



**NOTICE OF MEETING
AND MANAGEMENT PROXY CIRCULAR**

**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
To be held on May 13, 2015 for
LUCARA DIAMOND CORP.**



NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual and Special Meeting (the "Meeting") of the shareholders of **LUCARA DIAMOND CORP.** (the "Corporation") will be held at Blake, Cassels & Graydon LLP, Suite 2600, Pacific Boardroom, 595 Burrard Street, Vancouver, British Columbia, **on Wednesday, May 13, 2015 at 10:00 a.m. (Pacific Time)** for the following purpose:

1. To receive the consolidated audited financial statements for the year ended December 31, 2014, together with the report of the auditors;
2. To reappoint the auditor for the upcoming year and to authorize the directors to fix their remuneration;
3. To set the number of directors as seven (7);
4. To elect directors for the upcoming year;
5. To pass an ordinary resolution to adopt a Share Unit Plan and a Incentive Stock Option Plan as described in the Management Proxy Circular; and
6. To transact such further or other business as may properly come before the Meeting.

This Notice is accompanied by a Management Proxy Circular. The consolidated audited financial statements of the Corporation for the year ended December 31, 2014, have been provided separately to those shareholders who requested a copy. They are also available on the Corporation's website at www.lucaradiamond.com and on SEDAR at www.sedar.com.

If you held shares on April 01, 2015, you are entitled to receive notice of and vote at the Meeting or any postponement or adjournment of it. If you are not able to attend the Meeting, please vote by using the enclosed proxy form and returning it to Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario, Canada M5J 2Y1, Attention: Proxy Department by **10:00 a.m. (Pacific Time) on Monday, May 11, 2015**.

If you are a non-registered shareholder and received these materials through your broker or other intermediary, please complete and return the voting instruction form or other authorization in accordance with the instructions provided to you by your broker or intermediary.

BY ORDER OF THE BOARD

(signed) "*William Lamb*"

President and Chief Executive Officer

Dated April 01, 2015



Lucara Diamond

**Management Proxy Circular
Annual and Special Meeting of Shareholders
Wednesday, May 13, 2015**

Dated April 01, 2015

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SECTION 1 - VOTING INFORMATION

GENERAL

You have received this Management Proxy Circular (the “Circular”) because you owned shares of **Lucara Diamond Corp.** (“Lucara” or the “Corporation”) on April 01, 2015, the record date. As a shareholder, you have the right to attend the annual and special meeting of shareholders on Wednesday, **May 13, 2015**, at the time and place in the accompanying notice (the “Meeting”) or at any adjournment or postponement thereof.

Unless otherwise stated, the information contained in this Circular is given as at April 01, 2015 and all dollar amounts are expressed as United States dollars.

The solicitation of proxies is being made primarily by mail, at Lucara’s expense. Proxies may also be solicited personally or by telephone by directors, officers and employees of the Corporation.

YOUR VOTE IS IMPORTANT – PLEASE READ THIS CIRCULAR CAREFULLY AND THEN VOTE YOUR COMMON SHARES, EITHER BY PROXY OR IN PERSON, AT THE MEETING.

The persons named on the proxy form are officers of Lucara. They will vote your Common Shares for you, unless you appoint someone else to be your proxyholder. You have the right to appoint another person to be your proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote your Common Shares.

Please follow the instructions below for voting. This Circular is being sent to both Registered and Non-Registered (or Beneficial) Shareholders. The Corporation does not send proxy-related materials directly to Beneficial Shareholders and is not relying on the notice-and-access provisions of securities law for delivery to either Registered or Beneficial Shareholders. The Corporation will deliver proxy-related materials to nominees, custodians and fiduciaries and they will be asked to promptly forward them to Beneficial Shareholders.

Registered Shareholder

You are a Registered Shareholder if your Common Shares are registered in your name and you have a share certificate.

Non-Registered (or Beneficial) Shareholder

You are a Non-Registered (or Beneficial) Shareholder if your broker, investment dealer, bank, trust company, trustee, nominee or other intermediary holds your Common Shares for you. Most shareholders are Non-Registered (or Beneficial) Shareholders.

If you are unsure if you are a Registered Shareholder or Non-Registered (or Beneficial) Shareholder, please contact Computershare at:

Computershare Investor Services Inc.
8th Floor, 100 University Avenue
Toronto, Ontario, M5J 2Y1
1-800-564-6253 (toll-free in Canada and U.S.)
1-514-982-7555 (international)
service@computershare.com

MATTERS TO BE VOTED ON

At the Meeting, shareholders will be asked to vote on the matters described in SECTION 2- BUSINESS OF THE MEETING of this Circular.

HOW TO VOTE IF YOU ARE A REGISTERED SHAREHOLDER AND YOUR SHARES TRADE ON THE TSX

In Person

You should identify yourself to the representative from Computershare before entering the Meeting to register your attendance at the Meeting.

By Proxy

1. *By mail:*

Complete, sign and date your proxy form and return it in the envelope provided. Please see below "*How to complete the Proxy Form if you are a Registered Shareholder with shares trading on the TSX*" for more information.

2. *By telephone:*

Call 1-866-732-8683 (toll free in Canada and the United States) from a touch-tone telephone and follow the voting instructions. You will need your 15 digit control number which is noted on your proxy form. International holders wishing to vote by telephone can dial 312-588-4290 to place their vote. If you vote by telephone, you cannot appoint anyone other than the appointees named on the proxy form as your proxyholder.

3. *On the internet:*

Go to www.investorvote.com and follow the instructions on the screen. You will need your 15 digit control number which is noted on your proxy form.

How to complete the Proxy Form if you are a Registered Shareholder with shares trading on the TSX:

Complete your voting instructions, sign and date your proxy form and return it so that it is received before **10:00 a.m. (PST) on May 11, 2015** or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the adjourned or postponed Meeting. When you sign the proxy form (unless you appoint someone else, see below), you are authorizing the appointees, who are officers of Lucara, to vote your Common Shares for you at the Meeting. The Common Shares represented by a proxy form will be voted in favour or withheld from voting or voted against, as applicable, in accordance with your instructions on any ballot that may be called for at the Meeting. If you return your proxy form and do not indicate how you want to vote your Common Shares, your vote will be cast:

- FOR the appointment of PricewaterhouseCoopers LLP as auditors and authorizing the directors to fix their remuneration;
- FOR setting the number of directors as seven;
- FOR the election of each of the persons nominated for election as directors in this Circular; and
- FOR the adoption of the Share Unit Plan and the Incentive Stock Option Plan as more fully described in this Circular

Your proxyholder will also vote your Common Shares as he or she sees fit on any other matter, including amendments or variations of matters identified in this Circular or that may properly come before the Meeting and in respect of which you are entitled to vote. As at the date of this Circular, the Board and Management do not know of any amendments or variations to the proposed items of business or any additional matters which may be presented for consideration at the Meeting.

If you are appointing someone else to vote your Common Shares at the Meeting, insert the name of the person you are appointing as your proxyholder in the space provided. Your proxyholder does not have to be a shareholder. Make sure that the person you appoint is aware that he or she has been appointed and attends the Meeting. At the Meeting, the person you appoint should register with the Computershare

representative at the registration table.

If you are an individual shareholder, you or your authorized attorney must sign the proxy form. If the shareholder is a corporation or other legal entity, an authorized officer or attorney must sign the proxy form.

If you need help completing your proxy form, please contact Computershare at the contact information listed above under "GENERAL".

How to Change or Revoke your Vote – if you are a Registered Shareholder with shares trading on the TSX:

If you wish to change a vote you made by proxy:

- complete a proxy form that is dated later than the proxy form you are changing and deposit it with Computershare so that it is received before 10:00 a.m. (PST) on May 11, 2015 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting; or
- vote again by telephone or on the internet before 10:00 a.m. (PST) on May 11, 2015 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting.

If you wish to revoke a vote you made by proxy:

- attend in person at the Meeting;
- send a notice of revocation in writing from you or your authorized attorney to the registered office of the Corporation, at Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, so that it is received by the close of business (PST time) on May 12, 2015 or, in the case of any adjournment or postponement of the Meeting, by the close of business on the last business day before the day of the adjourned or postponed Meeting;
- give a notice of revocation in writing from you or your authorized attorney to the Chair of the Meeting or the Corporate Secretary on the day of, but prior to the commencement of the Meeting; or
- in any other manner permitted by law.

HOW TO VOTE IF YOU ARE A NON-REGISTERED (OR BENEFICIAL) SHAREHOLDER AND YOUR SHARES TRADE ON THE TSX

By Proxy

Your intermediary (your broker, investment dealer, bank, trust company, trustee, nominee or other intermediary) is required to ask for your voting instructions before the Meeting. Please contact your intermediary if you did not receive a voting instruction form together with this Circular. You may change your voting instructions given to an intermediary by notifying such intermediary in accordance with the intermediary's instructions.

In Person

Lucara does not have access to the names or holdings of our Non-Registered (or Beneficial) shareholders. This means you can only vote your Common Shares in person at the Meeting if you have previously appointed yourself as the proxyholder for your Common Shares by inserting your name in the space provided on the voting instruction form which you received from your intermediary and submitting it as directed on the form. Your voting instructions must be received in sufficient time to allow your voting instruction form to be received by Computershare by **10:00 a.m. (PST) on May 11, 2015** or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting. You should identify yourself to the representative from Computershare before

entering the Meeting to register your attendance at the Meeting.

HOW TO VOTE IF YOUR SHARES TRADE ON THE NASDAQ STOCKHOLM EXCHANGE

The information in this section is of significance to shareholders who hold their securities (“Euroclear Registered Securities”) through Euroclear Sweden AB, which securities trade on the Nasdaq Stockholm Exchange. Shareholders who hold Euroclear Registered Securities are not registered holders of voting securities for the purposes of voting at the Meeting. Instead, Euroclear Registered Securities are registered under CDS & Co., the registration name of the Canadian Depository for Securities. Holders of Euroclear Registered Securities will receive a voting instruction form (the “VIF”) by mail directly from Computershare AB (“Computershare Sweden”). The VIF cannot be used to vote securities directly at the Meeting. Instead, the VIF must be completed and returned to Computershare Sweden, strictly in accordance with the instructions and deadlines that will be described in the instructions provided with the VIF.

HOW TO VOTE IF YOUR SHARES TRADE ON THE BOTSWANA STOCK EXCHANGE

The information in this section is of significance to shareholders whose securities are listed on the Botswana Stock Exchange (“Botswana Registered Securities”). The shareholders’ register for Botswana Registered Securities is maintained by Corpserve Botswana. Botswana Registered Securities will receive a proxy form (the “Botswana Proxy”) by mail directly from Corpserve Botswana. The Botswana Proxy must be completed and returned to Corpserve Botswana strictly in accordance with the instructions and deadlines described in such Proxy.

WHO IS ENTITLED TO VOTE AND HOW THE VOTES ARE COUNTED

Each shareholder is entitled to one vote for each Common Share held as of the record date, April 01, 2015, on all matters at the Meeting. As of the record date, there are 379,382,412 issued and outstanding Common Shares.

Computershare counts and tabulates the votes. It does this independently of Lucara to make sure that the votes of individual shareholders are confidential. Computershare refers proxy forms to Lucara only when:

- it is clear that a shareholder wants to communicate with management;
- the validity of the proxy is in question; or
- the law requires it.

PRINCIPAL HOLDERS OF COMMON SHARES

The following table lists persons who, to the knowledge of the directors and senior officers of Lucara, beneficially own or exercise control or direction over Common Shares carrying more than 10% of the voting rights attached to all Common Shares:

Name and Address	Number of Common Shares	Percentage
Lorito Holdings S.à.r.l (“Lorito”) ⁽¹⁾	32,700,000	8.62%
Zebra Holdings and Investments S.à.r.l (“Zebra”) ⁽¹⁾	34,800,000	9.17%

⁽¹⁾ Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settler is the Estate of Adolf H. Lundin. Together, Lorito and Zebra hold a total of 67,500,000 Common Shares, which represents approximately 17.79% of the current outstanding Common Shares.

SECTION 2 - BUSINESS OF THE MEETING

1. FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2014 have been provided to shareholders who requested them and are available on Lucara's website at www.lucaradiamond.com or at SEDAR at www.sedar.com. Management will discuss these consolidated financial results at the Meeting. No vote of shareholders is required with respect to this item of business.

2. APPOINTMENT AND REMUNERATION OF AUDITORS

The Board of Directors recommend the re-appointment of PricewaterhouseCoopers LLP Chartered Accountants ("PwC"), Vancouver, British Columbia, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders.

As in past years, it is proposed that the remuneration to be paid to the auditors shall be determined by the Board of Directors. For further information on the external auditors including fees paid to the auditors in 2013 and 2014, please refer to page 22 of this Circular.

You may either vote for reappointing PwC as Lucara's auditor to hold office until the end of the next annual meeting and authorizing the directors to fix the auditors remuneration or you can withhold your vote. Unless otherwise instructed, the named proxyholders will vote **FOR** reappointing PwC and authorizing the directors to fix PwC's remuneration.

