

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered under this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and may not be offered or sold in the “United States” (as such term is defined in Regulation S under the U.S. Securities Act) except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state laws. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States. See “Plan of Distribution.”

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Zara Boldt, Corporate Secretary of Lucara Diamond Corp., at Suite 502 – 1250 Homer Street, Vancouver, B.C. V6B 2Y5, Telephone: 604-647-0272, and are also available electronically under the Company’s profile at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

July 12, 2021



LUCARA
DIAMOND

C\$22,050,000.00

29,400,000 Common Shares

This short form prospectus (the “**Prospectus**”) qualifies the distribution (the “**Offering**”) of an aggregate 29,400,000 common shares (the “**Offered Shares**”) in the capital of Lucara Diamond Corp. (“**Lucara**”, the “**Company**”, “**we**”, “**us**”, or “**our**”) at a price of C\$0.75 per Offered Share (the “**Offering Price**”) in each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec (the “**Offering Jurisdictions**”). The Offered Shares will be sold pursuant to an underwriting agreement dated June 30, 2021 (the “**Underwriting Agreement**”) among the Company and BMO Nesbitt Burns Inc. (the “**Lead Underwriter**”) on behalf of a syndicate composed of the Lead Underwriter and Scotia Capital Inc. (the “**Underwriters**”). The Offering Price was determined by arm’s length negotiation between the Underwriters and the Company, with reference to the prevailing market price of the common shares of the Company (the “**Shares**”) on the Toronto Stock Exchange (the “**TSX**”). See “Plan of Distribution”.

The issued and outstanding Shares are listed and posted for trading on the TSX, the Botswana Stock Exchange (the “**BSE**”) and on the Nasdaq Stockholm Exchange (the “**Nasdaq Stockholm**”) under the symbol “LUC.” On July 9, 2021, the last full trading day in each of Canada, Botswana and Sweden prior to filing this Prospectus, the closing prices of the Shares on the TSX, BSE and Nasdaq Stockholm were C\$0.75, BWP 7.25 and SEK 5.11, respectively. Lucara has applied, or will apply, to list the Offered Shares distributed hereunder, and for the Shares issued pursuant to a Concurrent Private Placement (as defined below), on the TSX and the Nasdaq Stockholm. Listing will be subject to Lucara fulfilling all of the listing requirements of the TSX and the Nasdaq Stockholm. Upon receipt of TSX approval, Lucara will make the requisite filings to have the Offered Shares, and the Shares issued pursuant to the Concurrent Private Placement, listed on the BSE.

Price: C\$0.75 per Offered Share

	Price to the Public	Underwriters' Commission⁽¹⁾	Net Proceeds to the Company⁽²⁾
Per Offered Share.....	C\$0.75	C\$0.04125	C\$0.70875
Total ⁽³⁾	C\$22,050,000	C\$1,212,750	C\$20,837,250

- (1) Pursuant to the terms and conditions of the Underwriting Agreement, the Company has agreed to pay a cash commission to the Underwriters (the “**Underwriters’ Fee**”) equal to 5.5% of the gross proceeds of the Offering.
- (2) After deducting the Underwriters’ Fee in respect of the Offering, but before deducting the expenses of the Offering payable by the Company, estimated to be C\$400,000, which will be paid by the Company from the proceeds of the Offering.
- (3) The Company has granted to the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days from and including the date of the Closing (defined below), to purchase up to an additional 15% of the Offered Shares, being 4,410,000 Shares (the “**Additional Shares**”) on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. See “Plan of Distribution”. This Prospectus qualifies the grant of the Over-Allotment Option and the issuance of Additional Shares on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Shares forming part of the Underwriters’ over-allocation position acquires those Additional Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context requires otherwise, all references herein to the “Offered Shares” include the Additional Shares. If the Over-Allotment Option is exercised in full, the total “Price to the Public”, “Underwriters’ Fee” and “Net Proceeds” to the Company will be C\$25,357,500.00, C\$1,394,662.50 and C\$23,962,837.50 (before estimated expenses of C\$400,000), respectively. See “Plan of Distribution” and the following table:

Underwriters’ Position	Maximum Size	Exercise Period	Exercise Price
Over-Allotment Option	4,410,000	Up to 4,410,000 for 30 days from and including the date of the Closing	C\$0.75 per Additional Share

The Company intends to complete a non-brokered private placement (expected to close concurrently with the Offering) of up to 21,347,733 Shares at a price of C\$0.75 per Share for aggregate gross proceeds of approximately C\$16 million (the “**Concurrent Private Placement**”). Nemesia S.à.r.l (“**Nemesia**”) has agreed to purchase an aggregate of 16,421,333 Shares in the Concurrent Private Placement. Nemesia is a private corporation owned by a trust whose settlor is the Estate of Adolf H. Lundin. As of July 9, 2021, Nemesia owned, directly or beneficially, an aggregate 70,372,200 Shares, representing approximately 17.71% of the issued and outstanding Shares on a non-diluted basis. Following completion of the Concurrent Private Placement and the Offering, and assuming the exercise of the Over-Allotment Option in full, Nemesia, directly and indirectly, will hold an aggregate of approximately 19.18% of the issued and outstanding Shares. Closing of the Offering and the Concurrent Private Placement is subject to TSX approval. No commission or other fee will be paid to the Underwriters in connection with the sale of Shares pursuant to the Concurrent Private Placement.

The Underwriters, as principal, conditionally offers the Offered Shares, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “Plan of Distribution” and subject to approval of certain legal matters relating to the Offering by Blake, Cassels & Graydon LLP, on behalf of the Company, and by Cassels Brock & Blackwell LLP, on behalf of the Underwriters.

The Underwriters propose to offer the Offered Shares initially at the Offering Price. After the Underwriters have made reasonable efforts to sell all of the Offered Shares at such price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by

purchasers for the Offered Shares is less than the gross proceeds to be paid by the Underwriters to the Company. Any such reduction will not affect the proceeds received by the Company. See “Plan of Distribution”.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the closing of the Offering will occur on or about July 15, 2021 (the “**Closing**”) or such other date(s) as may be agreed upon between the Company and the Underwriters, but in any event no later than 42 days after the date of the final receipt for this Prospectus. See “Plan of Distribution”. The Offering will be effected only through the book-based system administered by CDS Clearing and Depository Services Inc. (“**CDS**”). No certificate evidencing the Offered Shares will be issued to purchasers under this Prospectus, and registration will be made in the depository service of CDS. “Qualified institutional buyers” (“**QIBs**”), as such term is defined in Rule 144A under the U.S. Securities Act (“**Rule 144A**”), in the United States acquiring Offered Shares pursuant to Rule 144A may receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is purchased. Offered Shares, if any, acquired by such QIBs in the United States, among other restrictions, may not be offered, sold, pledged, or otherwise transferred, directly or indirectly, in the United States, and may not be deposited into the facilities of the Depository Trust Company, or a successor depository within the United States, or be registered or arranged to be registered, with Cede & Co. or any successor thereto.

The Offered Shares may also be offered for sale in the United States, by or through one or more duly registered United States broker-dealer affiliates of the Underwriters (the “**U.S. Affiliates**”), under certain exemptions from the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws. Subject to applicable law and the provisions of the Underwriting Agreement, the Underwriters may also offer the Offered Shares outside of Canada and the United States. See “Plan of Distribution”.

The Offering and this Prospectus does not constitute a public offer in accordance with Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**European Prospectus Rules**”). This Prospectus is not a prospectus pursuant to the European Prospectus Rules and it has not been approved or reviewed by any governmental authority in any jurisdiction in accordance with the European Prospectus Rules. For further information with regard to restrictions of offers and sales of the Offered Shares and the distribution of the Prospectus, see “Plan of Distribution”. Investors agree to the foregoing by accepting delivery of this Prospectus.

In relation to each Member State of the European Economic Area (“**EEA**”) that applies the European Prospectus Rules (each, a “**Relevant Member State**”), no offer of the Offered Shares may be made to the public in that Relevant Member State, except that offers of the Offered Shares may be made under *inter alia* the following exemptions to the European Prospectus Rules: (i) an offer of securities addressed solely to qualified investors as defined in the European Prospectus Rules; (ii) an offer of securities addressed to investors who acquire securities for a total consideration of at least EUR 100,000 per investor, for each separate offer; or (iii) in any other circumstances falling within Article 1(4) of the European Prospectus Rules; provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to the European Prospectus Rules or of a supplement to a prospectus pursuant to the European Prospectus Rules.

For the purposes of this provision, the expression “offer to the public” in relation to Offered Shares in any Relevant Member State means a communication in any form and by any means, presenting sufficient information on the terms of the Offering and the Offered Shares, so as to enable an investor to decide to purchase or subscribe for those Offered Shares. This definition also applies to the placing of securities through financial intermediaries. See “Plan of Distribution”.

The Offering in Sweden is made on a private placement basis pursuant to exemptions from the European Prospectus Rules and is addressed solely to qualified investors (as defined in the European Prospectus Rules) and investors who subscribe for a minimum of a sum equivalent to not less than EUR 100,000 per investor, for each separate offer. The Company may, at its sole discretion, allocate new shares for an amount below EUR 100,000 to the extent applicable exemptions from the European Prospectus Rules are available. See “Plan of Distribution”.

Prospective investors should rely only on the information contained or incorporated by reference in this

Prospectus. The Company and the Underwriters have not authorized anyone to provide purchasers with information different from that contained or incorporated by reference in this Prospectus. The Underwriters are seeking offers to buy the Offered Shares only in jurisdictions where, and to persons whom, offers and sales are lawfully permitted. An investment in the Offered Shares is highly speculative and involves significant risks that should be carefully considered by prospective investors. Such investment should only be made by those persons who can afford the risk of loss of their entire investment. The risks outlined in this Prospectus and in the documents incorporated herein by reference should be carefully reviewed and considered by prospective investors. See “Risk Factors” and “Cautionary Note Regarding Forward-Looking Information and Statements”.

Prospective purchasers should be aware that the acquisition, holding and disposition of the Offered Shares described herein may have tax consequences. The Prospectus does not describe these tax consequences fully. Prospective investors are advised to consult their own tax advisors regarding the application of Canadian federal income tax laws to their particular circumstances, as well as any other provincial, territorial, local, foreign and other tax consequences of acquiring, holding or disposing of Offered Shares.

