible Jewellery Council (RJC) certification, UN Global Compact, and the Diamond Producers Association (DPA) membership. It is recommended that Lucara continue to report on the progress against its targets set in terms of the select SDGs as well as the impacts on its stakeholders and on Lucara's business itself.

In relation to GRI reporting

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

In relation to the selected KPIs

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



Petrus Gildenhuys

Director, IBIS ESG Africa (Pty) Ltd
Johannesburg, 26 August 2022



AA1000
Licensed Report
000-156/V3-PDOVX

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

FORWARD-LOOKING STATEMENT

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

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

In particular, this Sustainability Report may contain forward looking information pertaining to the following: the impact of the COVID-19 pandemic on the Company's operations and cash flows and its plans with respect to the Karowe underground expansion project, the Company's sustainability initiatives and possible outcomes of the Company's decarbonization efforts; the estimates of the Company's mineral reserves and resources; estimates of the Company's production and sales volumes for the Karowe Diamond Mine; estimated costs for capital expenditures related to the Karowe Diamond Mine; production

costs; exploration and development expenditures and reclamation costs; expectation of diamond prices and the potential for the supply agreement with HB Group to achieve both higher prices from the sale of polished diamonds and to provide more regular cash flow than in previous periods; expectation of diamond prices; changes to foreign currency exchange rates; assumptions and expectations related to the development of an underground mining operation at Karowe, including associated capital costs, financing strategies and timing; expectations in respect of the development and functionality of the technology related to the Clara platform, the intended benefits and performance of the Clara platform, including our ability to complete sales without viewing diamonds, the growth of the Clara platform, the timing and frequency of sales on the Clara Platform, and the quantum of and timing for participation of third parties on the Clara platform; expectations regarding the need to raise capital and its availability; possible impacts of disputes or litigation; and other risks and uncertainties described under the heading "Risks and Uncertainties" in the Company's most recent Annual Information Form available at <http://www.sedar.com> (the "AIF").

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

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

All currencies mentioned in the Sustainability Report are in United States Dollars ("US\$") unless otherwise mentioned.

Qualified Persons: Dr. John Armstrong, Ph.D. P.Geol, is the Qualified Person as defined by NI 43-101. Dr. Armstrong is Lucara's Vice President Technical Services and has reviewed and approved the scientific and technical information contained in the Sustainability Report. Mr. Cliff Revering, P. Eng. of SRK Consulting is the independent Qualified Person as defined by NI 43-101 responsible for the Karowe Diamond Mine Mineral Resource estimation, and Mr. Gord Doerksen of JDS Energy and Mining Inc. is the Independent Qualified person as defined by NI 43-101 responsible for the Karowe Diamond Mine Mineral Reserve estimation. The most recent Mineral Resource and Mineral Reserve estimations are located in the 2021 Annual Information Form for the year ended December 31, 2021, dated March 30, 2022, which can be found on the Company's website and under its profile on SEDAR at www.sedar.com.

Technical Reports: For further details regarding the Karowe Underground Project and Qualified Persons as defined by NI 43-101, please refer to the technical report dated December 16, 2019 with an effective date of September 26, 2019, titled "Karowe Mine Underground Feasibility Study Technical Report, Botswana, posted to the Company's website and under its profile on SEDAR at www.sedar.com.



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