3. NUMBER AND ELECTION OF DIRECTORS

Nominees and Number of Directors

The term of office of each of the present directors expires at the Meeting. The nominees for directors include each of the existing directors of the Corporation. The Board of Directors is recommending that the number of directors be set at seven and that the current seven directors be elected at the Meeting. The Board has assessed the skills and experience that the directors standing for election offer and is satisfied the nominees meet the Board's requirements. Each director elected at the Meeting will serve as a director until the next annual meeting unless he or she resigns or is otherwise removed from office earlier.

You may either vote for setting the number of directors at seven or you can vote against. Unless otherwise instructed, the named proxyholders will vote **FOR** the number of directors at seven.

You may either vote for the election of each of the below nominees or you can withhold your vote. Unless otherwise instructed, the named proxyholders will vote **FOR** the election of the below named nominees. If any proposed nominee is unable to serve as a director or withdraws his or her name, the named proxyholders reserve the right to nominate and vote for another individual in their discretion.

The Board has adopted a policy on Majority Voting that provides that the Chair of the Board will ensure that the number of shares voted in favour or withheld from voting for each director nominee is recorded and promptly made public after the meeting. If any nominee for director is not elected by at least a majority (50% + 1 vote) of the votes cast with regard to his or her election, the director must immediately tender his or her resignation to the Chair of the Board following the meeting, to take effect upon acceptance by the Board. The Board shall accept the resignation absent exceptional circumstances. To assist the Board in making a determination with regard to exceptional circumstances, the Board will refer the resignation to the Corporate Governance and Nominating Committee who will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept the resignation. Within 90 days of the shareholders' meeting, the Board will make a final

decision concerning the acceptance of the director's resignation (and reasons for rejecting the resignation if applicable) and announce that decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation. The policy applies only to uncontested elections, where the number of nominees as director is equal to the number of directors to be elected. If the director fails to tender his or her resignation as contemplated in the policy, the Board will not re-nominate the director. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position.

Information regarding each of the seven proposed nominees, as at April 01, 2015, is set out below. For each nominee the information provided includes:

- a brief biography, age and country of residence
- date first appointed to the Board
- committee membership
- securities held

Further information on the proposed nominees is also found in this Circular, please see page 19 for board attendance records, page 38 for director compensation received, pages 18 and 19 for memberships on other public boards and page 17 for independence status.

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as director since	Number of voting securities owned (directly or indirectly) or controlled
CLARK, Richard ¹ British Columbia, Canada	Occupation: President & CEO, RB Energy Inc. (resource company) Age: 57 Biography: Mr. Clark is a lawyer, with a geological background, who practiced mining and securities law in British Columbia from 1987 to 1993. Mr. Clark held the position of President & CEO of Red Back Mining Inc. from 2004 until the company's takeover by Kinross Gold Corporation in 2010.	February 19, 2010	133,333

<p>CONIBEAR, Paul² British Columbia, Canada</p>	<p>Occupation: President & CEO Lundin Mining Corp. (resource company)</p> <p>Age: 57</p> <p>Biography: Mr. Conibear has over 30 years of experience in the mining industry in several African countries, North America, and a number of South American countries. His background includes 20 years of project and construction management across a diverse range of minerals projects encompassing base and precious metal, coal, uranium and potash investments. For the last 13 years he has held public company executive management and director's positions with the Lundin group of companies, including serving for several years as President & CEO of Tenke Mining Corp. where he was instrumental in progressing the world class Tenke Fungurume copper/cobalt project towards its current position as a major mining operation in central Africa. For the last 3 years, Mr. Conibear has been serving as President and CEO of Lundin Mining Corp.</p>	<p>April 5, 2007</p>	<p>566,000</p>
<p>EDGAR, Brian³ British Columbia, Canada</p>	<p>Occupation: Chair of Silver Bull Resources Inc. (resource company)</p> <p>Age: 65</p> <p>Biography: Mr. Edgar has served on public company boards for over 30 years. A graduate of the University of British Columbia law school, Mr. Edgar practiced corporate and securities law in Vancouver for 16 years. In 1992, he established a private investment company, Rand Edgar Investment Corp. and in 2010 became Chair of the mineral exploration company, Silver Bull Resources Inc.</p>	<p>April 5, 2007</p>	<p>300,000</p>
<p>INKSTER, Marie⁴ Ontario, Canada</p>	<p>Occupation: Senior Vice- President and CFO Lundin Mining Corp. (resource company)</p> <p>Age: 43</p> <p>Biography: Ms. Inkster has more than 10 years of experience in the area of financial accounting and reporting. She has held senior positions with Lundin Mining Corp. and was appointed CFO of the company in 2009. Ms. Inkster served as Vice President of Finance at GBS Gold International Inc. from September 2007 to 2009. From June 2002 to July 2007, she served as Vice President and Corporate Controller of Lionore Mining International Ltd. Prior to 2002, she held a position having responsibility for financial reporting with an international publicly traded technology company. She is a Chartered Accountant, a Chartered Professional Accountant and spent 5 years in public accounting with Deloitte Canada.</p>	<p>June 9, 2014</p>	<p>24,500</p>

<p>LAMB, William British Columbia, Canada</p>	<p>Occupation: President & CEO of the Corporation</p> <p>Age: 44</p> <p>Biography: Mr. Lamb has over 23 year in mining and operations in Canada and several Southern African countries. His background includes operational and project management in the precious metals, coal, chrome and diamond sectors. Mr. Lamb spent 13 years with De Beers working across their operations in Southern Africa and Canada focusing on heavy mineral concentration, project development and operational readiness. He joined Lucara Diamond Corp. in 2008 and was instrumental in the acquisition of the AK6 asset, now the Karowe Mine, which has been brought into production as one of the world's most significant producers of large, high quality diamonds.</p>	<p>February 19, 2010</p>	<p>500,000</p>
<p>LUNDIN, Lukas² Geneva, Switzerland</p>	<p>Occupation: Chair of the Board of the Corporation and Chair of a number of resource companies.</p> <p>Age: 56</p> <p>Biography: Mr. Lundin is known for recognizing value and superior global investment opportunities in the natural resource sector. His pursuit of properties around the world has resulted in numerous resource discoveries, including the multi-million ounce Veladero gold discovery. Mr. Lundin has also led several companies through highly profitable business acquisitions and mergers such as Lundin Mining's \$3.3 billion merger with EuroZinc Mining and the \$2 billion sale of Tanganyika Oil Company Ltd. Mr. Lundin is a graduate of the New Mexico Institute of Mining and Technology. He currently sits on the Board of a number of publicly traded companies.</p>	<p>April 5, 2007</p>	<p>4,015,000</p>
<p>THOMAS, Eira British Columbia, Canada</p>	<p>Occupation: President & CEO, Kaminak Gold Corporation</p> <p>Age: 46</p> <p>Biography: Ms. Thomas is a Canadian geologist with over twenty years of experience in the Canadian diamond business, including her previous roles as Vice President, Aber Resources, now Dominion Diamond Corp., and as founder and CEO of Stornoway Diamond Corp.</p>	<p>August 4, 2009</p>	<p>7,700,000</p>

Notes to Profiles of the Nominated Directors re Corporate Cease Trade Orders/Bankruptcies:

1. On October 13, 2014, RB Energy Inc., ("RB Energy"), a company pursuant to which Mr. Clark is both a director and President & CEO, announced that the Board of Directors of RB Energy approved a filing on October 14, 2014, for an Initial Order to commence proceedings under the Companies' Creditors Arrangement Act (the "CCAA") from the Quebec Superior Court. On October 15, 2014, RB Energy further announced that the Quebec Superior Court issued an Amended and Restated Initial Order in respect of RB Energy and certain of its subsidiaries under the CCAA. RB Energy is now under the protection of the Court. KPMG LLP has been appointed monitor under the Court Order. The TSX de-listed RB Energy's common shares effective at the close of business on November 24, 2014 for failure to meet the continued listing requirements of the TSX. Since that time, RB Energy's common shares have been suspended from trading.

2. *As noted in paragraph 1 above, RB Energy filed for CCAA protection on October 13, 2014. Messrs. Lundin and Conibear have never been directors, officers or control persons of RB Energy. Messrs. Lundin and Conibear were directors of one of the amalgamating companies that formed RB Energy, Sirocco Mining Inc. (“Sirocco”). On January 31, 2014, Mr. Lundin and Mr. Conibear, resigned as directors of Sirocco at which time Sirocco was financially solvent. However, as a result of the legal effect of the amalgamation of Canada Lithium and Sirocco, and as Messrs. Lundin and Conibear were directors of one of the amalgamating companies that formed RB Energy, and as RB Energy filed for CCAA protection within 12 months after Messrs. Lundin and Conibear ceased to be a director of Sirocco Mining, Messrs. Lundin and Conibear are technically considered to have been directors of an issuer within the period of 12 months preceding its filing for CCAA protection.*
3. *Mr. Edgar was a director of New West Energy Services Inc. (TSX-V), when a cease trade order was issued against that company by the British Columbia Securities Commission on September 5, 2006 for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006. Mr. Edgar resigned as a director of New West Energy Services Inc. in August 2009.*
4. *Ms. Inkster served as Vice President, Finance of GBS Gold International Inc. (“GBS”) from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory note holders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS were suspended from trading on the NEX board and it has effectively ceased business*

The following table sets out the current membership of the proposed Director nominees on the Corporation’s Committees:

Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee	Safety, Health, Environment and Community Relations Committee
Marie Inkster (Chair) Brian Edgar Eira Thomas	Paul Conibear (Chair) Brian Edgar Richard Clark	Brian Edgar (Chair) Eira Thomas Paul Conibear	Eira Thomas (Chair) Richard Clark William Lamb

Advance Notice

On, March 21, 2013, the Board approved an advance notice policy for nominations of directors by shareholders in certain circumstances, which was approved by the shareholders of the Corporation on June 21, 2013. As at the date of this Circular, Lucara has not received notice of any director nominations in connection with the Meeting. Accordingly at this time, the only persons eligible to be nominated for election to the Board at the Meeting are the above nominees.

4. ADOPTION OF SHARE UNIT PLAN AND NEW STOCK OPTION PLAN

The Corporation’s current equity-based compensation plan is the Stock Option Plan of the Corporation (the “2013 Approved Stock Option Plan”). This plan has the dual purpose of (i) attracting, incentivizing and retaining those key employees and consultants of the Corporation who are considered by the Board to be key to the growth and success of the Corporation; and (ii) aligning the interests of key employees and consultants with those of the shareholders through longer term equity ownership in the Corporation. At the end of 2014, the Compensation Committee undertook a review of the Corporation’s long term compensation in consultation with management and with Roger Gurr and Associates, an independent consultant.

As a result of the review by the Compensation Committee, the Board adopted a new Share Unit Plan (the “SU Plan”) and a new Incentive Stock Option Plan (the “New Stock Option Plan”) in March 2015. The Board determined that it was desirable to broaden the range of incentive plans beyond the grant of options with the addition of the SU Plan pursuant to which various share unit awards could be used in order to attract, retain and motivate key employees of the Corporation. In conjunction with expanding the long term incentive plans available, the Board

determined it was appropriate to update the 2013 Approved Stock Option Plan and accordingly decided to adopt the New Stock Option Plan. The Board determined that it is in the best interests of the Corporation and its shareholders that the Corporation update its equity-compensation program to bring it in-line with current market practices and to create more flexibility in the types of incentive awards that may be made.

Accordingly, at the Meeting or any adjournment or postponement thereof, shareholders will be asked to approve a resolution in the form set out below approving the adoption of the SU Plan and the adoption of the New Stock Option Plan (the "SU Plan/Stock Option Plan Resolution"). There are no awards outstanding under the SU Plan, the Corporation anticipates granting awards under the SU Plan and options under the New Stock Option Plan if the SU Plan/Stock Option Plan Resolution is approved by shareholders at the Meeting. The 2013 Approved Stock Option Plan will continue to be in effect if the SU Plan/Stock Option Plan Resolution is not approved by shareholders. Please see page 40 "Equity Compensation Plan Information" for details on the terms of the 2013 Approved Stock Option Plan.

The SU Plan

The following is a summary of the key terms of the SU Plan, which summary is qualified in its entirety by the full terms of the SU Plan attached hereto as Appendix A:

- The SU Plan provides that share unit awards (the "SUs") may be granted by the Board, the Compensation Committee, or any other committee of directors authorized by the Board to administer the SU Plan (the "Committee").
- Upon receipt of the requisite shareholder approval of the SU Plan, 4,000,000 Common Shares will be reserved for issuance under the SU Plan, representing approximately 1.05% of the current issued and outstanding Common Shares.
- Any Common Shares subject to an SU which are cancelled or terminated in accordance with the terms of the SU Plan without settlement will again be available for issuance under the SU Plan.
- The grant of SUs under the SU Plan is subject to the number of the Common Shares: (i) issued to any one participant within any one (1) year period; (ii) insiders of the Corporation, within any one (1) year period, and (iii) issuable to insiders of the Corporation, at any time, under the SU Plan, or when combined with all of the Corporation's other security based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares, respectively.
- The SU Plan is for the benefit of employees of the Corporation or any subsidiary, including any senior executive, vice president, and/or member of the management team of the Corporation or its subsidiaries.
- An SU is a unit credited by means of an entry on the books of the Corporation to a participant, representing the right to receive one Common Share or cash equal to the market price of the share on the vesting date.
- The number and terms of SUs granted to participants will be determined by Committee and credited to the participant's account effective on the grant date. Subject to the Committee's discretion, SUs will vest 36 months from the grant date.