Lukas Lundin, a director of the Company, resides outside of Canada and has appointed Lucara as his agent for service of process in Canada. See “Enforcement of Judgements against Foreign Persons” herein.

No Canadian securities regulator, the United States Securities and Exchange Commission or any state has approved or disapproved of the securities offered hereby, passed upon the accuracy or adequacy of this Prospectus or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

The registered office of the Company is Suite 2600, Three Bentall Centre, PO Box 49314, 595 Burrard Street, Vancouver, BC V7X 1L3 and the head office of the Company is located at Suite 502 – 1250 Homer Street, Vancouver, BC V6B 2Y5.

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ABOUT THIS PROSPECTUS

Readers should rely only on information contained or incorporated by reference in this Prospectus. Neither the Company nor the Underwriters have authorized anyone to provide the reader with additional or different information. Neither the Company nor the Underwriters are making an offer of the Offered Shares in any jurisdiction where the offer or sale is not permitted. Readers should not assume that the information contained or incorporated by reference in this Prospectus is accurate as of any date other than the date on the front of this Prospectus or the respective dates of the documents incorporated by reference herein. The Company does not undertake to update the information contained or incorporated by reference herein, except as required by applicable securities laws.

Market data used in this Prospectus and the documents incorporated by reference herein were obtained from market research, publicly available information and industry publications. We believe that these sources are generally reliable, but the accuracy and completeness of this information is not guaranteed. We have not independently verified such information, and we do not make any representation as to the accuracy of such information.

The Company's annual consolidated financial statements that are incorporated by reference into this Prospectus have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

In this Prospectus, unless the context otherwise requires, references to "we", "us", "our" or similar terms, as well as references to "Lucara" or the "Company", refer to Lucara Diamond Corp. together with our subsidiaries.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made in this Prospectus and in the documents incorporated by reference in this Prospectus contain certain "forward-looking information" and "forward-looking statements" as defined in applicable securities laws. Generally, any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "budgets", "scheduled", "forecasts", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements.

In particular, forward-looking information and forward-looking statements may include, but are not limited to, information or statements with respect to the Offering, the intended use of proceeds, the Company's ability to arrange for debt facilities required to construct the Karowe Mine (as defined below) Underground Project in Botswana (the "**Underground Project**"), statements with respect to the timing of closing, funding and the commercial terms of the Underground Project Debt Financing (as defined below), that expected cash flow from operations, combined with external financing will be sufficient to complete construction of the Underground Project, the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, future production activity, the future price and demand for diamonds, future forecasts of revenue and variable consideration in determining revenue, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, permitting time lines, currency exchange rates, success of exploration, requirements for and availability of additional capital, capital expenditures, operating costs, timing of completion of technical reports and studies, tax rates, timing of drill programs, government regulation of operations, environmental risks and ability to comply with all environmental regulations, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, negotiations and agreements among the Company and the Botswana Mine Workers Union, the completion of transactions and timing and possible outcome of pending litigation, the profitability of Clara and the Clara Platform, and the scaling and commercialization of the digital platform for the sale of rough diamonds owned by Clara (the "**Clara Platform**"), the benefits to the Company of diamond supply agreements with HB Trading BV ("**HB**") and the ability to generate better prices from the sale of the Company's +10.8 carat production as a polished stone.

Forward-looking information and 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 correct. The Company is subject to the following risks and uncertainties, among others:

- general global financial and economic conditions;
- future market prices for diamonds;
- the supply and demand for rough and polished diamonds and in particular, the demand for diamonds greater than +10.8 carats;
- potential to achieve better prices by selling +10.8 carat stones under the terms of the agreement with HB;
- reliance on one counter-party to acquire a significant percentage of the Karowe production (by value);
- ability to access capital and liquidity risk;
- fluctuations in interest rates, foreign currency exchange rates and tax rates;
- inherent hazards and risks associated with mining operations, places of work, and within Lucara's supply chain;
- estimations of Lucara's production and sales volume for the Karowe Mine;
- the assumptions raised in the Technical Report (as defined below) related to the Underground Project, including the expected development costs, start-up timing, exploration and development plans, projected tax benefits and/or expected production costs;
- operational costs, including costs of power and diesel, compensation of employees and consultants, etc.;
- operational difficulties, including power failures, failure of plant, equipment or processes to operate in accordance with specifications or expectations and labour disputes;
- widespread diamond industry adoption of the Clara Platform;
- the regulatory regime governing blockchain technologies and the degree of development and acceptance of blockchain technologies;
- the Company's ability to protect its intellectual property;
- risks inherent in the implementation of new technologies, including the Clara Platform and potential intellectual property infringement claims and cyber-security risks;
- recovered grade, size distribution and quality of diamonds;
- the successful mitigation of issues inherent in the mining of diamonds, such as theft and diamond breakage;
- environmental and other regulatory requirements, including changes in the same and ability to obtain all necessary regulatory approvals;
- acts of the governments where Lucara's operations are located;
- obtaining, maintaining and renewing governmental approvals and permits including but not limited to mining licenses;
- variation in mineral resources and estimation of mineral resources, including the continuity of grade of diamondiferous mineralization;
- risks related to property titles;

- the effect of the coronavirus outbreak as a global pandemic on the Company’s business and operations;
- the dependence on transportation facilities, infrastructure and information technology systems;
- the Company is required to carry uninsurable risks and the risk that the Company’s insurance does not cover all risks;
- the mining industry is competitive;
- risks associated with current and future legal proceedings;
- conflicts of interest;
- dependence on management and technical personnel;
- the failure to secure and maintain skilled employees and maintain key relationships with financing partners, local communities and other stakeholders;
- risks associated with volatility in the securities market;
- risks associated with reliance on secure information technology (“IT”) systems that could be compromised;
- risks associated with climate change including the impact of extreme weather events on mining operations;
- risks associated with the production and increased consumer demand for synthetic gem-quality diamonds;
- successful closing of the Underground Project Debt Financing (as defined below);
- ability to maintain obligations or comply with the Facilities (as defined below);
- risks associated with financing requirements;
- capital costs relating to the development of the Underground Project may increase;
- in 2020, the Company experienced a period of negative operating cash flow;
- discretion in the use of proceeds from the Offering;
- volatility of the trading price for the Shares;
- investors may lose their entire investment;
- sales of a significant number of Shares in the public markets, or the perception of such sales, could depress the market price of the Shares;
- holders of Shares will be diluted;
- global financial conditions can reduce prices of the Shares and limit access to financing;
- the Shares do not currently pay dividends;
- difficulty in enforcing judgements and effecting service of process on directors; and
- active liquid trading market for the Shares.

Certain of these risks are discussed in the section “**Risk Factors**” in this Prospectus. The foregoing list is not exhaustive

of the factors that may affect any of our forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and our actual achievements or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors, including, without limitation, those referred to in this Prospectus and in any documents incorporated or deemed incorporated by reference into this Prospectus.

Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. The forward-looking statements contained in this Prospectus are based on the beliefs, expectations and opinions of management as of the date of this Prospectus. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers and investors should not place undue reliance on forward-looking statements. Forward-looking information and statements are made as of the date of this Prospectus and accordingly are subject to change after such date. Except as required by law, we disclaim any obligation to revise any forward-looking information and statements to reflect events or circumstances after the date of such information and statements. All of the forward-looking information and statements contained or incorporated by reference in this Prospectus are qualified by the foregoing cautionary statements.

SCIENTIFIC AND TECHNICAL INFORMATION

The scientific and technical information relating to the Underground Project set forth in this Prospectus, or incorporated by reference herein, has been derived from or is based on the technical report dated December 16, 2019 with an effective date of September 26, 2019, titled “Karowe Mine Underground Feasibility Study Technical Report, Botswana” (the “**Technical Report**”), authored by Gord Doerksen, JDS Energy & Mining Inc., P.Eng., Tracey Arlaud, JDS Energy & Mining Inc., Reg. Mem. SME., Kelly McLeod, JDS Energy & Mining Inc., P.Eng., Carly Church, JDS Energy & Mining Inc., P.Eng., John Armstrong, Lucara, Ph.D, P.Geo., Andrew Copeland, Knight Piésold Consulting, Pr. Eng., Johan Oberholzer, Royal Haskoning DHV, Pr. Eng., Matthew Pierce, Pierce Engineering LLC., P.Eng., Markus Reichardt, Reichardt & Reichardt, Ph.D., Cliff Revering, SRK Consulting (Canada) Inc. P.Eng., Kimberley Webb, SRK Consulting (Canada) Inc., P.Geo., Koos Vivier, Exigo Sustainability (Pty, Ltd.), Pr.Sci.Nat., Lehman van Niekerk, DRA Mineral Projects, Pr.Eng, each of whom is a “qualified person” under National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”). The Technical Report has been filed with applicable Canadian securities regulatory authorities and is available for review under the Company’s profile on SEDAR at www.sedar.com.

The disclosure of scientific and technical information regarding the Company’s properties in this Prospectus was reviewed and approved by Dr. John Armstrong, Lucara’s Vice President, Technical Services, a Qualified Person under NI 43-101.

Cautionary Note Regarding Presentation of Mineral Reserve and Mineral Resource Estimates

This Prospectus was prepared in accordance with Canadian standards for reporting of mineral resource estimates, which differ from United States standards. In particular, and without limiting the generality of the foregoing, the terms “inferred mineral resources,” “indicated mineral resources,” “measured mineral resources” and “mineral resources” used or referenced in this Prospectus are Canadian mineral disclosure terms as defined in accordance with NI 43-101 under the guidelines set out in the Canadian Institute of Mining, Metallurgy and Petroleum Standards for Mineral Resources and Mineral Reserves, Definitions and Guidelines (the “**CIM Standards**”).

The SEC has adopted amendments to its disclosure rules to modernize the mineral property disclosure requirements for most issuers whose securities are registered with the U.S. Securities and Exchange Commission (the “**SEC**”) under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). These amendments became effective February 25, 2019 (the “**SEC Modernization Rules**”) with compliance required for the first fiscal year beginning on or after January 1, 2021. Under the SEC Modernization Rules, the historical property disclosure requirements for mining registrants included in SEC Industry Guide 7 have been rescinded and replaced with disclosure requirements in subpart 1300 of SEC Regulation S-K. Because the Company’s securities are not registered with the SEC under the Exchange Act, the Company is not required to provide disclosure on its mineral properties under the SEC Modernization Rules and provides disclosure under NI 43-101 and the CIM Standards.