- The entitlement date, or date that the SU's vest and are eligible for payment, shall be extended if this date occurs during a blackout to 10 days after the end of the blackout and notwithstanding this, must occur no later than 3 years following the end of the year the SU was granted.
- Following the entitlement date, the SUs will be settled by way of the issuance of Common Shares from treasury, cash equal to the market price of Common Shares or a combination of the two methods of settlement as determined by the Committee.
- All grants of SUs shall be evidenced by a confirmation share unit grant letter.
- In the event dividends are paid to shareholders while SUs are outstanding, additional SUs in lieu of any cash dividends will be credited to participants. For the avoidance of doubt, no cash payment will be made to a participant if cash dividends are paid to shareholders other than cash paid to a participant on an entitlement date.
- In the event of a participant's resignation or employment termination with cause, the SUs will be forfeited and of no further force or effect at the date of termination, unless otherwise determined by the Committee.
- In the event of the participant's employment termination without cause:
 - all unvested SUs that are not subject to performance vesting criteria will vest, for participants who were continuously employed by the Corporation or any subsidiary for at least two years including any notice period, prior to the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical
 - all unvested SUs with performance vesting criteria will remain subject to the normal vesting schedule for participants who were continuously employed by the Corporation or any subsidiary for at least two years including any notice period
 - for participants who were not continuously employed by the Corporation for two years their SUs will be forfeited at the date of termination except as may otherwise be stipulated in the participant's grant letter
- In the event of death, all unvested SUs will vest and the Common Shares will be issued to the participant's estate as soon as reasonably practical.
- In the event of the total disability of a participant, all unvested SUs will vest on the date the participant is determined to be totally disabled and the Common Shares will be issued as soon as reasonably practical.
- In the event of a change of control, all SUs outstanding will vest on the date of such change of control.
- All of the termination provisions in the SU plan shall be subject to the terms of any employment/severance agreement between the participant and the Corporation.
- SUs are not transferable other than by will or the laws of dissent and distribution.
- The specific amendment provisions for the SU Plan provide the Committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):

- amendments of a housekeeping nature;
 - the addition or a change to any vesting provisions of an SU;
 - changes to the termination provisions of an SU or the SU Plan; and
 - amendments to reflect changes to applicable securities or tax laws.
- any of the following amendments require shareholder approval:
 - materially increasing the benefits to a holder of SUs who is an insider to the material detriment of the Corporation and its shareholders;
 - increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the SU Plan (other than by virtue of adjustments permitted under the SU Plan);
 - permitting SUs to be transferred other than for normal estate settlement purposes;
 - removing or exceeding the insider participation limits of the SU Plan;
 - materially modifying the eligibility requirements for participation in the SU Plan; or
 - modifying the amending provisions of the SU Plan.

The New Stock Option Plan

In the event that shareholders approve the SU Plan/Stock Option Plan Resolution, the New Stock Option Plan will replace the 2013 Approved Stock Option Plan. No further awards shall be granted under the 2013 Approved Stock Option Plan. However, any outstanding awards granted under the 2013 Approved Stock Option Plan shall remain outstanding and shall continue to be governed by the provisions of the 2013 Approved Stock Option Plan.

The following is a summary of the key terms of the New Stock Option Plan, which summary is qualified in its entirety by the full terms of the New Stock Option Plan attached hereto as Appendix B:

- The aggregate number of Common Shares available at all times for issuance under the New Stock Option Plan will be 20,000,000, which would represent approximately 5.27% of the Corporation's current issued and outstanding Common Shares.
- Any option which has been exercised, cancelled or has expired or terminated for any reason in accordance with the terms of the New Stock Option Plan will again be available under the New Stock Option Plan.
- The exercise price per Common Share under an option shall be determined by the Board and shall not be lower than the market price of a Common Share. Market price is defined as the higher of the closing price on the TSX on the date the option is granted and the last trading date preceding the date the option is granted.
- The term of all options awarded under the New Stock Option Plan is a maximum of five years.
- Options granted pursuant to the New Stock Option Plan shall vest and become exercisable by an optionee at such time or times as may be determined by the Board at the date of grant and as indicated in the option commitment. Subject to the Boards' discretion, options may have a vesting period of up to three years, with 1/3 of the options vesting 12 months from the date of grant; 1/3 of the options vesting 24 months from the date of grant; and the remaining 1/3 vesting 36 months from the date of grant.
- In the event that the expiry of an option falls within, or within 48 hours of, a trading blackout period imposed, the expiry date of the option shall be automatically extended to the tenth business day following the end of the blackout period.
- The termination provisions under the New Stock Option Plan shall be:

An optionee will have, in all cases subject to the original option expiry date (i) 90 days to exercise his/her options, which will automatically vest for optionees who have been continuously employed by the Corporation or by a company providing management services to the Corporation for at least two years including any notice period, if applicable, in the event of termination without cause; (ii) 90 days to exercise his/her options that have vested, in the event of resignation; and (iii) immediate termination of the options in the event of termination with cause, except as may be set out in the optionee's option commitment or as otherwise determined by the Board in its sole discretion. In the event of the death or disability of an optionee, all options will vest and the optionee will have, subject to the original option expiry date, 12 months to exercise his/her options. Notwithstanding the foregoing, all of the termination provisions shall be subject to the terms of any employment/severance agreement between the optionee and the Corporation.

- In the event of a change of control, all unvested options shall vest on at the effective time of the change of control.
- The grant of options under the New Stock Option Plan is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the New Stock Option Plan, or when combined with all of the Corporation's other security based compensation arrangements, not exceeding 10% of the Corporation's total issued and outstanding Common Shares, respectively.
- The aggregate number of options granted pursuant to the New Stock Option Plan to any one non-employee director, within any one-year period shall not exceed a maximum value of C\$100,000 worth.
- The aggregate number of Common Shares reserved for issuance pursuant to the New Stock Option Plan to non-employee directors as a group, shall not exceed 1% of the number of issued and outstanding Common Shares.
- The aggregate number of Common Shares reserved for issuance pursuant to the New Stock Option Plan, or when combined with all of the Corporation's other security based compensation arrangements, to any one Participant within a one-year period shall not exceed 10% of the Shares outstanding at the time of the grant
- The Board means the board of directors or any committee of the board to which the duties under the New Stock Option Plan are delegated.
- Options are not assignable or transferable other than by will or by the applicable laws of descent.
- The specific amendment provisions for the New Stock Option Plan provide the Board with the power to make the following amendments without shareholder approval:
 - minor or technical modifications;
 - correct ambiguity, defective provisions, error or omissions or reflect changes to applicable securities or taxation laws;
 - change any vesting provisions of an option;
 - change the termination provisions or extend the expiration date provided the extension is not beyond 5 years from the date the option is granted;
 - add or change provisions relating to financial assistance to facilitate the purchase of securities; and
 - add a cashless exercise feature.

Such amendment must be in accordance with applicable laws and stock exchange rules and cannot

materially adversely affect existing rights of options.

- Any of the following amendments also require shareholder approval:
 - increasing the number of Common Shares which may be issued pursuant to the New Stock Option Plan (other than by virtue of permitted adjustments);
 - reducing the exercise price of an option;
 - amending the term of an option to extend the term;
 - removing or exceeding the limits imposed on insiders and on non-employee Directors;
 - materially increasing the benefits to the holder of the options who is an insider to the material detriment of the Corporation and its shareholders;
 - permitting options to be transferred other than by will or the applicable laws of descent;
 - materially modifying the eligibility requirements for participation in the New Stock Option Plan;
 - or
 - changing the amending provisions.

TSX Approval

The TSX has conditionally approved the SU Plan and the New Stock Option Plan, subject to receipt from the Corporation of, among other things, evidence of shareholder approval.

Resolution

The SU Plan/Stock Option Plan Resolution must be approved by a majority of the votes cast by shareholders present in person or represented by proxy at the Meeting or any adjournment or postponement thereof. If approved by shareholders at the Meeting, the SU Plan and the New Stock Option Plan will become effective and will replace the 2013 Stock Option Plan. As noted above, the 2013 Approved Stock Option Plan will continue to be in effect if the SU Plan/Stock Option Plan Resolution is not approved by shareholders and all outstanding options granted prior to the effective date of the New Stock Option Plan will continue to be governed by the 2013 Approved Stock Option Plan.

You may either vote for approval of the following resolution or you can vote against. Unless otherwise instructed, the named proxyholders will vote **FOR** the approval of the SU Plan/Stock Option Plan Resolution.

“BE IT RESOLVED that:

1. *the adoption of the Corporation’s SU Plan, substantially in the form attached to this Circular as Appendix A, is hereby authorized and approved;*
2. *the adoption of the Corporation’s New Stock Option Plan, substantially in the form attached to this Circular as Appendix B, is hereby authorized and approved; and*
3. *any one director or officer of the Corporation is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Corporation or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions.”*

SECTION 3 - CORPORATE GOVERNANCE

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Lucara is committed to a high standard of corporate governance. The directors believe that a high standard of governance is important for the successful operation of the business and creation of shareholder value. The following provides information about the Corporation's Board and sets out governance practices now in force.

MANDATE OF THE BOARD OF DIRECTORS

The Board has a formal mandate (see Appendix C) that lists specific responsibilities including:

- Approve the strategic direction of the Corporation
- Identify principal risks of the Corporation's business and ensure implementation of appropriate risk management systems
- Ensure the Corporation has management of the highest caliber
- Oversee Lucara's communication policy with its shareholders and the public generally

The Board discharges its responsibilities either directly or through its committees.

Strategic Planning

The board works with management to develop the Corporation's strategic direction. The strategic planning process involves the development of a long term (5 year) strategic plan, the establishment of annual budgets and two-year financial plans, and an annual review of the strategic plan. Management is responsible for preparing information in these areas and presenting it to the board for discussion and approval.

In addition, the board on an ongoing basis throughout the year discusses with management strategic issues including competitive developments and corporate opportunities.

Risk Oversight

The Board has implemented a risk management process. At each quarterly meeting of the Audit Committee, a risk report is reviewed and monitored which includes:

- identification and description of risks
- the impact of the identified risks
- classification of the risk as high/medium/low
- an action plan to mitigate the impact of the risk
- identification of the "owner" of the risk i.e. the employee who owns the risk and is responsible for implementing controls and developing ways to mitigate the risk

INDEPENDENCE

The majority of Lucara's current directors and its director nominees are independent.

Assessing Independence of Directors

The board is responsible for determining whether a director is independent. It relies on the criteria set by the Canadian Securities Administrators in National Instrument 52-110 Audit Committees and National Policy 58-201-Corporate Governance Guidelines.

The board has reviewed the nominated directors and decided that William Lamb and Lukas Lundin are not independent for the following reasons:

- Mr. Lamb is Lucara's current President and CEO.
- Mr. Lundin, is Lucara's Chair and as Chair is involved with the Corporation on corporate development opportunities and raising capital which could be regarded as having an indirect material relationship.

Structures and Processes to Facilitate Independence from Management

The Board believes that the following structures and processes facilitate the functioning of the Board independently of management:

- *Meetings of Independent Directors and Without Management*
To facilitate open and candid discussion among directors, a practice of holding two “in camera” sessions or meetings is normally followed for quarterly board meetings. The first in camera session is without management present and the second is only with independent directors present. The in-camera meetings of independent directors are presided over by the Lead Director. In addition, the Audit Committee regularly holds sessions with the Corporation’s external auditors without management present to discuss the audit and cooperation from management.
- *Chair and Lead Director*
The Chair of the Board position is separate from the CEO. As noted above, it has been determined by the Board that the Chair of the Board, Mr. Lundin, is not independent. On the recommendation of the Corporate Governance and Nominating Committee, the board has appointed a Lead Director, Mr. Conibear, to facilitate the independent function of the Board. In the position description for the Chair setting out the responsibilities of the Chair, it is specified that if the Chair is not independent that such responsibilities will be carried out by the Lead Director. In addition, the Lead Director provides leadership for the Board’s independent directors.
- *Committee Membership*
All of the members of the following committees are composed entirely of independent directors: Audit Committee, Corporate Governance and Nominating Committee, and Compensation Committee.
- *Independent Advisor*
Individual directors may, with the authorization of the Chair or the Corporate Governance and Nominating Committee, engage independent advisors at the expense of the Corporation.

SIZE OF BOARD

The Corporate Governance and Nominating Committee on an annual basis considers the size of the Board. If it believes changes are warranted it makes a recommendation to the Board. This year it has recommended to the Board, and the Board concurs, that the board be composed of 7 directors with 5 directors being independent. It was agreed by the Board that this size is small enough to facilitate open dialogue among directors and effective decision making but also there are a sufficient number of directors to ensure that the Board has directors with the appropriate experience and skills to fulfill its responsibilities.