As a result of the adoption of the SEC Modernization Rules, the SEC will recognize estimates of “measured mineral resources,” “indicated mineral resources” and “inferred mineral resources.” In addition, the SEC has amended its definitions

of “proven mineral reserves” and “probable mineral reserves” to be “substantially similar” to the corresponding definitions under the CIM Standards that are required under NI 43-101. Information regarding mineral resources or mineral reserves contained or referenced in this Prospectus may not be comparable to similar information made public by companies that report in accordance with U.S. standards. While the above terms are “substantially similar” to CIM Standards, there are differences in the definitions under the SEC Modernization Rules and the CIM Standards. Accordingly, there is no assurance that any mineral reserves or mineral resources that the Company may report as “proven mineral reserves”, “probable mineral reserves”, “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” under NI 43-101 would be the same had the Company prepared the reserve or resource estimates under the standards adopted under the SEC Modernization Rules.

CURRENCY AND EXCHANGE RATE INFORMATION

In this Prospectus, unless otherwise indicated, all references to “US\$”, “\$” or “dollars” are references to US dollars, all references “C\$” are references to Canadian dollars, references to “SEK” are references to the Swedish krona and references to “BWP” are references to Botswana pula.

The following tables set forth for each period indicated: (i) the exchange rates in effect at the end of such period; (ii) the high and low exchange rates during such period; and (iii) the average exchange rates for such period, for one Canadian dollar, expressed in U.S. dollars, Swedish krona, respectively, each as quoted by the Bank of Canada and for one Canadian dollar, expressed in Botswana pula, as quoted by Bloomberg.

i. US\$ to C\$

	Year ended December 31,			Three months ended March 31,	
	2020	2019	2018	2021	2020
	C\$	C\$	C\$	C\$	C\$
Closing	1.2732	1.2988	1.3642	1.2575	1.4187
High	1.4496	1.3600	1.3642	1.2828	1.4496
Low	1.2718	1.2988	1.2288	1.2455	1.2970
Average	1.3415	1.3269	1.2957	1.2662	1.3449

ii. SEK to C\$

	Year ended December 31,			Three months ended March 31,	
	2020	2019	2018	2021	2020
	C\$	C\$	C\$	C\$	C\$
Closing	0.1555	0.1394	0.1528	0.1442	0.1421
High	0.1561	0.1511	0.1600	0.1551	0.1448
Low	0.1350	0.1339	0.1412	0.1442	0.1350
Average	0.1459	0.1404	0.1492	0.1507	0.1390

iii. BWP to C\$

	Year ended December 31,			Three months ended March 31,	
	2020	2019	2018	2021	2020
	C\$	C\$	C\$	C\$	C\$
Closing	0.1177	0.1225	0.1273	0.1153	0.1184
High	0.1299	0.1276	0.1365	0.1184	0.1299
Low	0.1130	0.1186	0.1193	0.1126	0.1176
Average	0.1172	0.1233	0.1273	0.1139	0.1215

The daily average exchange rate on July 9, 2021 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was US\$1.00 equals C\$1.2476, for the conversion of Swedish krona to Canadian dollars was SEK 1.00 to C\$0.1454 and for the conversion of the Botswana pula to Canadian dollars was BWP 1.00 equals C\$0.1142.

DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference into this Prospectus from documents filed with the securities commissions or similar authorities in each of the Offering Jurisdictions. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Lucara Diamond Corp., Zara Boldt, at Suite 502 – 1250 Homer Street, Vancouver, B.C. V6B 2Y5, Telephone: 604-647-0272, and are also available electronically at www.sedar.com. **The filings of the Company through SEDAR are not incorporated by reference in this Prospectus except as specifically set out herein.**

The following documents are specifically incorporated by reference into, and form an integral part of, this Prospectus:

- 1) the annual information form of the Company for the year ended December 31, 2020 dated March 30, 2021 (the “**AIF**”);
- 2) the audited annual consolidated financial statements of the Company as at and for the years ended December 31, 2020 and 2019, together with the notes thereto and the auditor’s report thereon (the “**Annual Financial Statements**”);
- 3) management’s discussion and analysis of financial condition and results of operations of the Company for the year ended December 31, 2020 dated February 22, 2021 (the “**Annual MD&A**”);
- 4) the unaudited interim financial statements of the Company as at and for the three months ended March 31, 2021 and 2020, together with the notes thereto (the “**Interim Financial Statements**”);
- 5) management’s discussion and analysis of financial condition and results of operations of the Company for the three months ended March 31, 2021 dated May 6, 2021 (the “**Interim MD&A**”);
- 6) the management information circular of the Company dated March 19, 2021 regarding the annual general and special meeting of shareholders of the Company held on May 11, 2021 (the “**Circular**”);
- 7) the template version of the amended term sheet dated June 28, 2021 in connection with the Offering;
- 8) the material change report of the Company dated July 2, 2021 relating to the Offering; and
- 9) the material change report of the Company dated July 12, 2021 relating to the Underground Project Debt Financing (defined below).

Any statement contained in this Prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement

contained in this Prospectus or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference into this Prospectus modifies or supersedes that statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to prevent a statement that is made from being false or misleading in the circumstances in which it was made. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Prospectus.

Any document of the type required to be incorporated into the Prospectus by item 11.1 of Form 44-101F1 – *Short Form Prospectus Distributions* (excluding confidential material change reports and excluding those portions of documents that are not required pursuant to National Instrument 44-101 – *Short Form Prospectus Distributions* to be incorporated by reference herein) filed by the Company after the date of this Prospectus and before the termination of the distribution are deemed to be incorporated by reference in this Prospectus.

MARKETING MATERIALS

Any “template version” of any “marketing materials” (as defined in National Instrument 41-101 – *General Prospectus Requirements*) that are utilized by the Underwriters in connection with the Offering are not part of this Prospectus to the extent that the contents of any template version of the marketing materials have been modified or superseded by a statement contained in this Prospectus. Any template version of any marketing materials filed on SEDAR at www.sedar.com after the date of this Prospectus but before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the marketing materials) is deemed to be incorporated by reference in this Prospectus.

THE COMPANY

Lucara is a leading independent producer of large exceptional diamonds from its 100% owned Karowe Diamond Mine in Botswana (the “**Karowe Mine**”). The Karowe Mine has been in production since 2012 and is the focus of the Company’s operations, development, and exploration activities. Clara Diamond Solutions Limited Partnership (“**Clara**”), a wholly-owned subsidiary of Lucara, developed and currently operates a secure, digital sales platform that uses proprietary analytics together with cloud and blockchain technologies to modernize the existing diamond supply chain, driving efficiencies, unlocking value and ensuring diamond provenance from mine to finger. Lucara has an experienced board and management team with extensive diamond development and operations expertise. Lucara and its subsidiaries operate transparently and in accordance with international best practices in the areas of sustainability, health and safety, environment, and community relations.

For further information regarding Lucara, see the AIF and other documents incorporated by reference in this Prospectus available at www.sedar.com under the Company’s profile.

Recent Developments

- On April 6, 2021, Lucara announced that it and Lucara Botswana Proprietary Limited (“**Lucara Botswana**”) had entered into a 24-month extension of its definitive supply agreement with HB in respect of all diamonds produced in excess of 10.8 carats in size from the Karowe Mine. Under the terms of the supply agreement with HB, extended to December 2022, the purchase price paid for each +10.8 carat rough diamond is based on the estimated polished outcome, determined through scanning and planning technology, with a true up paid on actual achieved polished sales thereafter, less a fee and the cost of manufacturing.
- On May 5, 2021, Lucara announced that it had received credit approved commitments from a syndicate of five mandated lead arrangers: Africa Finance Corporation, African Export-Import Bank, ING Bank N.V., Natixis, and Societe Generale, London Branch, (the “**MLAs**”) for the Underground Project Debt Financing (as defined below) to fund the Underground Project at the Karowe Mine. African Export-Import Bank would also act as Facility Agent in connection with the Facilities (as defined below). The Facilities will include two tranches: a project finance facility of US\$170 million to fund the development of the Underground Project and a working capital facility of US\$50 million

to support the ongoing operation of the Karowe Mine. Closing of the Facilities is subject to satisfactory completion of definitive documentation and satisfaction of certain terms and conditions, including appropriate Know Your Client (KYC) checks. Lucara expects to execute definitive documentation with respect to the Facilities in July 2021.

- On May 5, 2021, Lucara also announced an extension of its current Working Capital Facility (defined below), expected to be refinanced upon achieving Financial Closing (as defined below) under the Underground Project Debt Financing.
- On June 7, 2021, Lucara announced the recovery of a 470 carat top light brown clivage diamond from the Karowe Mine, measuring 49x42x26mm.
- On June 22, 2021, Lucara announced the recovery of a 1,174.76 carat diamond from the Karowe Mine. The diamond, measuring 77x55x33mm is described as a clivage gem of variable quality with significant domains of high-quality white gem material.

Underground Project Debt Financing

On July 12, 2021, the Company announced that it had signed loan documentation, including a credit agreement (the “**Facilities Agreement**”) in relation to its previously announced senior secured project financing debt package of US\$220 million (the “**Facilities**”) between Lucara Botswana, as Borrower, and the MLAs (the “**Underground Project Debt Financing**”). The Facilities will be made available to Lucara Botswana by way of a senior secured term loan facility in the principal amount of up to US\$170,000,000 (the “**Project Facility**”) and a senior secured revolving credit facility in the principal amount of up to US\$50,000,000 (the “**New Working Capital Facility**”). As is typical for a facility of this type, Lucara Botswana paid for all pre-agreed fees and expenses reasonably incurred by the MLAs, as well as customary commitment and other fees in connection with making the Facilities available to Lucara Botswana.

The Project Facility will be used to pay for the development and construction costs of the Underground Project and associated infrastructure, plant and equipment, as well as financing costs in relation to the Facilities and transaction costs incurred in connection with the Facilities Agreement, and will be available from the date of financial close to the earliest of: (i) the date that is fifty-seven months after financial close (currently projected at about April, 2026); and (ii) completion of the Underground Project (the “**Project Completion**”). The Project Facility is anticipated to be repaid on a quarterly basis, commencing on June 30, 2026, with a maturity date of eight (8) years after financial close. Loans under the Project Facility will bear interest at a rate equal to LIBOR or a replacement benchmark rate plus 5.5% annually until project completion, and thereafter at a rate equal to LIBOR or a replacement benchmark rate plus 5.0% annually.

The New Working Capital Facility will initially be used to repay the Working Capital Facility, and for working capital and other general corporate purposes of the Borrower and will be available from the date of financial close to the date that is twenty-four months after financial close, provided that the New Working Capital Facility would be renewable on an annual basis with the consent of the Lenders. Each loan under the New Working Capital Facility will be repaid on the last day of the interest period applicable to such loan, subject to typical rollover arrangements. Loans under the New Working Capital Facility will bear interest at a rate equal to LIBOR or a replacement benchmark rate plus 3.5% annually.

The Facilities are secured by a suite of first ranking security customary for a financing of its nature in Botswana, including security over all assets of Lucara Botswana, subordination of shareholder loans to Lucara Botswana, and a guarantee from the Company and each of its intermediary holding companies located between the Company and Lucara Botswana (each a “**Guarantor**”), the Company’s obligations under the guarantee will fall away upon the achievement of project completion. As additional support to the project, Nemesia has agreed to provide up to US\$25,000,000 by way of a standby undertaking for use in the event of a funding shortfall occurring up to thirty-six (36) months from financial close (the “**Shareholder Standby Undertaking**”). As compensation for providing the Shareholder Standby Undertaking, subject to receipt of all regulatory approvals, the Company has agreed to issue to Nemesia 600,000 Shares, expected to be issued in mid-July upon execution of the Shareholder Standby Undertaking, with a further 600,000 Shares payable in the event that the Shareholder Standby Undertaking is called in the event of a funding shortfall. Additionally, Lucara Botswana will be expected to establish a cost overrun reserve account in the principal amount of US\$52,900,000 within twenty-four (24) months of financial close.

The Facilities Agreement includes representations and warranties in relation to Lucara Botswana typical for a facility of its nature, subject to appropriate qualifications, exclusions, limitations and materiality. The Facilities Agreement includes

limited corporate existence/capacity representations and warranties (including in relation to anti-bribery and corruption, and sanctions) in relation to the Guarantors for the term of the guarantee, subject to appropriate qualifications, exclusions, limitations and materiality.

In addition, the Facilities Agreement contains customary information covenants (including relating to the financial condition of Lucara Botswana and the Guarantors, annual updates to the Underground Project, construction reports, market updates, notifications of events of default (as described below), and environmental and social reporting), as well as positive and negative covenants typical for a facility of this nature. The Facilities Agreement contains customary events of default including for non-payment, insolvency, breach of covenant, failure to achieve Project Completion within 12 months of the scheduled Project Completion (currently projected at October 31, 2026), and a failure by Nemesia to perform its obligations under the Shareholder Standby Undertaking within ten (10) business days of demand.

The successful Financial Closing of the Underground Project Debt Financing and the development of the Underground Project are subject to the risks and uncertainties to conducting mining activities which are set out below under “Risk Factors” as well as under “Risk Factors” in the AIF and the heading “Risk and Uncertainties” in the Annual MD&A and Interim MD&A.

Update on 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 COVID-19 global pandemic (“**COVID-19**”). These measures designated mining as an essential service in Botswana and included increased travel restrictions, reduced overall staffing levels and appropriate social distancing. An initial six-month state of emergency has been extended twice and currently the published end date is September 30, 2021. With increasing cases in Botswana and surrounding countries and limited opportunities for vaccination, restrictions on the movement of people within zones in Botswana and curfews have been implemented and are subject to change with limited notice. The Company has been able to continue mining and processing activities during the state of emergency as most of the workforce (+98%) are Botswana nationals.

The Company continues to operate under its approved crisis management plan, designed to protect the health and well-being of our employees in Botswana and Canada as well as the financial well-being of the business. The Company has permission to conduct COVID-19 testing at our operations in Botswana and active testing of the workforce began in January 2021. Regular health screening, temperature checks and the use of infrared measurements are also a routine part of the protocol. All contractors and visitors are required to have negative COVID-19 tests and adhere to all COVID-19 protocols while conducting work at company operations in Botswana.

CONSOLIDATED CAPITALIZATION

There have been no material changes in the consolidated capitalization of the Company since March 31, 2021, the date of our most recently filed unaudited Interim Financial Statements, other than extending the availability of our US\$50 million revolving credit facility with Rand Merchant Bank, a division of FirstRand Bank Limited (London Branch) (the “**Working Capital Facility**”) which matures on the earlier of the closing of the Underground Project Debt Financing or November 5, 2021.

The following table shows the consolidated capitalization of the Company as at the date of the most recent Interim Financial Statements and as at such date on an adjusted basis after giving effect to the Offering and the Concurrent Private Placement. The following table should be read in conjunction with the unaudited Interim Financial Statements and the Interim MD&A, each of which are incorporated by reference into this Prospectus:

As at March 31, 2021 ⁽⁴⁾	As at March 31, 2021 After Giving Effect to the Offering and the Concurrent Private Placement ⁽¹⁾⁽²⁾⁽⁴⁾	As at March 31, 2021 After Giving Effect to the Offering and the Concurrent Private Placement ^{(1) (3) (4)}
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Share Capital	US\$315,334	US\$345,253	US\$347,791
Outstanding (Authorized – unlimited)	397,025,340	448,024,981 ⁽⁵⁾	452,434,981 ⁽⁵⁾
Debt	US\$50,073	US\$50,073	US\$50,073
Cash and cash equivalents	US\$27,909	US\$57,503	US\$60,041

Notes:

- (1) After deducting the Underwriters' Fee and estimated expenses of the Offering payable by the Company and the expected expenses payable in respect of the Concurrent Private Placement.
- (2) Assuming no exercise of the Over-Allotment Option.
- (3) Assuming full exercise of the Over-Allotment Option.
- (4) In thousands of US dollars except common shares outstanding.
- (5) Figures include Shares issued on April 7, 2021 and July 6, 2021 in connection with the settlement of employee share units. See "Prior Sales".

On July 12, 2021, Lucara entered into the Facilities Agreement in connection with the Underground Project Debt Financing. Closing of the Facilities is anticipated to occur in mid-July, 2021 (the "**Financial Closing**"), with financing in place for the second half of 2021. Closing of the Facilities is subject to satisfactory completion of definitive documentation and satisfaction of certain terms and conditions, including the Initial Equity Contribution (as defined below) and appropriate KYC checks.

USE OF PROCEEDS

The net proceeds to the Company from the Offering, after deducting the Underwriters' Fee and the estimated expenses of the Offering (estimated to be C\$400,000 (approximately US\$320,615)) are expected to be approximately C\$20,437,250 (approximately US\$16,381,252), or approximately C\$23,562,838 (approximately US\$18,886,532) if the Over-Allotment Option is exercised in full. The net proceeds to the Company from the Concurrent Private Placement are expected to be approximately C\$16,010,800 (approximately US\$12,833,280). Together, total combined net proceeds to the Company pursuant to the Offering and the Concurrent Private Placement are expected to be approximately C\$36,448,050 (approximately US\$29,214,531), or approximately C\$39,573,637 (approximately US\$31,719,811) if the Over-Allotment Option is exercised in full. All amounts are converted at the US\$ to C\$ closing rate on July 9, 2021 of \$1.2476. The Company expects to use the net proceeds as follows:

Principal Purposes

Pursuant to the Facilities Agreement entered into in connection with the Underground Project Debt Financing, the Company is required to make an initial equity contribution of US\$30 million to Lucara Botswana, an indirect, wholly-owned subsidiary of Lucara (the "**Initial Equity Contribution**").

Subject to the Company's sole discretion to change allocation after the date of this Prospectus, the Company currently intends to use the net proceeds from the Offering and the Concurrent Private Placement to make the Initial Equity Contribution, in compliance with its obligations under the Facilities Agreement, whereby the Company is required to deposit the Initial Equity Contribution as a condition precedent to utilizing the Facilities. The Initial Equity Contribution will be funded into an account established by Lucara Botswana pursuant to the Facilities Agreement in order to receive funds drawn down thereunder. All funds deposited into such account, including the Initial Equity Contribution, will be subject to the terms and conditions of the Facilities Agreement, including covenants with respect to the manner in which such funds will be used to advance the Underground Project Debt Financing.

Under the terms of the Facilities Agreement, Lucara Botswana will be required to establish certain offshore bank accounts with Societe Generale, London Branch, and maintain onshore bank accounts with Rand Merchant Bank and Standard Chartered Bank, over which Lucara Botswana will grant a security interest to a security trustee pursuant to an English debenture and Botswana law cession of accounts and insurances. These accounts will include an offshore "Proceeds Account" into which all payment receipts, including all revenue from diamond sales, amounts utilized under the Facilities and the Initial Equity Contribution must be paid. The Facilities Agreement imposes limitations on payments from the Proceeds Account while any amounts borrowed pursuant to the Facilities Agreement remain outstanding and require that payments be made in accordance with a cash flow waterfall typical for a facility of this type, prioritizing construction

and debt repayments and restricting distributions.

The above noted allocation represents the Company's intentions with respect to its use of proceeds based on current knowledge, planning and expectations of management of the Company. Actual expenditures may differ from the estimates set forth above. There may be circumstances where, for sound business reasons, a reallocation of the net proceeds may be deemed prudent or necessary. The actual amount that the Company spends in connection with each of the intended uses of proceeds may vary significantly from the amounts specified above and will depend on a number of factors, including the continued impact of COVID-19, as described under the heading "Risk Factors" in the AIF, or those other factors referred to under "Risk Factors" herein and in the AIF.

Business Objectives and Milestones

The Company expects to use the proceeds to satisfy its anticipated obligation pursuant to the Facilities Agreement to make the Initial Equity Contribution and support the ongoing operations and the development of the underground expansion at the Underground Project. The proceeds will be used in conjunction with the Facilities to progress the Underground Project over the first year of a five (5) year period. The Company's budget for the development of the Underground Project at the Karowe Mine can be found under "Karowe Mine – Botswana - Capital and Operating Costs" in the AIF.