SERVING ON OTHER BOARDS

Lucara’s directors do not serve on the boards of its competitors. Many do serve on other mining public company boards which assists these directors in their performance of their duties to the Corporation as such other mining companies may have similar business, regulatory and social issues as Lucara. The following table sets out the public company directorships held by the nominees for this year’s election of directors:

Name of Director	Public Company Board Membership
Paul Conibear	Lundin Mining Corporation (TSX/Nasdaq Stockholm); NGEx Resources Inc. (TSX)
Brian Edgar	Shamaran Petroleum Corp. (TSX-V/Nasdaq First North); Denison Mines Corp. (TSX/NYSE MKT); Silver Bull Resources Inc. (TSX/NYSE MKT); Lundin Mining Corporation (TSX/Nasdaq Stockholm); Black Pearl Resources Inc. (TSX/Nasdaq Stockholm)
Lukas Lundin	Lundin Mining Corporation (TSX/Nasdaq Stockholm); NGEx Resources Inc. (TSX); Denison Mines Corp. (TSX/NYSE MKT); Lundin Petroleum AB (Nasdaq Stockholm/TSX); Lundin Gold Inc. (TSX/Nasdaq Stockholm); Newmarket Gold Inc. (TSX-V)
Eira Thomas	Suncor Energy Inc. (TSX); Kaminak Gold Corporation (TSX)
William Lamb	Terraco Gold Corp. (TSX-V); North Arrow Minerals Inc. (TSX-V); Riley Resources Corp.(TSX-V)

Richard Clark	RB Energy Inc.; Mag Silver Corp. (TSX/ NYSE MKT); Orca Gold Inc. (TSX-V)
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Legend:

TSX	=	Toronto Stock Exchange
TSX-V	=	TSX Venture Exchange
Nasdaq First North	=	NASDAQ OMX First North Exchange
Nasdaq Stockholm	=	NASDAQ OMX Stockholm Exchange
NYSE MKT	=	New York Stock Exchange MKT

MEETING ATTENDANCE

The Board held 7 meetings in 2014. The Audit committee meets at least every quarter to review the Corporation's financial statements and MD&A. Other committees meet as necessary to ensure their mandates are performed. Committees of the Board held a total of 15 meetings in 2014. The following is the attendance record for all Board and committee meetings held during 2014:

Directors	Board Meetings		Committee Meetings		Total Board/Committee Meetings	
	#	%	#	%	#	%
Lukas Lundin	7 of 7	100%	N/A	N/A	7 of 7	100%
Paul Conibear	7 of 7	100%	9 of 9	100%	16 of 16	100%
Eira Thomas	6 of 7	86%	12 of 12	100%	18 of 19	95%
Brian Edgar	7 of 7	100%	11 of 11	100%	18 of 18	100%
William Lamb	7 of 7	100%	4 of 4	100%	11 of 11	100%
Richard Clark	7 of 7	100%	6 of 7	86%	13 of 14	93%
Marie Inkster*	3 of 3	100%	2 of 2	100%	5 of 5	100%

*became board member June 2014

POSITION DESCRIPTIONS

The Board has developed and approved a written position description for the Chair of the Board. The Chair's primary responsibilities are to: act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties; provide leadership to the independent directors; organize the Board to function independently of management; preside as chair at Board meetings and communicate with all board members to coordinate their input; ensure the accountability of board members; provide for the effectiveness of the Board. The Chair acts as the primary liaison between the Board and management. As noted earlier, if the Chair is not independent, such responsibilities are carried out by the Lead Director.

A general position description for all chairs of the Board's committees has been approved by the Board. The mandates of each committee are also approved by the Board. These mandates provide the committee chairs with specific responsibilities relating to the committee that they chair. On an annual basis each committee mandate is reviewed by the applicable committee and changes are recommended to the board for approval if applicable.

The Board and the CEO have developed a written description for the CEO. The CEO has, subject to the authority of the Board, general supervision of the business and affairs of the Corporation. Responsibilities include making recommendations to the Board regarding the implementation, performance and monitoring, as the case may be, of each of the items referred in the Board Mandate. Generally, the Board has delegated to the CEO, the authority to transact business or approve matters that are in the ordinary course of business provided these matters do not exceed material levels of expenditures on the part of the Corporation. The Board has established clear limits of authority for the CEO, which are described in the Corporation's Policy of Authorizations.

ASSESSMENT OF BOARD PERFORMANCE

At the beginning of the year, the Corporate Governance and Nominating Committee distributes a Board effectiveness assessment to directors. This assessment questions members as to their level of satisfaction with the

functioning of the Board, its interaction with management and the performance of the standing committees of the Board. Board members conduct peer reviews and a self assessment regarding their effectiveness as a Board member as part of this assessment process. To ensure the assessment process is candid, the individual assessments are returned on a confidential basis to the Chair of the Corporate Governance and Nominating Committee with a copy to the Corporate Secretary. The results are compiled for the Corporate Governance and Nominating Committee. The Committee reviews and discusses the results and makes recommendations to the Board regarding any action that may be deemed necessary or advisable to ensure the Board continues to function effectively and adequately perform its mandate. The Board aims for a 100% compliance rate for completion of the assessment by directors, which was achieved this year. The peer reviews and self-assessments by Directors are considered as part of the director nomination process.

The effective performance of the Board is also monitored by the completion of its workplan outline and completion by the committees of their workplan outlines. Workplan outlines are created for the year which cover standard items to be dealt with at meetings and any additional items for that year.

ORIENTATION AND CONTINUING EDUCATION

Included in the Corporate Governance and Nominating Committee's mandate is the requirement to develop, with the assistance of management, an orientation and education program for new recruits. As part of the orientation for all new members, opportunities are provided for the director to meet with other directors and members of Lucara's executive team to discuss the nature and operation of the Corporation's business. The following is also reviewed with each new member: (i) information and materials regarding the Corporation, including the role of the Board and its committees; and (ii) the legal obligations of a director of the Corporation. Each new board member has access to a comprehensive package of material regarding Lucara through the Corporation's board portal service. A more specific orientation program is developed and tailored to meet the specific needs of a new director. For example, if the new director is highly sophisticated with regard to diamond mining matters, orientation on that matter would not be necessary or if a director has a high level of financial expertise, finance orientation may not be included.

With regard to continuing education for board members, the Corporate Governance and Nominating Committee's mandate is to provide for such continuing education for all directors with the assistance of management. As part of the annual director assessment process, directors are canvassed for their input on what additional information would assist them in increasing their effectiveness as directors. The Corporate Governance and Nominating Committee considers directors' responses and makes recommendations.

Site visits are viewed as an important piece of directors education and understanding of the Corporation's business. To further the education of directors' with regard to the diamond market, directors in 2014 attended one of Lucara's diamond sales in Antwerp, Belgium. A site visit is planned in June 2015 for the directors to tour the Corporation's Karowe mine in Botswana.

Directors are regularly informed by the CEO, either verbally or through a written quarterly directors report, of strategic issues affecting Lucara, including the competitive environment, the Corporation's performance and developments that could materially impact the Corporation.

With regard to corporate governance education for directors, Lucara pays for director education and membership in the Institute of Corporate Directors (ICD). All directors are members of the ICD. All Board members completed an on-line anti-bribery training session held in 2014 that was provided to Lucara employees and directors. A refresher training session is planned for 2015.

NOMINATION OF DIRECTORS

The Corporate Governance and Nominating Committee, which is composed of all independent Board members, has the responsibility for proposing nominees for directors to the Board. To assist them in this exercise the Board has approved Guidelines for the Composition of Lucara's Board. These guidelines specify the below listed qualities

for consideration when evaluating the composition of the Board of Directors and when nominating potential candidates. When tabling these Guidelines, the Board of Directors acknowledged that the qualities listed were not intended to be exhaustive and were not listed in terms of their importance. In addition, the Guidelines require the Corporate Governance and Nominating Committee to seek diversity in perspectives, by considering qualified candidates with relevant education and experience of any age, gender and background and to actively seek out highly qualified women to include in the pool from which board nominees are chosen.

- Financial accreditation and/or financial literacy
- Sound business experience and expertise
- Corporate governance experience
- Industry specific experience and knowledge
 - Mining
 - Environment
 - Safety and Occupational Health
- Experience in corporate operations
- Financing, M&A experience
- Strong board skills, such as:
 - Integrity
 - Networking abilities
 - Interpersonal skills
 - Ability to think strategically and act independently
- Independent, as such term is defined by the Canadian Securities Administrators
- Not previously bankrupt
- Prior personal history that is acceptable to regulators
- Willing to devote sufficient time and effort to board duties

To identify potential nominees that possess the desired skills and competencies, the Committee members may utilize their extensive knowledge of the industry and personal contacts. In addition, the Board and management may also propose candidates to the Committee or the Committee may, at the corporation's expense, retain external consultants to assist in the search for suitable director nominees.

The Corporate Governance and Nominating Committee has approved a form of a Board Candidacy Questionnaire which potential candidates are required to complete as part of the nomination process. The information provided in this form is used to evaluate a candidate's compliance with the Guidelines.

DETERMINATION OF DIRECTORS COMPENSATION

The Compensation Committee recommends the amount and form of the compensation of directors. In making recommendations to the Board, it considers the time commitment and responsibilities required to be met by directors. The Committee is also cognizant that the recommended compensation for directors must not compromise their independence. The Committee retains expert advice to assist in making recommendations on director's compensation. In late 2014, an external consultant, Roger Gurr & Associates was engaged by the Committee to assess the market competitiveness of director's compensation through a benchmarking exercise. The Board after taking into account the Committee's recommendations determines the amount and form of compensation, which is disclosed in this Circular at page 38.

DIRECTOR RETIREMENT POLICY AND TERM LIMITS

The Board has not adopted a retirement policy or limits regarding the time a director can serve. The following sets out the current tenure for Lucara's seven nominated directors:

<u>Number of Directors</u>	<u>Tenure (Years)</u>
3	Eight
1	Six
2	Five
1	One

The Board recognizes that term limits can ensure Board refreshment and new perspectives. However, Lucara's long serving directors have significant in-depth knowledge of Lucara and its business. Lucara is only entering its full third year of operations with its major asset, the Karowe diamond mine and its long serving directors are highly valued for their expertise. They can provide historical context for consideration in corporate strategic decision making. In addition, these directors have industry connections which are very important to Lucara. The Board believes the risk of imposing director term limits and thereby losing long serving directors who have in-depth knowledge and understanding of the Corporation will not serve Lucara or its shareholders.

COMMITTEES OF THE BOARD

To assist the Board with its responsibilities, the Board has established four standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, and the Safety, Health, Environmental and Community Relations Committee. The Board may form other committees from time to time as appropriate to address matters the Corporation is faced with. Each Committee has a written mandate and it reviews its mandate annually. Also, as discussed above, each Committee has a work outline for the year which covers standard items to be dealt with at the committee meetings and any additional items for that year. The following is a brief summary of the key functions, roles and responsibilities of the Board committees.

Audit Committee

The Audit Committee consists of three independent directors. The current members are Marie Inkster (Chair), Brian Edgar and Eira Thomas, all of whom are financially literate as such term is defined in National Instrument 52-110 Audit Committees.

The Audit Committee assists the Board in matters relating to external auditors and the external audit process, financial reporting and public communication, risk management, security, and certain other key financial matters. In fulfilling its role, the Audit Committee monitors the effectiveness and integrity of the Corporation's financial reporting, management information and internal control systems.

The Audit Committee also oversees and annually reviews the Corporation's code of business conduct and ethics (see "Ethical Business Conduct" on page 24 of this Circular).

The Audit Committee reviews and approves, with management and external auditors, significant financial reporting issues, the conduct and results of the annual audit, and significant finance, accounting and disclosure policies and other financial matters. The Audit Committee also oversees the financial reporting processes of the Corporation, by reviewing the Corporation's core disclosure documents, being its annual and interim financial statements, MD&A and annual information form.

The Audit Committee plays a key role in relation to the Corporation's external auditors. It initiates and approves their engagement or termination, subject to shareholder approval, and monitors and reviews their independence, effectiveness, performance and quality control processes and procedures. PricewaterhouseCoopers LLP ("PwC") have been Lucara's auditors since 2010. The Audit Committee pre-approves all services provided by PwC. The fees paid to PwC during 2013 and 2014 were as follows:

Fiscal Year Ending	Audit Fees CAD\$(¹)	Audit-Related Fees CAD\$(²)	Tax Fees CAD\$(³)
December 31, 2014	193,958	122,000	110,008
December 31, 2013	206,000	10,200	59,755

- (1) Audit fees represent the aggregate fees billed for audit services.
- (2) Audit-related fees represent the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and not disclosed in the Audit Fees column.
- (3) Tax fees represent the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

The Audit Committee reviews the Corporation's policies and practices with respect to cash management, insurance and taxation. It also ensures that management has procedures in place that facilitate compliance with laws relating to insider trading and continuous disclosure. For additional information about the Audit Committee, including the Audit Committee Charter, see "Audit Committee Information" in Lucara's Annual Information Form dated March 19, 2015, which is available on the Corporation's website or on SEDAR at www.sedar.com.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee consists of three independent directors: Brian Edgar (Chair), Paul Conibear and Eira Thomas. The Committee is responsible for developing and monitoring the Corporation's approach to corporate governance issues.

The Corporate Governance and Nominating Committee oversees the effective functioning of the Board, ensures that the Board can function independently of management, identifies possible nominees for the Board, develops an orientation program for new recruits to the Board and provides, with the assistance of management, director education opportunities. It has also set up a system for an annual review of the Corporation's material policies by applicable board committees.