The Underground Project has an estimated capital cost of US\$534 million over a five-year construction period. Proceeds from the Underground Project Debt Financing, combined with expected cash flow from operations and the Initial Equity Contribution are expected to be sufficient to complete construction of the Underground Project. Lucara's 2021 budget for the Underground Project contemplates approximately US\$100 million of capital expenditures and an additional US\$20 million of contingency funds. Lucara Botswana expects to fund this US\$120 million, with US\$34 million drawn down from the Facilities and US\$30 million from the Initial Equity Contribution (which is expected to be funded from the net proceeds of the Offering and the Concurrent Private Placement), with the balance coming from cash flow from operations.

The Company's 2021 budget is anticipated to be as follows:

2021 Underground Project Budget	
Budget Item	US\$ (M\$)
Shafts	30.8
Equipment	2.0
Construction Contracts	50.6
Engineering Contracts	10.9
Owner's Managed Scope	5.6
Subtotal	99.9
Contingency	17.3
Total Capital Costs	117.2

The primary objectives of these expenditures include: (i) initiating work on sinking the shaft, with such work anticipated to start in August 2021 and continue through the fourth quarter of 2022; (ii) paying deposits to secure availability of shaft sinking and underground mining equipment including long lead items which require deposits now to secure availability in 2025; (iii) payments to contractors to fund construction and engineering services, with such services anticipated to be provided between the third quarter of 2021 and the third quarter of 2022; and (iv) overseeing and executing the early works plan, including camp construction and temporary power generation, expected to be completed in the fourth quarter of 2021.

As noted above, the Company anticipates funding approximately US\$56 million of the 2021 budget through cash flow from operations. For the year ended December 31, 2020, the Company had negative cash flows, which were negatively impacted as a result of the COVID-19 global pandemic. Though the Karowe Mine remained fully operational following the declaration of COVID-19 as a global pandemic, Lucara made a decision not to tender any of its +10.8-carat production after early March 2020 amidst the uncertainty caused by the global crisis and the significant weakness observed in the rough diamond market. Instead, the Company managed cash flow needs with cash on hand and by drawing on the Working Capital Facility, as well as through proceeds achieved from the certain minimal limited sales it proceeded to generate. In Q1 2021, the Company generated positive cash flow from operating activities of US\$14.2

million. The Company's production and cost estimates for 2021 are found under "2021 Outlook" on Page 13 of the Annual MD&A which is incorporated by reference to this Prospectus. The Company does not currently expect to use any proceeds from the Offering to fund any negative cash flow from operating activities in future periods.

The ability of the Company to continue to generate cash flows from operations are subject to the risks and uncertainties to conducting mining activities which are set out below under "Risk Factors", as well as under "Risk Factors in its AIF and the "Risk and Uncertainties" in the Annual MD&A and Interim MD&A.

As described under "Risk Factors" below, if the Company is unable to successfully close the Underground Project Debt Financing, unable to maintain its obligations or comply with the terms of the Facilities, or is unable to access sufficient financing for the construction of the Underground Project through cash flows or otherwise, the overall cost of the Underground Project could materially increase and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance would be materially negatively impacted.

COVID-19 Considerations

The Company will continue to monitor the impact of COVID-19 on its operations and will implement necessary measures to ensure the Company adheres to local and global guidelines and restrictions. Such measures may require the Company to diverge from its 2021 budget, intended use of proceeds or current business objectives and milestones. See "The Company – Update on COVID-19 Response" herein and the Risk Factors section of the AIF for further information on the impact of COVID-19 on the Company.

The proposed use of proceeds with respect to the Underground Project discussed above have been reviewed and approved by Dr. John Armstrong, Ph.D, P.Geo., Lucara's Vice President, Technical Services, a "qualified person" (as such term is defined NI 43-101).

PLAN OF DISTRIBUTION

Pursuant to the Underwriting Agreement, the Company has agreed to sell and the Underwriters have agreed to purchase, as principals, 29,400,000 Offered Shares on the date of the Closing at the Offering Price, payable in cash to the Company against delivery of the Offered Shares. The obligations of the Underwriters under the Underwriting Agreement are subject to compliance with all legal requirements and the conditions contained in the Underwriting Agreement. The Underwriters may terminate their obligations under the Underwriting Agreement at their discretion on the basis of a "material change out", "disaster out", "regulatory out", "breach out" and upon the occurrence of certain other stated events. The Underwriters are, however, obligated to take up and pay for all of the 29,400,000 Offered Shares if any of those Offered Shares are purchased under the Underwriting Agreement. The terms of the Offering, including the Offering Price, were determined by arm's length negotiation between the Company and the Underwriters, with reference to the prevailing market price of the Shares on the TSX.

Subscriptions for Offered Shares will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice.

The Offered Shares will be offered in each of the Offering Jurisdictions through the Underwriters or their broker-dealer affiliates or agents who are duly registered in such jurisdictions, as applicable. Subject to applicable law and the terms of the Underwriting Agreement, the Underwriters may offer the Offered Shares in the United States and other jurisdictions where the offer and sale of the Offered Shares will not require the qualification or registration of the Offered Shares or subject the Company to any continuous disclosure obligations in the United States or such other jurisdictions, as applicable.

In consideration for the services provided by the Underwriters, the Company has agreed to pay to the Underwriters the Underwriters' Fee equal to 5.5% of the gross proceeds realized on the proceeds of the Offering (including on any exercise of the Over-Allotment Option). No fee is payable to the Underwriters in respect of the proceeds from the Concurrent Private Placement.

The Company has granted the Underwriters the Over-Allotment Option, which is exercisable in whole or in part for a period of 30 days from and including the Closing and pursuant to which the Underwriters may purchase up to 4,410,000 Additional Shares, being up to an additional 15% of the Offering, on the same terms as set forth above to cover over-allotments, if any, and for market stabilization purposes. This Prospectus qualifies the grant of the Over-Allotment Option and the issuance of Additional Shares on the exercise of the Over-Allotment Option. A purchaser who acquires Additional Shares forming part of the Underwriters' over-allocation position acquires those Additional Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Lucara has applied, or will apply, to list the Offered Shares distributed hereunder, and for the Shares issued pursuant to the Concurrent Private Placement, on the TSX and the Nasdaq Stockholm. Listing will be subject to Lucara fulfilling all of the listing requirements of the TSX and the Nasdaq Stockholm. Upon receipt of TSX approval, Lucara will make the requisite filings to have the Offered Shares, and the Shares issued pursuant to the Concurrent Private Placement, listed on the BSE.

The Company has agreed that it will not, directly or indirectly, issue any Shares or securities or other financial instruments convertible into or having the right to acquire Shares (other than pursuant to rights or obligations under securities or instruments outstanding) or enter into any agreement or arrangement under which the Company acquires or transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or other securities or cash, or agree to become bound to do so, or disclose to the public any intention to do so, for a period from June 24, 2021 until 90 days following Closing of the Offering without the prior written consent of the Underwriters, such consent not to be unreasonably withheld or delayed, other than issuances pursuant to: (i) the Concurrent Private Placement; (ii) the stock option plan or similar share compensation arrangements (provided that in the case of new grants, the exercise price of such stock options or compensation arrangement will be no less than the Offering Price); (iii) the exercise of convertible securities outstanding prior to the Closing of the Offering; and (iv) Shares issued to Nemesia in connection with an undertaking to be granted in support of the Underground Project Debt Financing.

The Company has also agreed to cause each of the directors and officers of the Company to enter into lock up agreements, in form and content acceptable to the Underwriters and their counsel, acting reasonably, in favour of the Underwriters evidencing their agreement not to directly or indirectly sell or agree to sell (or announce any intention to do so), any Shares or securities exchangeable or convertible into Shares for a period of 90 days from Closing without the Underwriters' prior written consent, such consent not to be unreasonably withheld or delayed, other than (i) securities sold to satisfy tax obligations on the exercise of any such convertible securities; or (ii) pursuant to a bona fide take-over bid, change of control or any other similar transaction made generally to all of the shareholders of the Company, provided that, in the event the take-over bid, change of control or similar transaction is not completed, such securities shall remain subject to the lock up agreement.

The Underwriters propose to offer the Offered Shares initially at the Offering Price. After the Underwriters have made reasonable efforts to sell all of the Offered Shares at the Offering Price, the Offering Price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Offered Shares is less than the gross proceeds paid by the Underwriters to the Company.

Pursuant to policy statements of certain Canadian securities regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Shares. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in or raising the price of the Shares. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces of the Investment Industry Regulatory Organization of Canada, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to applicable laws and in connection with the Offering, the Underwriters may over-allot or effect transactions in connection with the Offering intended to stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Underwriters may engage in market stabilization or market balancing activities on the TSX where the bid for or purchase of the Shares is for the purpose of maintaining a fair and orderly market in the Shares, subject to price limitations

applicable to such bids or purchases. Such transactions, if commenced, may be discontinued at any time. In particular, the Underwriters may over-allocate or effect transactions which stabilize or maintain the market price of the Shares at levels other than those which might otherwise prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions. Stabilizing transactions consist of bids or purchases made for the purpose of preventing or slowing a decline in the market price of the Shares while the Offering is in progress. These transactions may also include over-allocating or making short sales of the Shares. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount. The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Shares in the open market. In making this determination, the Underwriters will consider, among other things, the price of Shares available for purchase in the open market compared to the price at which they may purchase Shares through the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Shares in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Shares in the open market that could adversely affect investors who purchase Shares in this Offering. Any naked short position would form part of the Underwriters’ over-allocation position.

The Offered Shares offered hereby have not been and will not be registered under the U.S. Securities Act, or any securities or “blue sky” laws of any state of the United States. Accordingly, the Offered Shares may not be offered, sold or delivered, directly or indirectly, within the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Underwriters have agreed that, except as permitted by the Underwriting Agreement and as expressly permitted by applicable United States federal and state securities laws, they will not offer or sell the Offered Shares in the United States as part of their distribution. The Underwriting Agreement permits the Underwriters through the U.S. Affiliates to offer and sell the Offered Shares in transactions that are exempt from the registration requirements of the U.S. Securities Act and any applicable securities laws of any state of the United States. Accordingly, the Underwriters, pursuant to the terms and conditions set forth in the Underwriting Agreement, (a) may offer and resell the Offered Shares outside the United States only in accordance with Regulation S under the U.S. Securities Act, and (b) may offer and resell the Offered Shares within the United States only to QIBs, as such term is defined in Rule 144A through their U.S. Affiliates and in compliance with Rule 144A and applicable state securities laws.

This Prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the Offered Shares offered hereby in the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offered Shares within the United States by any dealer, whether or not participating in the Offering, may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the U.S. Securities Act.

The Offered Shares offered or sold in the United States will be “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and may only be offered, sold, pledged or otherwise transferred except to the Company (which will have no obligation to purchase such securities), outside the United States in compliance with Regulation S under the U.S. Securities Act, or pursuant to an effective registration statement under the U.S. Securities Act, and, in each case, in compliance with applicable local laws or regulations.

It is expected that the Offered Shares distributed under this Prospectus will be deposited with CDS upon the Closing or such other date(s) as may be agreed upon between the Company and the Underwriters, but in any event, not later than 42 days after the date of the final receipt for this Prospectus. No certificate evidencing the Offered Shares will be issued to purchasers under this Prospectus, and registration will be made in the depository service of CDS. QIBs in the United States acquiring Offered Shares pursuant to Rule 144A may receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Shares is purchased. Offered Shares, if any, acquired by such QIBs in the United States, among other restrictions, may not be offered, sold, pledged, or otherwise transferred, directly or indirectly in the United States, and may not be deposited into the facilities of the Depository Trust Company, or a successor depository within the United States, or be registered or arranged to be registered, with Cede & Co. or any successor thereto.

The Offering and this Prospectus does not constitute a public offer in accordance with the European Prospectus Rules. This Prospectus is not a prospectus pursuant to the European Prospectus Rules and it has not been approved or reviewed by any governmental authority in any jurisdiction in accordance with the European Prospectus Rules. Investors agree to the foregoing by accepting delivery of this Prospectus.

In relation to each Relevant Member State of the EEA that applies the European Prospectus Rules, no offer of the Offered Shares may be made to the public in that Relevant Member State, except that offers of the Offered Shares may be made under *inter alia* the following exemptions to the European Prospectus Rules: (i) an offer of securities addressed solely to qualified investors as defined in the European Prospectus Rules; (ii) an offer of securities addressed to investors who acquire securities for a total consideration of at least EUR 100,000 per investor, for each separate offer; or (iii) in any other circumstances falling within Article 1(4) of the European Prospectus Rules; provided that no such offer of Offered Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to the European Prospectus Rules or of a supplement to a prospectus pursuant to the European Prospectus Rules.

The Offering in Sweden is made on a private placement basis pursuant to exemptions from the European Prospectus Rules and is addressed solely to qualified investors (as defined in the European Prospectus Rules) and investors who subscribe for a minimum of a sum equivalent to not less than EUR 100,000 per investor, for each separate offer. The Company may, at its sole discretion, allocate new shares for an amount below EUR 100,000 to the extent applicable exemptions from the European Prospectus Rules are available. See “Plan of Distribution”.

For the purposes of this provision, the expression “offer to the public” in relation to Offered Shares in any Relevant Member State means a communication in any form and by any means, presenting sufficient information on the terms of the Offering and the Offered Shares, so as to enable an investor to decide to purchase or subscribe for those Offered Shares. This definition also applies to the placing of securities through financial intermediaries.

Concurrent Private Placement and Significant Shareholders

The Company intends to complete the non-brokered Concurrent Private Placement (expected to close concurrently with the Offering) of up to 21,347,733 Shares at a price of C\$0.75 per Share for aggregate gross proceeds of approximately C\$16 million. Nemesia has agreed to purchase up to an aggregate of 16,421,333 Shares in the Concurrent Private Placement and one or more other investors will subscribe for 4,926,400 Shares in the Concurrent Private Placement. Nemesia is a private corporation owned by a trust whose settlor is the Estate of Adolf H. Lundin. As of July 9, 2021, Nemesia owned, directly or beneficially, an aggregate 70,372,200 Shares, representing approximately 17.71% of the issued and outstanding Shares on a non-diluted basis. Following completion of the Concurrent Private Placement and the Offering, and assuming the exercise of the Over-Allotment Option in full, Nemesia, directly and indirectly, will hold an aggregate of approximately 19.18% of the issued and outstanding Shares. Closing of the Offering and the Concurrent Private Placement is subject to TSX approval. No commission or other fee will be paid to the Underwriters in connection with the sale of Shares pursuant to the Concurrent Private Placement.

Selling Restrictions

No action has been or will be taken in any country or jurisdiction other than each of the Offering Jurisdictions that would, or is intended to, permit a public offering of the Offered Shares, or the possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Company and the Underwriters to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver Offered Shares or have in their possession or distribute such offering material, in all cases at their own expense. Neither the Company or the Underwriters accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the Offered Shares, of any such restrictions. With regard to restrictions of offers and sales of the Offered Shares and the distribution of the Prospectus in the EEA, also see “Plan of Distribution” above.

ELIGIBILITY FOR INVESTMENT

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Underwriters, based on the current provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”) and the regulations thereunder (the “**Regulations**”), in force as of the date hereof, the Offered Shares, if issued on the date hereof, would be a “qualified investment” under the Tax Act and the Regulations for a trust governed by a “registered retirement savings plan”, “registered retirement income fund”, “tax-free savings account”, “registered education savings plan”, “registered disability savings plan” (collectively “**Registered Plans**”) or “deferred profit sharing plan” (as those terms are defined in the Tax Act), provided that the Offered Shares are listed on a “designated stock exchange” as defined in the Tax Act (which currently includes the TSX) or the Company is otherwise a “public corporation”, as defined in the Tax Act.

Notwithstanding that the Offered Shares may be a qualified investment for a Registered Plan, if the Offered Shares are a “prohibited investment” within the meaning of the Tax Act for a Registered Plan, the holder, annuitant or subscriber, as the case may be, of the Registered Plan (the “**Controlling Individual**”) will be subject to a penalty tax as set out in the Tax Act. The Offered Shares generally will not be a prohibited investment for a Registered Plan if the Controlling Individual (a) deals at arm’s length with the Company for the purposes of the Tax Act, and (b) does not have a “significant interest” (as defined in the Tax Act) in the Company. In addition, the Offered Shares will not be a prohibited investment if the Offered Shares are “excluded property” (as defined in the Tax Act) for a Registered Plan.

Purchasers of the Offered Shares should consult their own tax advisers with respect to whether Offered Shares would be a prohibited investment having regard to their particular circumstances.

DESCRIPTION OF THE SECURITIES BEING DISTRIBUTED

The Company’s authorized share capital consists of an unlimited number of Shares without par value, of which 397,277,248 Shares are issued and outstanding as at the date hereof (409,767,064 Shares on a fully-diluted basis, assuming the exercise and conversion of all outstanding convertible securities). All of the issued Shares are fully paid and are not subject to any future call or assessment. The holders of the Shares are entitled to receive notice of, attend and vote at all meetings of the shareholders of the Company. Each Share carries one vote at such meetings. Holders of Shares are entitled to dividends if, as and when declared by the directors of the Company. In the event of the voluntary or involuntary liquidation, dissolution or winding-up of the Company, after payment of all outstanding debts, the remaining assets of the Company available for distribution will be distributed to the holders of Shares equally. Provisions as to the modification, amendment or variation of the rights attached to the share capital of the Company are contained in the Company’s articles and the *Business Corporations Act* (British Columbia).

PRIOR SALES

The following table summarizes the details of the Shares and any securities convertible or exchangeable for Shares issued by the Company during the 12-month period prior to the date of the Prospectus.

Date	Type of Security	Price C\$	Number of Shares
July 2, 2020	Deferred Share Units	n/a ⁽¹⁾	90,923
September 30, 2020	Deferred Share Units	n/a ⁽¹⁾	159,312
December 31, 2020	Deferred Share Units	n/a ⁽¹⁾	159,312
February 25, 2021	Deferred Share Units	n/a ⁽¹⁾	251,000
February 25, 2021	Stock Options	\$0.79	2,247,000
February 25, 2021	Share Units	n/a ⁽²⁾	2,003,000
February 25, 2021	Performance Share Units	n/a ⁽³⁾	851,000
February 27, 2021	Shares	0.73 ⁽⁴⁾	128,607
March 31, 2021	Deferred Share Units	n/a ⁽¹⁾	102,738
April 7, 2021	Shares	0.71 ⁽⁴⁾	100,000
June 30, 2021	Deferred Share Units	n/a ⁽¹⁾	98,683
July 6, 2021	Shares	0.74 ⁽⁴⁾	151,908
Total			6,343,483

Notes:

- (1) Deferred share units granted in accordance with the Company’s deferred share unit plan vest immediately and are paid out upon a director’s retirement from the Board of Directors. The units do not have a conversion price.
- (2) Share units granted in accordance with the Company’s share unit plan vest in 36 months and do not have a conversion price.
- (3) Performance share units granted in accordance with the Company’s share unit plan vest in 36 months and do not have a conversion price. The number of performance share units that ultimately vest will be dependent on the achievement of pre-established metrics related to total shareholder return and cash-flow from operations at the end of the 36-month period.

- (4) Shares issued upon vesting of employee share units granted in accordance with the Company's share unit plan, deemed to be issued at the closing price of the Shares on the TSX as at the applicable vesting date.

TRADING PRICE AND VOLUME

The Shares are listed and posted for trading on the TSX, BSE, and the Nasdaq Stockholm under the symbol "LUC." The following table sets forth, for the periods indicated, the high and low sales price per Share and the total monthly trading volumes, as reported on the TSX, during the 12 months preceding the date of this Prospectus.

Month	High (C\$)	Low (C\$)	Volume
July 2020	0.68	0.58	2,502,194
August 2020	0.61	0.53	3,358,050
September 2020	0.58	0.50	3,584,865
October 2020	0.54	0.45	2,428,272
November 2020	0.57	0.46	3,631,618
December 2020	0.57	0.50	3,678,071
January 2021	0.83	0.51	6,491,192
February 2021	1.00	0.69	4,859,975
March 2021	0.80	0.70	3,264,402
April 2021	0.87	0.70	2,068,077
May 2021	0.85	0.72	2,198,015
June 2021	0.84	0.72	3,259,849
July 1 – 9, 2021	0.76	0.72	943,895

The following table sets forth, for the periods indicated, the high and low sales price per Share and the total monthly trading volumes, as reported on the Nasdaq Stockholm, during the 12 months preceding the date of this Prospectus.