The Corporate Governance and Nominating Committee has been mandated under the Board and Executive Officer Gender Diversity Policy to perform certain functions as described below, see page 24 of this Circular under the section "Gender Diversity - Board and Executive Officers."

In addition, the Corporate Governance and Nominating Committee annually reviews and makes recommendations to the Board with respect to: (i) the appointment of a lead director; (ii) the size and composition of the Board; (iii) the appropriateness of the committees of the Board; and (iv) committee appointments. The Committee delivers this annual statement on corporate governance to the Board for inclusion in the Circular.

Compensation Committee

The Compensation Committee consists of three independent directors: Paul Conibear (Chair), Brian Edgar and Richard Clark. For more information regarding the nature, scope, roles and responsibilities of the Compensation Committee, see page 30 of this Circular.

Safety, Health, Environmental and Community Relations Committee ("SHECR Committee")

The SHECR Committee consists of three directors. Two are independent, Eira Thomas (Chair) and Richard Clark. William Lamb, the third member of the Committee, is the Corporation's CEO and is not independent. It was determined that Mr. Lamb's knowledge of the operations of the Corporation and previous operational mining experience would assist the Committee in fulfilling its mandate.

The Committee assists the Board of Directors in its oversight of Lucara's operations (including the operations of its active subsidiaries) in the following areas:

- safety, health, environment and community risks
- compliance with applicable legal and regulatory requirements associated with safety, health, environmental and community matters
- performance in relation to safety, health, environmental and community matters
- performance and leadership of the safety, health, environment and community function

- external annual reporting in relation to safety, health, environmental and community matters

GENDER DIVERSITY- EXECUTIVE OFFICERS AND BOARD

In 2014, the Board adopted a “Board and Executive Officer Gender Diversity Policy”. This policy formalizes the following vision for Lucara:

The Company recognizes the importance of women having a greater representation at key decision making points in organizations particularly with regard to representation on boards and executive officer positions. The Company believes that a diverse board and executive management structure, including diversity with regard to gender, enhances the decision making of the Board and at senior management levels.

With regard to gender diversity and the board, the policy includes a commitment for the Corporate Governance and Nominating (“CGN”) Committee to actively seek out highly qualified women to include in the pool from which board nominees are evaluated and chosen. This commitment is documented in the Guidelines for the Composition of Lucara’s Board and is referred to in this Circular at page 21.

With regard to gender diversity and senior management, the policy mandates that management of Lucara shall, as part of the hiring process of executive officers, actively seek out woman, having the necessary skills, knowledge and experience, to evaluate as potential candidates. The policy also states that the ultimate decision by management to recommend a candidate for appointment as an executive officer shall be made on merit and the contribution the candidate can bring to the position.

Pursuant to the policy, the CGN Committee is mandated to discuss targets for promoting diversity and make recommendations to the Board. At its February 2015 meeting, the CGN Committee discussed the setting of diversity targets and decided that it was not necessary to recommend that the Board set specific targets due to the current gender diversity status of the board and executive officers. As noted below, women make up 29% of Lucara’s board, 17% of Lucara’s executive officers and 25% of the executive officers of the Corporation’s major subsidiary, Boteti Mining (Pty) Limited. In addition, women hold 50% (2 of the 4) Board Committee chair positions. In 2014, the Corporation appointed one new board member and one new executive officer. Consistent with the vision stated in the Board and Executive Officer Gender Diversity Policy, both appointments were women. The Board agreed with the CGN’s Committee recommendation that specific targets were not necessary at this time.

Board Members			Executive Officers* Lucara			Executive Officers* Major Subsidiary		
Women Board Members	Total Board Members	%	Women Executive Officers	Total Executive Officers	%	Women Executive Officers	Total Executive Officers	%
2	7	29%	1	6	17%	1	4	25%

*Executive Officer means an individual who is:

- a chair, vice-chair or president;
- a chief executive officer or chief financial officer;
- a vice-president in charge of a principal business unit, division or function including sales, finance or production; or
- performing a policy-making function.

ETHICAL BUSINESS CONDUCT

The Corporation is committed to conducting its business in compliance with the law and the highest ethical standards. Accordingly, the Board has adopted a written Code of Business Conduct and Ethics (the “Code”) for directors, officers and employees of the Corporation. The Code is available on the Corporation’s website and has been filed on and is accessible through SEDAR at www.sedar.com.

If directors, officers or employees observe or become aware of an actual or potential violation of the Code or of any law or regulation, whether committed by the Corporation's employees or by others associated with the Corporation they have the responsibility to report the violation and to cooperate with any investigation. Reports may be submitted on a confidential basis to the Chair of the Corporation's Audit Committee. Following receipt of any complaints, the Chair of the Audit Committee, will investigate each matter so reported and report to the Board. The Corporation will not tolerate any reprisals against employees, officers and directors for good faith reporting of compliance concerns or violations.

The Audit Committee has the primary authority and responsibility for the enforcement of the Code, subject to the supervision of the Board of Directors. It reviews the Code on an annual basis and makes recommendations regarding compliance monitoring.

With regard to conflicts, all directors have an obligation to act in the best interest of the Corporation. In accordance with the Code, any situation that presents an actual or potential conflict between a director's personal interests and the interests of the Corporation must be reported to the Chair of the Corporation's Audit Committee. In addition, the Corporation's articles contain disclosure and voting restrictions that must be followed when a director or officer has an interest in an agreement or transaction with the Corporation being considered by the Board. The Audit Committee is mandated to review and monitor all related party contracts that may be entered into by the Corporation.

In addition to the Code, the Audit Committee has established a Policy and Procedures for the Receipt, Retention and Treatment of Complaints Regarding Accounting or Auditing Matters or "Whistleblower Policy" to encourage employees, officers and directors to raise concerns regarding accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment.

Another example of the Board's commitment to the highest ethical standards is the Corporation's Corporate Social Responsibility Charter. The Charter specifies among other things that Lucara will impact positively on the quality of life of members of the local community and conduct its activities to meet or exceed standards in the protection and promotion of human rights. As part of its commitment to meet the Charter, the Corporation is participating in a sustainability reporting process. This process is being monitored by the Safety, Health, Environmental and Community Relations Committee utilizing the Global Reporting Initiatives (GRI) guidelines. A reporting cycle has been set up which involves a program of data collection, communication and responses. A report is provided to shape company strategy and policy and improve performance. One of the areas that the report provides information on is social performance. Social performance includes for example, an evaluation of the corporation's impact on human rights. This monitoring assists the Corporation in ensuring that its business is conducted to meet high ethical standards.

SHAREHOLDER COMMUNICATIONS

Structures are in place to ensure effective communication between the Corporation, its shareholders and the public. The Corporation has established a Disclosure Policy which is available on its website or on SEDAR at www.sedar.com. This Policy sets out the internal structure that Lucara has established to effectively manage the dissemination of material information. In addition, the Corporation's investor relations group responds to shareholders concerns on an individual basis. Shareholders are informed of corporate developments by the issuance of timely press releases which are concurrently posted to the Corporations' website and SEDAR.

Shareholders or other interested parties may communicate directly with the Chair of the Board, the Lead Director and other independent directors by writing to them at Lucara's Vancouver office, at the following address (envelopes should be marked *Confidential* and addressed to the attention of the appropriate party):

Lucara Diamond Corp., 885 West Georgia Street, Suite 2000, Vancouver, BC, V6C 3E8

SECTION 4 - EXECUTIVE COMPENSATION

2014 COMPENSATION DISCUSSION AND ANALYSIS

Objectives

The objectives of Lucara's executive compensation program are:

- to structure remuneration packages that are sufficiently attractive to recruit, retain and motivate qualified, high caliber executives
- provide executives with compensation that is in accordance with existing market standards
- align the interests of Lucara's executive officers with those of its shareholders
- link individual executive compensation to the performance of both Lucara and the individual executive

Elements of Compensation and Reward Structure

Executive compensation is comprised of three elements:

Base salaries. This is the basic method of compensating executives. Base salaries are reviewed using a comparator group (see Compensation Benchmarking described below), thereby enabling the Corporation to compete for and retain executives critical to the Corporation's long-term success. Lucara's executives have employment contracts which entitle them to receive a base salary provided they fulfill the job responsibilities associated with their position description. As payment of base salaries does not depend on the performance of any specific targets or goals it is not viewed as "at risk" compensation.

Short Term Incentives. Executives have no contractual right to bonuses or short term incentives and this form of compensation is clearly "at risk". Such payments are made solely in the discretion of the board. Short term incentives are considered by the Board on the recommendation of the Compensation Committee. The decision by the Compensation Committee to recommend payment of short term incentives is based on executives meeting certain criteria. The Board has approved a framework for short term incentive payments (see the Short Term Incentive Program Framework described in Performance Goals below). The Board uses the payment of short term incentives to motivate executives to meet short term performance goals for the benefit of the Corporation.

Long Term Incentives. The Corporation's current Long Term Incentive program is a stock option plan which is administered by the Board. The Compensation Committee makes recommendations to the Board for grants of stock options under the plan. Normally, when hiring executives, Lucara commits to an initial stock option issuance. This assists the Corporation in recruiting high performing individuals and then incentivizes such executives to drive the longer term growth of the business. This form of compensation aligns the interests of executive officers with the longer term interests of shareholders as the exercise price of options is set at the market value of the Corporation's shares at the time of the grant. As options vest over time (normally, three equal annual installments beginning on the grant date) they are an important executive retention strategy for Lucara. On an annual basis, the Compensation Committee considers, taking into account Lucara's long term goals, whether further stock option grants should be recommended to the Board. Stock options are another form of compensation paid by Lucara that is "at risk". It is anticipated the current Long Term Incentive program will be expanded to include share units if the SU Plan is approved by the shareholders at the Meeting.

The Corporation recognizes that its compensation package has to be sufficient to attract and retain the right level of skill, expertise and talent in an increasingly competitive global market. The structure of the remuneration package must be well-balanced across the short, medium and longer term elements, so that it is both attractive to the individual and cost effective for the Corporation.

In summary, Lucara uses base salary compensation to reward executives for effectively fulfilling their employment responsibilities, short term incentives to reward executives for meeting short term performance goals and stock options as a retention strategy and to reward executives for long term business growth. By providing base salary at a competitive level the Corporation is able to attract talented candidates. However, the short term incentive (discretionary bonuses) provide executives with the opportunity to achieve superior total annual reward through their own delivery of excellence at individual and business levels. Finally, the longer term reward element (stock option grants), provide the opportunity to build ownership and growth in the medium and longer term future in line with the opportunities for success afforded to the shareholders.

Compensation Benchmarking

Executive Salary Benchmarking

At the end of 2013, the Compensation Committee benchmarked executive's (CEO, CFO and VP's) base salaries for 2014 using the following comparator group of diamond mining producing companies that are publicly listed:

Petra Diamonds Limited	Mountain Province Diamonds Inc.
Dominion Diamond Corporation	Stornoway Diamond Corporation
Firestone Diamonds PLC	Gem Diamonds Ltd.

It was determined that at that time, Lucara's executive base salaries were approximately at the mid-point of these diamond producing companies with two of the companies in the survey awarding significantly higher salaries.

In December 2014, the Compensation Committee benchmarked executive's base salaries for 2015 using the following 11 comparator group of diamond producers and developers as well as comparable precious metal producers:

Diamond Developers and Producers:

Petra Diamonds Limited	Mountain Province Diamonds Inc.
Dominion Diamond Corporation	Stornoway Diamond Corporation
Firestone Diamonds PLC	Gem Diamonds Ltd.

Precious Metal Producers:

First Majestic Silver	Kirkland Lake Gold Inc.
Fortuna Silver Mines Inc.	Platinum Group Metals
Midway Gold Corp	

After reviewing the data, the Compensation Committee recommended, and the Board accepted in December 2014, that effective January 1, 2015, the base salaries associated for the positions of CEO, Vice President, Mineral Resource and Vice President, Legal and Corporate Secretary be increased to CAD\$500,000, CAD\$250,000 and CAD \$200,000, respectively and all other executive base salaries be adjusted by a 2% increase.

Other Compensation Benchmarking

At the end of 2014, Lucara retained Roger Gurr & Associates to perform benchmarking exercises regarding short term incentive targets and long term incentive compensation for executives and also for director compensation.