Month	High (SKE)	Low (SKE)	Volume
July 2020	4.74	3.855	7,447,437
August 2020	4.08	3.57	6,994,025
September 2020	3.785	3.35	5,815,290
October 2020	3.535	3.00	4,938,920
November 2020	3.95	3.08	5,814,969
December 2020	3.69	3.23	5,958,395
January 2021	5.49	3.36	16,062,471
February 2021	6.37	4.63	13,264,418
March 2021	5.59	4.85	7,300,206
April 2021	5.70	4.90	6,391,721
May 2021	6.00	5.00	6,714,533
June 2021	5.73	5.11	4,997,004
July 1 – 9, 2021	5.24	4.98	1,123,358

The following table sets forth, for the periods indicated, the high and low sales price per Share and the total monthly trading volumes, as reported on the BSE, during the 12 months preceding the date of this Prospectus.

Month	High (BWP)	Low (BWP)	Volume
July 2020	-	-	-
August 2020	-	-	-
September 2020	6.69	5.12	1,500
October 2020	-	-	-
November 2020	5.12	5.10	600
December 2020	-	-	-
January 2021	5.61	5.10	2,623
February 2021	7.00	5.61	1,092
March 2021	7.00	7.00	80

April 2021	7.00	7.00	4,669
May 2021	7.00	7.00	331
June 2021	7.25	7.00	10,009
July 1 – 9, 2021	-	-	-

At the close of business on July 9, 2021, the last trading day prior to the date of this Prospectus, the closing price of the Shares on the TSX was C\$0.75, the closing price of the Shares on the BSE was BWP 7.25 and the closing price of the Shares on the Nasdaq Stockholm was SEK 5.11.

RISK FACTORS

An investment in the Offered Shares is highly speculative and involves significant risks. Any prospective investor should review and carefully consider all of the information contained and incorporated by reference in this Prospectus, and in particular, the risk factors herein before purchasing any of the Offered Shares distributed under this Prospectus. If any of the adverse effects set out in the risk factors described herein or in another document incorporated or deemed incorporated by reference herein occur, it could have a material adverse effect on the business, financial condition and results of operations of the Company. The risks described herein are not the only risk factors facing the Company and should not be considered exhaustive. Additional risks and uncertainties not currently known to the Company, or that the Company currently considers immaterial, may also materially and adversely affect the business, financial condition and results of operation of Lucara. These risk factors, together with all other information included or incorporated by reference in this Prospectus, including, without limitation, information contained in the section “Cautionary Note Regarding Forward-Looking Information and Statements” and in the Company’s AIF under the heading “Risk Factors”, as well as the risk factors set out below, should be carefully reviewed and considered by investors. There is no assurance that any risk management steps taken will avoid future loss due to the occurrence of the adverse effects set out in the risk factors herein or in the other documents incorporated or deemed incorporated by reference herein.

Risks Relating to the Company

Prior to making an investment decision, prospective purchasers of Offered Shares should carefully consider the information described in this Prospectus and the documents incorporated or deemed incorporated by reference herein. There are certain risks inherent in an investment in the Offered Shares, including the factors described under the heading “Risk Factors” in the AIF; the factors described under the heading “Risks and Uncertainties” in the Annual MD&A for the year ended December 31, 2020 and any other risk factors described in this Prospectus or in a document incorporated or deemed incorporated by reference in this Prospectus, which investors should carefully consider before investing. In addition, prospective purchasers should consider the below risks that have emerged subsequent to the filing of the AIF.

Successful closing of the Underground Project Debt Financing

In May 2021, the Company announced that it had received credit approved commitments from a syndicate of five MLAs for the Underground Project Debt Financing. Closing of the Facilities is subject to satisfactory completion of definitive documentation and satisfaction of certain terms and conditions, including appropriate KYC checks. Closing is expected to occur on or before Closing of the Offering. While the Company believes that it has made significant progress towards this objective, a risk remains that the Underground Project Debt Financing may not be completed on the timing described herein or at all. A failure to successfully close the Underground Project Debt Financing on the current schedule or at all, would increase the overall cost of the Underground Project and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance would be materially negatively impacted.

Ability to Maintain Obligations or Comply with the Facilities

Lucara is currently subject to restrictive covenants under the Working Capital Facility and, following the closing of the Underground Project Debt Financing and the corresponding extinguishment of the Working Capital Facility, will be subject to restrictive covenants under the Facilities. The Company’s project financing will be secured by a first ranking charge over the assets of the Company and its operating subsidiaries. Events may occur in the future, including events outside of the Company’s control, that could cause the Company to fail to satisfy its obligations under the Working Capital

Facility, or the Facilities, as applicable, or other debt instruments that may arise. In such circumstances, amounts drawn under Lucara's debt agreements may become due and payable before the agreed maturity date and Lucara may not have the financial resources to repay such amounts when due. If the Company were to default on its obligations under the Facilities or other secured debt instruments in the future, the lender(s) under such debt instruments could enforce their security and seize Lucara's assets. Any such default could result in a delay of the Underground Project, and the overall cost of the Underground Project could materially increase and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance would be materially negatively impacted.

Financing Requirements

A substantial portion of the Company's revenues and cash flows are committed to the Underground Project at the Karowe Mine, satisfying its obligations under the Working Capital Facility and, following the extinguishment of the Working Capital Facility, will be committed to satisfying its obligations under the Facilities. To the extent that Lucara does not generate sufficient revenues and operating cash flow to satisfy its obligations in connection with the Underground Project and its debt obligations, it will require additional capital. If the Company raises additional capital by issuing equity, such financing may dilute the interests of shareholders and reduce the value of their investment. Moreover, Lucara may not be successful in locating suitable additional or alternate financing when required or at all or, if available, may incur substantial fees and costs and the terms of such financing might not be favourable to the Company. A failure to raise capital when needed could have a material adverse effect on Lucara's business, financial condition and results of operations. If the Underground Project is delayed due to a lack of adequate financing, the overall cost of the Underground Project could materially increase and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance would be materially negatively impacted.

Capital costs relating to the development of the Underground Project may increase.

The Underground Project construction costs and schedule duration may increase due to changes in the cost of steel, concrete, fuel, power, materials and supplies or labour, or due to unforeseen ground or geotechnical conditions, unexpected or unplanned groundwater inflows or supply chain restrictions, in which case the Company will be required to seek additional debt or equity capital in order to complete construction at the Underground Project. Should project schedule delays cause the open pit to be fully depleted prior to production ramp-up of the underground mine, processing of surface ore stockpiles should allow for continued revenue from the operations, however, carat production and revenues may be at a level lower than contemplated in the current Project mine plan until such time as the Underground production ramp-ups. The Company may not be able to access capital on commercially reasonable terms or at all and, even if successful, we may not be able to raise enough capital to allow us to fully fund the capital costs required to complete construction at the Underground Project. If the Underground Project is delayed due to a lack of adequate financing, the overall cost of the Underground Project could materially increase and the completion of the Underground Project could be materially delayed or prevented due to an inability to secure specialist contractors and the equipment and human resources required. If the Underground Project is materially delayed or impeded, the Company will not be able to extend the life of the Karowe Mine and future financial performance would be materially negatively impacted.

In 2020, the Company experienced a period of negative operating cash flow.

For year ended December 31, 2020, the Company's cash flows were negatively impacted as a result of the COVID-19 global pandemic and the Company experienced negative operating cash flow. Though the Karowe Mine remained fully operational following the declaration of COVID-19 as a global pandemic, Lucara made a decision not to tender any of its +10.8-carat production after early March 2020 amidst the uncertainty caused by the global crisis and the significant weakness observed in the rough diamond market. Instead, the Company managed cash flows needs with cash on hand and by drawing on the Working Capital Facility, as well as through proceeds achieved from the certain minimal limited sales it proceeded to generate. In Q1 2021, the Company has generated positive cash flow from operating activities. The Company's production and cost estimates for 2021 are found under "2021 Outlook" on Page 13 of the Annual MD&A which is incorporated by reference into this Prospectus. The Company is devoting significant resources to continued operations and the development of the Underground Project however, there can be no assurance that it will continue to generate positive cash flow from operations in the future, and cash flow may be interrupted.

Risks Relating to the Shares and the Offering

Discretion in the Use of Proceeds

The Company intends to spend the funds available as stated in this Prospectus. However, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary. In such circumstances, the net proceeds will be reallocated at the Company's sole discretion.

Management will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and the effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

Trading Price for the Shares is Volatile

The securities of publicly traded companies, including the Shares, can experience a high level of price and volume volatility and the value of the Company's securities can be expected to fluctuate depending on various factors, not all of which are directly related to the success of the Company and its operating performance, underlying asset values or prospects. These include the risks described elsewhere in this Prospectus and the documents incorporated herein. The trading price of the Shares has been and may continue to be subject to large fluctuations, which may result in losses to investors. From July 1, 2020 to June 1, 2021, the trading price of the Shares on the TSX ranged from a low of C\$0.45 to a high of C\$1.00 per Share, the trading price of the Shares on the Nasdaq Stockholm has ranged from a low of SEK 3.00 to a high of SEK 6.37 per Share and the trading price of the Shares on the BSE ranged from a low of BWP 5.10 to a high of BWP 7.00 per Share. The trading price of the Shares may increase or decrease in response to a number of events and factors, including:

- fluctuations in diamond prices;
- the Company's operating performance and financial results;
- the addition or departure of key management and other personnel;
- the expiration of lock-up or other transfer restrictions on outstanding Shares;
- issuances of Shares or debt securities by the Company;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors;
- the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities;
- changes in recommendations by research analysts who track the Shares or the shares of other companies in the resource sector; and
- the additional factors listed under the heading "Cautionary Note Regarding Forward-Looking Information and Statements".

In addition, the market price of the Shares is affected by many variables not directly related to the Company's success and therefore not within the Company's control. Factors which may influence the price of the Company's securities, include, but are not limited to: worldwide economic conditions; changes in government policies; local community opposition to mining projects generally; investor perceptions; movements in global interest rates and global stock markets; variations in operating costs; the cost of capital that the Company may require in the future; the market price of diamonds, the price of commodities necessary for the Company's operations; recommendations by securities research analysts; the share price performance of the Company's competitors; news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related industry and market issues affecting the mining sector; publicity about the Company, the Company's personnel or others operating in the industry; loss of a major funding source; and all market conditions that are specific to the mining industry, including other developments that affect the market for all resource sector shares, the breadth of the public market for the Shares, and the attractiveness of alternative investments. The effect of these and other factors on the market price of Shares on the exchanges on which the Company trades has historically made the Company's share price volatile and suggests that the Company's share price will continue to be volatile in the future.

As a result of any of these factors, the market price of the Shares at any given point in time may not accurately reflect

the long-term value of the Company. Securities class-action litigation often has been brought against companies following periods of volatility in the market price of their securities. The Company may in the future be the target of similar litigation. Securities litigation could result in substantial costs and damages and divert management's attention and resources.

Investors may lose their entire investment.

An investment in the Shares is speculative and may result in the loss of an investor's entire investment. Only potential investors who are experienced in high risk investments and who can afford to lose their entire investment should consider an investment in the Company.

Sales of a significant number of our Shares in the public markets, or the perception of such sales, could depress the market price of the Shares.

Sales of a substantial number of our Shares or other equity-related securities in the public markets by the Company or its significant shareholders could depress the market price of the Shares and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of our Shares or other equity-related securities would have on the market price of our Shares. The price of our Shares could be affected by possible sales of our Shares by hedging or arbitrage trading activity. If the Company raises additional funding by issuing additional equity securities, such financing may substantially dilute the interests of shareholders of the Company and reduce the value of their investment.

Holder of Shares will be diluted.

As of July 9, 2021, the Company had 397,277,248 Shares and 12,489,816 securities convertible into Shares issued and outstanding. Following the completion of the Offering and the Concurrent Private Placement, there will be up to 448,024,981 Shares issued and outstanding (up to 452,434,981 Shares assuming the exercise of the Over-Allotment Option in full).

See "Description of the Securities Being Distributed". The increase in the number of Shares issued and outstanding, and the sales of such Shares, may have a depressive effect on the price of the Shares. In addition, as a result of such additional Shares, the voting power of the Company's existing shareholders will be diluted.

Global financial conditions can reduce share prices and limit access to financing.

The economic viability of the Company's business plan is impacted by the Company's ability to obtain financing. The economic conditions and outlook of the jurisdictions in which the Company's projects reside, and more generally global economic conditions, may impact the general availability of financing through public and private debt and equity markets, as well as through other avenues.

Significant political, market, economic, natural or manmade events may have wide-reaching effects and, to the extent they are not accurately anticipated or priced into markets, may result in sudden periods of market volatility and correction. Periods of market volatility and correction may have an adverse impact on economic growth and outlook, as well as lending and capital markets activity, all of which may impact the Company's ability to secure adequate financing on favourable terms, or at all.

Most recently, global financial markets experienced a period of correction and volatility since the beginning of the COVID-19 pandemic. While financial markets have shown signs of recovery, there is no guarantee that credit market conditions will not worsen, nor that favourable equity market conditions will persist. A general risk-adverse approach to investing, decreases in consumer spending and increases in the unemployment rate and consumer debt levels, which may become more predominant as a result of market turmoil, may limit the Company's ability to obtain future equity financing. Inability to obtain financing at all, or on acceptable terms, may have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

Other events may also result in volatility and disruption to global supply chains, operations, mobility of people, patterns of consumption and service, and financial markets. Such events may include catastrophic events, either on a global scale

or in the specific jurisdictions where the Company has its projects, and include, but are not limited to, the COVID-19 global pandemic and subsequent economic turmoil, financial crises, such as that which occurred globally in 2008, earthquakes, tsunamis, floods, typhoons, fires, power disruptions, other natural or manmade disasters, terrorist attacks, wars, riots, civil unrest or other conflicts, outbreaks of a public health crises, including future epidemics, pandemics or outbreaks of new infectious diseases or viruses, including new outbreaks of COVID-19, as well as related and attendant events. Such events may potentially have a negative impact on the Company's ability to secure financing on favourable terms, or at all, its access to the Karowe Mine, or its ability to execute its business initiatives.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the global mining industry, global supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect the Company's operating environment and its operating costs, profit margins and share price. Uncertainty or adverse changes relating to government regulation, economic and foreign policy matters, and other world events have the potential to adversely affect the performance of and outlook for the Canadian and global economies, which in turn may affect the ability of the Company to access financing on favourable terms or at all. The occurrence of negative sentiment or events in the Canadian and broader global economy could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows or prospects.

The Shares do not currently pay dividends.

While Lucara paid dividends between 2014 and 2019, since 2020, no dividends on the Shares have been declared or paid. The Company anticipates that, for the foreseeable future, it will retain its cash resources for the operation and development of its business. Payment of any future dividends will be at the discretion of the Board of Directors after taking into account many factors, including earnings, operating results, financial condition, current and anticipated cash needs and any restrictions in financing arrangements. The Company may never pay dividends again.

Difficulty in Enforcing Judgments and Effecting Service of Process on Directors

Certain directors of the Company reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for investors to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for investors to effect service of process within Canada upon such persons.

Active Liquid Market for the Shares

There may not be an active, liquid market for the Shares. There is no guarantee that an active trading market for the Shares will be maintained on the TSX, Nasdaq Stockholm or the BSE. Investors may not be able to sell their Shares quickly or at the latest market price if trading in the Shares is not active.

ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS

Lukas Lundin, director of Lucara, resides outside of Canada and has appointed the following agent for service of process:

Name of Person or Company	Name and Address of Agent
Lukas Lundin	Lucara Diamond Corp. 502 – 1250 Homer Street Vancouver, BC V6B 2Y5

Purchasers are advised that it may not be possible for investors to enforce judgements obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

LEGAL MATTERS

Certain legal matters relating to the distribution of the Offered Shares pursuant to this Prospectus will be passed upon by Blake, Cassels & Graydon LLP on behalf of the Company and by Cassels Brock & Blackwell LLP on behalf of the

Underwriters.

INTEREST OF EXPERTS

The following persons have been named as having prepared or certified a report, valuation, statement or opinion described or included in a filing, or referred to in a filing, made under National Instrument 51-102 – *Continuous Disclosure Obligations*:

The scientific and technical information relating to the Underground Project set forth in this Prospectus or incorporated by reference herein has been derived from or is based on the Technical Report and has been reviewed and approved by Gord Doerksen, P.Eng., Tracey Arlaud, Reg. Mem, SME, Kelly McLeod, P.Eng. and Carly Church, P. Eng. of JDS Energy & Mining Inc., Dr. John Armstrong, Ph.D., P.Geo. of Lucara, Andrew Copeland, Pr. Eng. of Knight Piésold Consulting, Johan Oberholzer, Pr. Eng. of Royal Haskoning DHV, Matthew Pierce, P.Eng. of Pierce Engineering LLC, Dr. Markus Reichardt, Ph.D. of Reichardt & Reichardt, Cliff Revering, P.Eng. and Kimberley Webb, P. Geo. of SRK Consulting (Canada) Inc., Koos Vivier, Pr.Sci.Nat. of Exigo Sustainability (Pty, Ltd.) and Lehman van Niekerk, Pr.Eng. of DRA Mineral Projects, all of whom are “qualified persons” under NI 43-101. To the best of the Company’s knowledge, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firms, beneficially own, directly or indirectly, less than 1% of the outstanding Shares.

All other disclosure of scientific and technical information regarding the Karowe Mine in this Prospectus, including with respect to the use of proceeds, was reviewed and approved by Dr. John Armstrong, Lucara’s Vice President, Technical Services, a “qualified person” under NI 43-101. Dr. Armstrong owns 280,063 Shares, 438,000 stock options of the Company and 224,000 performance share units of the Company and 525,966 share units of the Company.

Each of Blake, Cassels & Graydon LLP on behalf of the Company and by Cassels Brock & Blackwell LLP on behalf of the Underwriters, have provided its opinion on certain matters contained in this Prospectus. As of the date hereof, partners and associates of Blake, Cassels & Graydon LLP and Cassels Brock & Blackwell LLP each as a group, own, directly or indirectly, in the aggregate, less than 1% or no securities of the Company.

PricewaterhouseCoopers LLP, Chartered Professional Accountants, are the independent auditors of the Company and are independent of the Company within the meaning of the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

EXEMPTIVE RELIEF

Pursuant to a decision of the Autorité des marchés financiers dated June 29, 2021, Lucara was granted temporary relief from the requirement to file, together with the preliminary short form prospectus, French language versions of the AIF, the Circular, the Annual Financial Statements, the Annual MD&A, the Interim Financial Statements and the Interim MD&A, each of which is incorporated by reference in this Prospectus, provided that such documents in their French language version are filed no later than the filing of the final prospectus related to this Offering. Accordingly, for the purposes of the preliminary short form prospectus only, we were not required to file French versions of the AIF, the Circular, the Annual Financial Statements, the Annual MD&A, the Interim Financial Statements and the Interim MD&A. The French versions of these documents were filed concurrently with this Prospectus.

PURCHASERS’ RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a Prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the Prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

July 12, 2021

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec.

(signed) “*Eira Thomas*”

President & Chief Executive Officer, Director

(signed) “*Zara Boldt*”

Chief Financial Officer & Corporate Secretary

On behalf of the Board of Directors:

(signed) “*Catherine McLeod-Seltzer*”

Director

(signed) “*Peter J. O’Callaghan*”

Director

CERTIFICATE OF THE UNDERWRITERS

July 12, 2021

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of British Columbia, Alberta, Manitoba, Ontario and Québec.

BMO NESBITT BURNS INC.

(signed) "*Jamie Rogers*"

Jamie Rogers
Managing Director and Co-Head, Global Metals & Mining

SCOTIA CAPITAL INC.

(signed) "*John O'Sullivan*"

John O'Sullivan
Director, Investment Banking (Mining)