Roger Gurr and Associates reviewed benchmarking information from mining companies similar in size and stage of development as Lucara. They used the following 16 comparator mining companies, 13 listed on the TSX and 3 diamond companies on the London exchanges, as the comparator group:

Argonaut Gold Inc.	Mountain Province Diamonds Inc.
Dominion Diamond Corporation	Nevsun Resources Ltd.
Endeavour Mining Corporation	Petra Diamonds Ltd.
First Majestic Silver Corp.	Primero Mining Corp.
Fortuna Silver Mines Inc.	Rio Alto Mining Limited
Gem Diamonds Limited	SEMAFO Inc.
Gemfields PLC	Stornoway Diamond Corporation
Kirkland Lake Gold Inc.	Terenga Gold Corporation

After analyzing the results from Roger Gurr and Associates, the Compensation Committee concluded the following:

- Short Term Incentive Targets- no changes to the current target bonus opportunities were recommended as the benchmarking results indicated that the current targets are reasonable and are at approximately median levels of the comparator companies
- Long Term Incentive Program- Lucara should adopt a systematic, annual award program for long term incentives which would include a combination of stock option awards and share unit awards
- Directors Compensation – an increase in director’s compensation as the benchmarking results indicated that Lucara directors were significantly undercompensated compared to their peers, the increase in directors compensation is more fully described on Page 38 of this Circular

Performance Goals

Lucara uses a performance measurement scheme, a Short Term Incentive Program Framework, focusing on Key Performance Indicators (KPIs) that include operational achievements to assess short term incentive awards. The framework was developed by Roger Gurr & Associates, in consultation with management, and with oversight from the Compensation Committee. The framework sets out the terms under which cash incentives may be made to senior executives. The Framework is subject to the overriding discretion of the Board, on recommendation from the Compensation Committee. The minimum, target and maximum short term incentive are set out as a % of basic salary for executive positions as follows:

<u>Position</u>	<u>Minimum Award</u>	<u>Target Award</u>	<u>Maximum Award</u>
CEO	35%	100%	120%
COO	30%	70%	90%
CFO	30%	70%	90%
VPs	25%	50%	75%

The factors used when assessing short term incentives are:

- financial
- operational
- marketing and sales (for certain executives)
- discretionary

KPIs are determined for each of these areas and a percentage weight is identified dependent on the executive position. The financial, operational and marketing and sales areas of performance are based on quantitative performance measures, while the discretionary component is a qualitative performance measure.

As noted above, at the end of 2014, the Compensation Committee retained Roger Gurr & Associates to provide benchmarking data from a comparator group of companies and after reviewing the results, the Compensation Committee concluded that the current target awards are reasonable.

Alignment Compensation Programs and Risk Management

Risk management is a primary consideration of the Board when implementing its compensation programme. It has structured its compensation programme to ensure that executive officers are not inappropriately motivated towards shorter-term results or excessive risk taking.

Payments of short term incentives, if any, are not made until performance goals have been met. Managing risk in the areas of safety, environmental and corporate social responsibility is also extremely important to Lucara and hence the Corporation's record on safety, environmental and corporate social responsibility is an important factor when considering short term incentives.

With regard to stock options, the Corporation has a stock option plan with vesting provisions over time which reduces the risk of short term decision making. The Board sets standard vesting terms on stock option grants which align optionees' interests with longer term growth of the Corporation, using 24-month vesting provisions and 3 year option terms. Also, as noted above, the Corporation wishes to make certain changes to its current stock option plan and also expand its current Long Term Incentive program to include share units which, if the SU Plan is approved by shareholders at this Meeting, will also reduce the risk of short term decision making as it is planned that share units awarded will not vest until three years after the date of award.

Director and Officer Hedging Prohibition

Lucara's Board of Directors and executive officers are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the director or officer.

Share Ownership Guidelines for Directors

The Board has established share ownership guidelines for non-employee directors to demonstrate their commitment to Lucara's long-term success and to align with shareholders. Non-employee directors must own or control shares with a value, calculated at the time of stock purchase or at the current share purchase price, whichever is greater, equal to twice the value of their annual director retainers. These shares must be acquired within four years of joining the Board.

Consultant Work and Fees

As noted above, at the end of 2014 the Compensation Committee retained Roger Gurr & Associates to review and make recommendations regarding short term incentive targets, long term incentive compensation and director compensation. Roger Gurr & Associates was paid a fee of CAD\$25,800.00 plus GST for these services. No other consulting services were provided by a compensation consultant to Lucara, the Board or a committee of the Board in 2013 or 2014.

Year	Executive Compensation-Related Fees (CAD \$)	All Other Fees (CAD \$)
2013	Nil	Nil
2014	CAD\$25,800	Nil

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the Compensation Committee; however, management has a key role in helping support

the Compensation Committee in fulfilling its obligations. For example, the CEO will make specific recommendations to the Compensation Committee with respect to compensation for the other executive officers of the Corporation that are based on the Committee's compensation philosophy and incentive programs approved by the Committee.

Composition of the Compensation Committee

The Compensation Committee, on behalf of the Board, monitors compensation for the executive officers of the Corporation. The Compensation Committee currently has three members: Messrs. Paul Conibear, Richard Clark and Brian Edgar. Since 2007, the Compensation Committee has maintained a mandate. It meets as frequently as necessary in order to fulfill its responsibilities. In 2014, the Committee met three times to address matters pertaining to its Mandate.

Skills and Experience of Compensation Committee Members

All members of the Committee have direct experience which is relevant to their responsibilities as Compensation Committee members. All members are or have acted as CEO for a public company, and therefore have a good understanding of how compensation works and how to motivate staff. They also have financial expertise which allows them to assess the costs versus benefits of compensation plans. The members combined experience in the resource sector provides them with the understanding of the Corporation's success factors and risks which is very important when determining metrics for measuring success.

Member Name	Independent ⁽¹⁾	Education and Experience Relevant to Performance of Compensation Committee Duties
Paul Conibear (Chair)	Yes	Mr. Conibear, an engineer, currently holds the position of President and CEO of a public resource company. He has been in a senior executive role in the resource sector for over 16 years and has extensive experience in serving as a compensation committee member with other public company boards.
Brian Edgar	Yes	Mr. Edgar is currently the Chair of a public resource based company. He has served on numerous public company boards for over 30 years including membership on their compensation committees.
Richard Clark	Yes	Mr. Clark currently holds the position of CEO of a public resource company. He is a retired lawyer and has experience as a compensation committee member on a number of public boards.

⁽¹⁾ A member is independent if he/she has no direct or indirect material relationship with the Corporation which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship under National Instrument 52-110.

Mandate and Responsibilities of Compensation Committee

The following is a summary description of the mandate and responsibilities of the Compensation Committee as it relates to executive compensation:

- to review and approve corporate goals and objectives relevant to executive compensation, including the evaluation and performance of the CEO in light of those corporate goals and objectives, and to make recommendations to the Board with respect to compensation levels (including the award of any cash short term incentives or share ownership opportunities);
- to consider the implementation of short and long-term incentive plans, including equity-based plans, proposed by management, to make recommendations to the Board with respect to these plans and to annually review such plans after their implementation; and
- to annually review any other benefit plans proposed by management and to make recommendations to the Board with respect to their implementation.

The Compensation Committee reviews its mandate on an annual basis and recommends changes to the Board if deemed appropriate.

COMPENSATION OF NAMED EXECUTIVE OFFICERS

For the purposes of this Circular, “Named Executive Officer” means the Chief Executive Officer, the Chief Financial Officer and the three other most highly compensated executives of the Corporation, which for 2014 were the following officers:

Name	Title
William Lamb	President and Chief Executive Officer (“CEO”)
Glenn Kondo	Chief Financial Officer (“CFO”)
Paul Day	Chief Operating Officer (“COO”)
Anthony George	Senior Vice President, Development (“SVP, Development”)
John Armstrong	Vice President, Mineral Resources (“VP, Mineral Resources”)

2014 Named Executive Officer Compensation Results

The Board reviewed Lucara’s 2014 performance and the analysis and recommendations of the Compensation Committee and approved the following decisions on executive compensation for 2014.

(i) Base Salaries

As discussed above, the Compensation Committee considered bench marking data at the end of 2013 for 2014 salaries. It concluded that salaries for executives were competitive and accordingly did not recommend that any adjustment be made at that time for 2014 salaries except for cost of living adjustments of 2 to 4% to be awarded at the discretion of the CEO.

(ii) Long Term Incentives

Lucara’s Named Executive Officers did not receive any stock grants in 2014. If shareholders approve the proposed SU Plan/Stock Option Plan Resolution at the meeting, option awards and SU awards will be made in 2015.

(iii) Annual Short Term Incentives

The Compensation Committee utilized Lucara’s Short Term Incentive Program Framework to assess short term incentives. The following describes for 2014, the Named Executive Officers’ performance goals, performance metrics achieved and the results considered by the Compensation Committee as part of the assessment process.

2014 Performance Goals of Named Executive Officers

The CEO’s short term incentive compensation is based 75% on the achievement of group financial and operating targets with the remaining 25% based on his individual performance. For the other Named Executive Officers the short term incentive is based 80% on the achievement of group financial operating and operating targets with the remaining 20% based on individual performance related to their specific areas of responsibility.

1. CEO 2014 Goals:

The individual performance of the CEO is measured against the goals, objectives and standards set annually by the Corporation’s Compensation Committee, which are used as metrics in establishing the amount of bonus awarded at the end of each financial year. The metrics used for the CEO in fiscal 2014 were based on (1) group cash flow and return on equity (2) operational performance (3) sales and marketing objectives and (4) individual objectives. The following table sets out the weighting for each of the group and individual components of the CEO’s bonus. The components are summed to determine the bonus award.

Position	Executive	Maximum Bonus %	Key Performance Indicator Achievement				
			Financial Results		Operational Performance	Sales and Marketing	Individual
			Cash Flow	Return on Equity			
President and CEO	William Lamb	120%	20%	20%	20%	15%	25%

2. Other Named Executive Officers 2014 Goals:

The maximum bonus award which could be achieved ranged from 75% to 90% of base salary for the balance of the Named Executive Officers. Actual bonus compensation is based on the degree to which the Corporation achieves its objectives as well as personal metrics. The personal metrics were selected based on those parts of the business over which the executive had influence. The following table sets out the respective weighting and individual components of the bonuses for each of the other Named Executive officers. The components are summed to determine the bonus award.

Position	Executive	Maximum Bonus %	Key Performance Indicator Achievement				
			Financial Results		Operational Performance	Sales and Marketing	Individual
			Cash Flow	Return on Equity			
CFO	Glenn Kondo	90%	15%	15%	45%	NA	25%
COO	Paul Day	90%	10%	10%	60%	NA	20%
SVP, Development	Anthony George	75%	10%	10%	10%	50%	20%
VP, Mineral Resources	John Armstrong	75%	12.5%	12.5%	50%	NA	25%

2014 Performance Metrics Achieved

The following chart sets out the performance metrics achieved and bonus paid for each of the applicable Named Executive Officers:

Position	Executive	Bonus Payment (US\$) ⁽¹⁾	Target Bonus (%)	Bonus Payment (%)	Bonus Metrics Achieved (%)	Key Performance Indicator Achievement			
						Financial Results	Operational Performance	Sales and Marketing	Individual
President and CEO	William Lamb	481,889	120%	137%	114%	41%	16%	15%	42%
CFO	Glenn Kondo	306,900	90%	90%	100%	31%	44%	N/A	25%
COO	Paul Day	298,000	90%	90%	102%	20%	60%	N/A	22%
SVP, Development	Anthony George	125,291	75%	62%	82%	20%	9%	45%	8%
VP, Mineral Resources	John Armstrong	114,850	75%	70%	94%	26%	44%	N/A	24%

The following conversion rates, being the Bank of Canada month end February rates of the year following the year of performance were used to convert the short term incentive plan payments:

- February 27, 2015 rate CAD\$1.00=US\$0.80, UK£1=USD1.55;
- February 28, 2014 rate CAD\$1.00=US\$0.90, UK £1=USD1.67; and
- February 28, 2013 rate CAD\$1.00=US\$0.97.

2014 Assessment – Results Considered

The Compensation Committee determined that the contribution of the Named Executive Officers was both exceptional and material, and therefore warranted bonuses on this occasion that were commensurate with that level of exceptional performance. In assessing the performance of the Named Executive Officers the Compensation Committee considered the following results for 2014:

- The sale of 412,000 carats of diamonds for US\$266 million at an operating margin in excess of 80%.
- Average return on capital of 63% achieved. Adjusted earnings per share of \$0.24 compared to prior year of \$0.17 per share.
- Karowe’s operating performance was in line with forecast for the year in terms of ore and waste mined and carats recovered.
- Cost control at the Karowe mine was exemplary with costs of less than \$28/t achieved compared to guidance of \$31/t –t \$33/t.
- The Corporation achieved an LTIFR rate of under one.
- Plant optimization project was advanced within its capital cost estimate of US\$55m.
- Lucara’s share price outperformed peers in the diamond industry.
- Transfer of diamonds sales from Antwerp to Gaborone commenced in the fourth quarter of 2014.

SUMMARY COMPENSATION TABLE

The following table sets forth a summary of the total compensation paid to, or earned by the Corporation’s Named Executive Officers during the three most recently completed fiscal periods.

Name and Principal Position	Year	Salary ⁽¹⁾ (US\$)	Option-based Awards ⁽²⁾ (US\$)	Non Equity Annual Incentive Plan ⁽³⁾ (US\$)	All Other Compensation ⁽⁴⁾ (US\$)	Total Compensation (US\$)
William Lamb President and CEO	Dec 31/2014	395,797	Nil	481,889	57,741	935,427
	Dec 31/2013	407,652	73,864	396,149	9,278	886,943
	Dec 31/2012	420,000	Nil	206,000	29,429	655,429
Glenn Kondo CFO	Dec 31/2014	360,800	Nil	306,900	9,938	677,638
	Dec 31/2013	314,822	49,243	258,134	28,490	650,689
	Dec 31/2012	302,500	Nil	122,000	25,565	450,065
Paul Day COO	Dec 31/2014	326,500	Nil	298,000	88,781	713,282
	Dec 31/2013	226,667	49,243	170,352	75,915	522,177
Anthony George SVP, Development ⁽⁵⁾	Dec 31/2014	229,259	Nil	125,291	9,458	364,008
	Dec 31/2013	314,960	36,932	154,187	7,026	513,105
	Dec. 31/2012	324,500	Nil	123,500	19,485	467,485
John Armstrong VP, Mineral Resources	Dec 31/2014	184,766	Nil	114,850	4,435	304,051
	Dec 31/2013	63,753	51,650	39,113	1,556	156,072

⁽¹⁾ Mr. Armstrong commenced employment on September 3, 2013 and Mr. Day commenced employment on April 15, 2013. Mr. Day is paid in United States dollars. Mr. Kondo is paid in British pounds. Mr. Lamb, Mr. George and Mr. Armstrong are paid in Canadian dollars. The following conversion rates, being the Bank of Canada average annual exchange rates, were used to convert salary payments:

- Financial year ended December 31, 2014 average exchange rate of CAD\$1.00=US\$0.91, UK £1=USD1.64;
- Financial year ended December 31, 2013 average exchange rate of CAD\$1.00=US\$.9706, UK £1=USD1.59; and
- Financial year ended December 31, 2012 average exchange rate of CAD\$1.00=US\$1.00.

⁽²⁾ This amount represents the fair value, on the date of grant, of awards made under Lucara's stock option plan. The value has been determined using the Black-Scholes model and is consistent with the determinations used for financial statement purposes. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options fair values were calculated in Canadian dollars and translated into United States dollars using the following exchange rates for the following option grants awarded to the Named Executive Officers: CAD\$1.00=US\$1.0083 for September 19, 2011 option grants, CAD\$1.00=US\$0.9551 for November 27, 2011 option grants and CAD\$1.00=US\$0.9597 for May 24, 2013 option grants. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized. The Black-Scholes option pricing model incorporates key assumptions dealing with risk free interest rate, expected stock price volatility, expected life and expected dividend yield.

⁽³⁾ This column represents short term incentive plan payments earned in respect of the corresponding year's performance except the amount shown in the 2012 annual incentive plan column for Messrs. Lamb, Kondo and George was for performance for Q2 to Q4 2012 (this award was paid in 2013). Payment of the 2013 short term incentive award was made following the year of performance in February 2014. Payment of the 2014 short term incentive award was made following the year of performance in February 2015. The following conversion rates, being the Bank of Canada month end February rates of the year following the year of performance were used to convert the short term incentive plan payments:

- February 27, 2015 rate CAD\$1.00=US\$0.80, UK£1=USD1.55;
- February 28, 2014 rate CAD\$1.00=US\$0.90, UK £1=USD1.67; and
- February 28, 2013 rate CAD\$1.00=US\$0.97.

⁽⁴⁾ Except for the pension payments to Mr. Day calculated as 15% of base salary, amounts in this column typically consist of benefits such as life insurance premiums, parking benefits and medical/dental plans. The amount also includes for Mr. Lamb accrued holidays paid out for the year ended 2014. The following conversion rates, being the Bank of Canada average annual exchange rates, were used to convert these other compensation payments:

- Financial year ended December 31, 2014 average exchange rate of CAD\$1.00=US\$0.91, UK £1=USD1.64;
- Financial year ended December 31, 2013 average exchange rate of CAD\$1.00=US\$.9706, UK £1=USD1.59; and
- Financial year ended December 31, 2012-average exchange rate of CAD\$1.00=US\$1.00.

⁽⁵⁾ Lucara contracted with NGEX Resources Inc. ("NGEx"), a company that is part of the Lundin group of companies, for Mr. George to provide 25% of his time on services to NGEx during 2014. The compensation in this Summary Compensation Table for Mr. George for 2014 reflects the 75% portion of compensation paid by Lucara to Mr. George and does not include the 25% paid by NGEx.

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plans. Mr. Day due to his employment in Botswana through the Corporation's subsidiary, Boteti Mining (Pty) Limited, is entitled to receive a gratuity equivalent to 15% of his base salary in lieu of pension, payment of the accumulated amount to be made on termination of employment.

Termination and Change of Control Benefits

All of the Named Executive Officers have effective written employment agreements with Lucara or a subsidiary of Lucara except for Mr. George as he resigned from Lucara to join Lundin Gold Inc. on December 31, 2014 and therefore his employment agreement has been terminated.

Pursuant to the employment agreement with Mr. Lamb:

- if Mr. Lamb's employment is terminated without cause; or
- upon a change of control of the Corporation to a non-affiliated entity, his employment is terminated or he elects to terminate his employment,

he will be entitled to receive a payment equal to his salary for 24 months, a payment equal to the bonus he earned in the year prior to his termination (providing it is not greater than his annual base salary) and benefits for a 12 month period. Also, in the circumstance of a change of control termination, Mr. Lamb's options will become fully vested. If such a termination of his employment had occurred on December 31, 2014, it is estimated Mr. Lamb's total severance payment would have been US\$1,329,843. Payment has been converted from Canadian to United States dollars using the following average annual conversion rate CAD\$1.00=US\$0.91.

Pursuant to the employment agreement with Mr. Kondo:

- if Mr. Kondo's employment is terminated without cause; or
- upon a change of control of the Corporation to a non-affiliated entity, his employment is terminated or he elects to terminate his employment,

he will be entitled to receive a payment equal to his salary for 18 months, a payment equal to the bonus he earned in the year prior to his termination (providing it is not greater than his annual base salary) and benefits for a 12 month period. Also, in the circumstance of a change of control termination, Mr. Kondo's options will become fully vested. If such a termination of his employment had occurred on December 31, 2014, it is estimated Mr. Kondo's total severance payment would have been US\$900,807. Payment has been converted to United States dollars using the following average annual exchange rate UK£1.00=US\$1.64.

Pursuant to the employment agreement with Mr. Day:

- if Mr. Day's employment is terminated without cause; or
- upon a change of control of the Corporation to a non-affiliated entity, his employment is terminated or he elects to terminate his employment,

he will be entitled to receive a payment equal to his salary for 12 months and a payment equal to the bonus he earned in the year prior to his termination (providing it is not greater than his annual base salary). Also, in the circumstance of a change of control termination, Mr. Day's options will become fully vested. If such a termination of his employment had occurred on December 31, 2014, it is estimated Mr. Day's total severance payment would have been US\$656,965.

Pursuant to the employment agreement with Mr. Armstrong:

- if Mr. Armstrong's employment is terminated without cause; or
- upon a change of control of the Corporation to a non-affiliated entity, his employment is terminated or he elects to terminate his employment,

he will be entitled to receive a payment equal to his salary for 12 months and a payment equal to the bonus he earned in the year prior to his termination (providing it is not greater than his annual base salary). Also, in the circumstance of a change of control termination, Mr. Armstrong's options will become fully vested. If such a termination of his employment had occurred on December 31, 2014 it is estimated Mr. Armstrong's total severance payment would have been US\$404,583. Payment has been converted from Canadian to United States dollars using the following average annual conversion rate CAD\$1.00=US\$0.91

Outstanding Option-based Awards

As noted above, during fiscal year 2014, the Corporation did not grant options to the Named Executive Officers. The following table sets forth the outstanding option-based awards held by the Named Executive Officers of the Corporation at the end of 2014:

Option-based Awards				
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (CAD\$)	Option Expiration Date	Value of Unexercised In-the-money Options (CAD\$) ⁽¹⁾
William Lamb	100,000	0.70	May 24, 2016	\$149,000
Glenn Kondo	67,000	0.70	May 24, 2016	\$99,830
Paul Day	66,667	0.70	May 24, 2016	\$99,334
Anthony George	50,000	0.70	May 24, 2016	\$74,500
John Armstrong	100,000	0.99	Sept 04, 2016	\$120,000

⁽¹⁾ Calculated using the closing price of the common shares on the TSX December 31, 2014 of CAD\$2.19 and subtracting the exercise price of in-the-money stock options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed financial year by each Named Executive Officer:

Name	Option-based awards – Value vested during the year ⁽¹⁾ (CAD\$)	Non-equity incentive plan compensation-Value earned during the year (US\$) ⁽²⁾
William Lamb	\$131,000	\$481,889
Glenn Kondo	\$87,332	\$306,900
Paul Day	\$87,332	\$298,000
Anthony George	\$65,500	\$125,291
John Armstrong	\$70,500	\$114,850

⁽¹⁾ Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2014, or if the TSX is not open on such date, the closing price of the common shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in-the-money stock options.

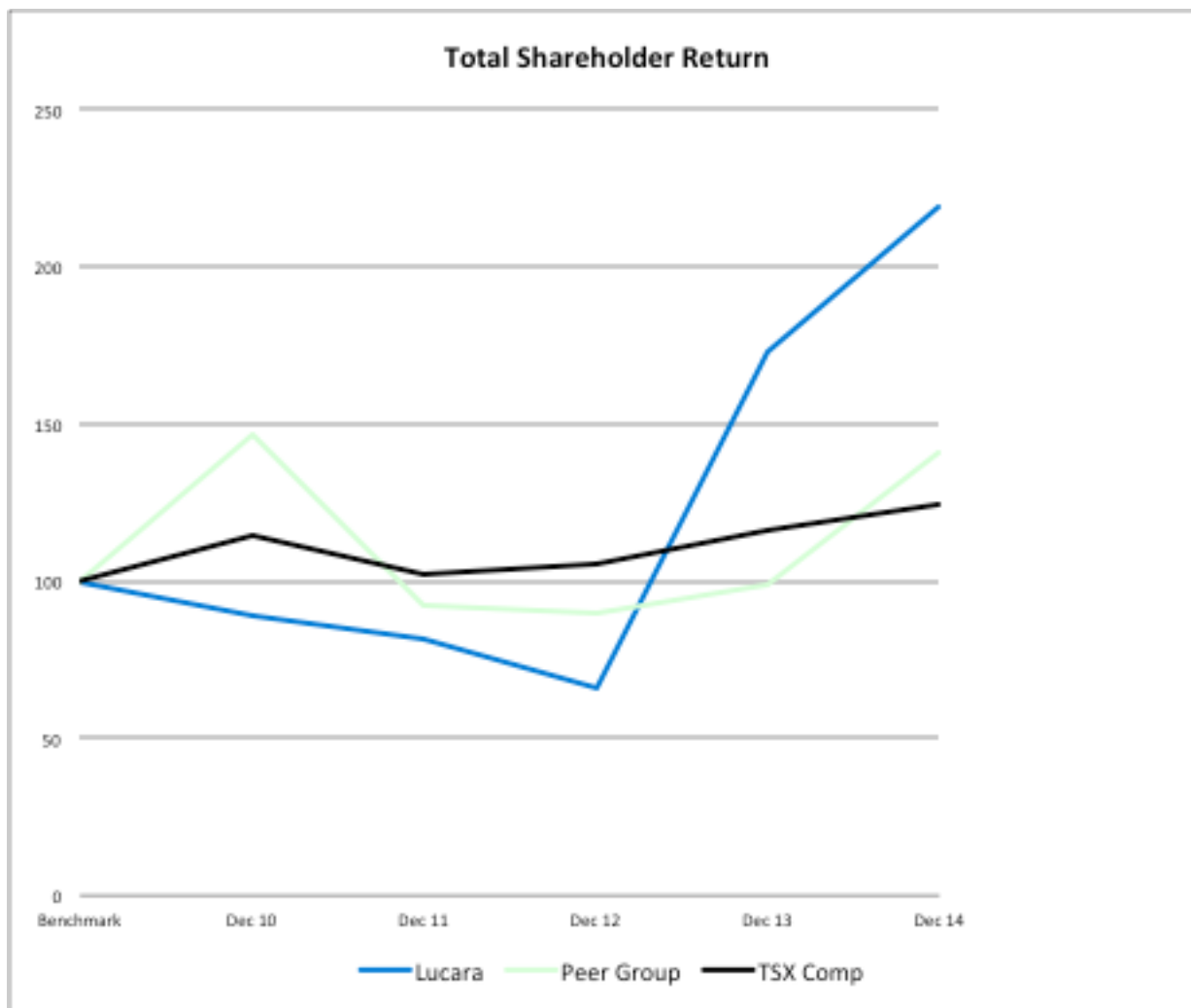
⁽²⁾ This column represents short term incentive plan payments. For Messrs. Lamb, Kondo, George and Armstrong, compensation was paid in Canadian dollars or British pounds and converted to United States dollars using the following conversion rates, being the Bank of Canada month end February rates of the year following the year of performance were used to convert the short term incentive plan payments:

- February 27, 2015 rate CAD\$1.00=US\$0.80, UK£1=USD1.55;
- February 28, 2014 rate CAD\$1.00=US\$0.90, UK £1=USD1.67; and
- February 28, 2013 rate CAD\$1.00=US\$0.97.

PERFORMANCE GRAPH

The following graph shows the total cumulative return on a CAD\$100 investment on December 31, 2009 in common shares compared to the cumulative total return of the TSX Composite Index and a diamond sector index comparator group over the period ending December 31, 2014, assuming reinvestment of all dividends.

The share performance as set out in the graph does not necessarily indicate future price performance. Amounts below are stated in Canadian dollars. The shares trade on the TSX under the symbol "LUC".



Following the trend in the Corporation's stock price performance as noted in the graph, average total Named Executive Officer compensation decreased in 2012 from 2011 then increased in 2013 and 2014. Total Named Executive Officer compensation increased in 2014 to acknowledge strong performance during a year of corporate achievements including the successful operation and sale of diamonds from its Karowe mine with revenues and operating margins significantly above forecast. We believe Lucara's 2014 corporate achievements are reflected in its strong share price performance in 2014.

SECTION 5 – COMPENSATION OF DIRECTORS

The following table sets forth the details of compensation provided to directors, other than William Lamb, during 2014. Mr. Lamb, the CEO, who also acts as a director of the Corporation, does not receive compensation for services as a director

Name	Fees Earned (US\$)⁽¹⁾	Option-based Awards (US\$)	Total (US\$)
Paul Conibear	33,691	Nil	33,691
Lukas Lundin	31,700	Nil	31,700
Brian Edgar	27,171	Nil	27,171
Eira Thomas	27,171	Nil	27,171
Richard Clark	27,171	Nil	27,171
Marie Inkster	17,766	Nil	17,766

⁽¹⁾ Payments have been converted from Canadian to United States dollars using the following average annual conversion rate CAD\$1.00 = US\$0.91

For the year ended December 31, 2014, each non-executive director received CAD\$30,000 per annum. The Chair of the Board, the Lead Director and the Chair of the Audit Committee each received an additional CAD\$5,000 per annum. No fees were paid for attendance at meetings.

At the end of 2014, the Compensation committee retained Roger Gurr and Associates to perform benchmarking for director compensation. The benchmarking data showed that the directors' fees were significantly below the peer group and therefore adjustments were recommended and approved by the Board to align the Corporation's director compensation with its peers. Effective January 1, 2015:

- each non-executive directors' annual base remuneration was increased from CAD\$30,000 to CAD\$100,000;
- the Lead Director, the Chair of the SHECR Committee, the Chair of the Corporate Governance Committee and the Chair of Compensation Committee will receive an additional CAD\$10,000 per annum; and
- the Chair of the Board and the Chair of the Audit Committee will receive an additional CAD\$15,000 per annum.

Lucara also reimburses directors for any reasonable travel and out-of-pocket expenses relating to their duties as directors.

Outstanding Option-Based Awards

The following table sets forth the outstanding option-based awards held by the directors, other than William Lamb, who is a Named Executive Officer, of the Corporation at the end of 2014:

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (CAD\$) ⁽¹⁾
Paul Conibear	200,000	0.70	May 24, 2016	\$298,000
Lukas Lundin	200,000	0.70	May 24, 2016	\$298,000
Brian Edgar	200,000	0.70	May 24, 2016	\$298,000
Eira Thomas	200,000	0.70	May 24, 2016	\$298,000
Richard Clark	66,667	0.70	May 24, 2016	\$99,334
Marie Inkster	200,000	2.25	June 9, 2017	Nil

⁽¹⁾ Calculated using the closing price of the common shares on the TSX December 31, 2013 of CAD\$2.19 and subtracting the exercise price of in-the-money stock options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during 2014 by each director, other than William Lamb who is a Named Executive Officer:

Name	Option-based awards – Value vested during the year (CAD\$) ⁽¹⁾
Paul Conibear	\$87,332
Lukas Lundin	\$87,332
Brian Edgar	\$87,332
Eira Thomas	\$87,332
Richard Clark	\$87,332
Marie Inkster	Nil

⁽¹⁾ The value of the option-based awards is computed by determining the difference between the market price of the underlying securities on vesting date and the exercise price of the options.

SECTION 6 – OTHER INFORMATION

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has purchased and maintains liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of CAD\$20 million, against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid by the Corporation for this insurance in respect of the directors and officers as a group is CAD\$69,750 and coverage extends to May 15, 2015. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

EQUITY COMPENSATION PLAN INFORMATION

The Corporation's 2013 Approved Stock Option Plan, described below, is currently the only compensation plan under which equity securities of the Corporation are authorized for issuance. As outlined above, shareholders will be asked at the Meeting to consider adoption of the SU Plan and the adoption of the New Stock Option Plan. Assuming shareholders approve the New Stock Option Plan, all outstanding options granted prior to the effective date of the New Stock Option Plan will continue to be governed by the 2013 Approved Stock Option Plan.

Equity Compensation Plan Information (as at fiscal year end December 31, 2014)

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (CAD\$)	Number of securities remaining available for future issuance under the Plan (excluding securities reflected in column (a))⁽¹⁾
Equity Compensation Plans approved by securityholders	2,038,670	\$0.92	35,898,238
Equity Compensation Plans not approved by securityholders	N/A	N/A	N/A

⁽¹⁾ Based on 10% of the issued and outstanding share capital of the Corporation as at December 31, 2014.

The material terms of the 2013 Approved Stock Option Plan can be summarized as follows:

1. The number of common shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding share capital of the Corporation on a non-diluted basis at any time and such aggregate number of common shares shall automatically increase or decrease as the number of issued and outstanding shares change.
2. Options that have been exercised, cancelled or that have expired or terminated for any reason in accordance with the terms of the plan, shall again be available for grant under the plan.
3. Options may be granted to employees, directors, officers of the Corporation or of any of its subsidiaries and also to certain consultants of the Corporation or its affiliates.
4. The aggregate number of common shares reserved for issuance, pursuant to the plan, to:
 - a. any one participant within a one-year period shall not exceed 10% of the common shares outstanding at the time of the grant unless the Corporation has obtained the requisite disinterested shareholder approval; and

- b. insiders shall not exceed 10% of the common shares outstanding unless the Corporation has obtained the requisite disinterested shareholder approval.
5. The aggregate number of options which may be granted to insiders within a one-year period shall not exceed 10% of the common shares outstanding unless the Corporation has obtained the requisite disinterested shareholder approval.
6. The exercise price of the options shall be determined by the Board but in any event shall not be lower than the market price (as defined by the policies of the TSX Exchange) on date of grant.
7. The expiry date of options shall be determined by the Board provided that the option period is not longer than 10 years. In the event an option expires during a blackout or within 48 hours after, the expiry date shall be the tenth day following the end of the blackout period.
8. Subject to the Board's discretion, options may have a minimum vesting period of two years: 1/3 of the options vesting upon the date of grant; 1/3 of the options vesting on the first anniversary of the grant; and the remaining 1/3 vesting on the second anniversary of the grant.
9. If there is a 'change of control', as defined in the plan, all unvested options shall become fully vested.
10. The options can only be exercised by the optionee (to the extent they have already vested) for so long as the optionee is a director, officer or employee of, or consultant to, the Corporation or any subsidiary or is an employee of the Corporation's management corporation (an "Eligible Person") and within a period thereafter not exceeding the earlier of:
 - a. the original expiry date;
 - b. 30 days after ceasing to be an Eligible Person, other than for cause; and
 - c. if the optionee dies, within one year from the optionee's death.
11. If an optionee's relationship with the Corporation is terminated 'for cause' the option will terminate concurrently.
12. The options are not assignable other than by will or by the applicable laws of descent.
13. No financial assistance is available to optionees under the plan.
14. Disinterested shareholder approval must be obtained prior to the reduction of the exercise price of options granted to insiders of the Corporation.
15. The Board may amend, suspend, or terminate the plan or any option granted under the plan to make minor/technical modifications, to correct ambiguity, defective provisions, errors and omissions, to change the vesting provisions of options, to extend the expiry date of an option (provided the option period does not exceed 10 years), to add/change provisions relating to financial assistance in the plan, to add a cashless exercise feature to any option or to the plan (provided payment is received upon exercise of options), and to reduce the price of options granted, provided that:
 - (i) the change(s) is in accordance with applicable law and to rules of any stock exchange on which the shares are listed;
 - (ii) the change(s) shall not materially adversely affect the existing rights of an optionee; and

- (iii) shareholder approval is obtained for an amendment, to increase the number of maximum shares to the issued upon the exercise of all options, to reduce the exercise price or extend the term of an option held by an insider, to remove or exceed the inside participation limit or change the amending provision of the plan.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the directors or executive officers of the Corporation, proposed nominees for directors, or associates or affiliates of said persons, have been indebted to the Corporation at any time since the beginning of the last completed financial year of the Corporation.

MANAGEMENT CONTRACTS

Management functions of the Corporation and its subsidiaries are performed by directors, executive officers or senior officers of the Corporation and not, to any substantial degree, by any other person with whom the Corporation has contracted.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

To the best of the Corporation's knowledge, no informed person of the Corporation, proposed director or any associate or affiliate of them, has or has had any material interest, direct or indirect, in any transaction, since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

ADDITIONAL INFORMATION

The Corporation's Annual Information Form, annual financial statements and management's discussion and analysis ("MD&A") and interim financial statements are available on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Corporation's website at www.lucaradiamond.com. The Corporation will provide, without charge to a shareholder, a copy of its latest Annual Information Form, its annual financial statements and MD&A for the period ended December 31, 2014, interim financial statements for subsequent periods and this Circular upon request by contacting:

- (i) e-mail: lucara@namdo.com
- (ii) telephone: 604-689-7842
- (iii) mail: Lucara Diamond Corp.
Suite 2000 - 885 West Georgia Street
Vancouver, BC V6C 3E8
Attn: Investor Relations

DIRECTORS APPROVAL

The contents and the distribution of this Circular have been approved by the Board.

DATED the 01st day of April, 2015.

BY ORDER OF THE BOARD

(Signed) "*William Lamb*"

President and CEO

APPENDIX A – SHARE UNIT PLAN

Lucara Diamond Corp. (the “Company”)

SHARE UNIT PLAN

As adopted by the Board of Directors on March 19, 2015 and approved by the Company’s shareholders on [●], 2015.

ARTICLE I INTRODUCTION

1.1 Purpose of Plan

This Plan provides for the granting of Share Unit Awards and payment in respect thereof, subject to obtaining the approval of the Exchange and the Required Shareholder Approval, for services rendered, for the purpose of motivating and retaining Qualifying Participants through payment of compensation related to appreciation of the Shares.

1.2 Definitions

- (a) “Affiliate” has the meaning ascribed thereto by the policies of the Exchange.
- (b) “Associate” has the meaning ascribed thereto in the Securities Act.
- (c) “Board” means the Board of Directors of the Company.
- (d) “Change of Control” means the occurrence of any one or more of the following events:
 - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation immediately after completion of the transaction;
 - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the assets, rights or properties of the Company and its Subsidiaries on a consolidated basis to any other person or entity, other than transactions among the Company and its Subsidiaries;
 - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
 - (iv) any person, entity or group of persons or entities acting jointly or in concert (the “Acquiror”) acquires, or acquires control (including, without limitation, the power to vote or direct the voting) of, voting securities of the Company which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or affiliates of the Acquiror to cast or direct the casting of 30% or more of the votes attached to all of the Company’s outstanding voting securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);

- (v) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity (a "Transaction"), fewer than 50% of the directors of the Company are persons who were directors of the Company immediately prior to such Transaction; or
- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing definition of Change of Control, "voting securities" means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors, including any options or rights to purchase such shares or securities.

- (e) "Committee" means the Board or the Compensation Committee or, if the Board so determines in accordance with Section 2.2 of this Plan, any other committee of directors of the Company authorized to administer this Plan from time to time.
- (f) "Company" means Lucara Diamond Corp., a company duly continued under the laws of British Columbia.
- (g) "Entitlement Date" means the date that a Share Unit vests and is eligible for payment, as determined by the Committee in its sole discretion in accordance with this Plan and as outlined in the Share Unit grant letter issued to the Qualifying Participant, provided that, in the event that the Entitlement Date occurs during, or within 48 hours after, a self imposed blackout period on trading imposed pursuant to the applicable policies of the Company in respect of insider trading, such Entitlement Date will become the tenth day following the end of the blackout period and shall, notwithstanding the foregoing, in all cases, be no later than three (3) years following the end of the year the Share Unit was granted.
- (h) "Exchange" means the Toronto Stock Exchange.
- (i) "Grant Date" means the effective date that a Share Unit is awarded to a Qualifying Participant under this Plan, as evidenced by the Share Unit grant letter.
- (j) "Insider" has the meaning ascribed to such term in the Securities Act.
- (k) "Market Price" as at any date in respect of the Shares shall be the closing price of the Shares on the Exchange on that date, or, if the Shares are not listed on the Exchange, on the principal stock exchange on which such Shares are traded. In the event that the Shares are not then listed and posted for trading on a stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Committee in its sole discretion.
- (l) "Plan" means this Share Unit Plan, as may be amended from time to time.
- (m) "Qualifying Participant" means any full time employee of the Company or any of its Subsidiaries, including any senior executive, vice president, and/or member of the management team of the Company or any of its Subsidiaries to whom Share Units are granted hereunder unless otherwise determined by the Committee.

- (n) "Required Shareholder Approval" means the approval of this Plan by the shareholders of the Company, in accordance with the requirements of the Exchange.
 - (o) "Resignation" means the cessation of employment (as an officer or employee) of the Qualifying Participant with the Company or one of its Subsidiaries as a result of resignation, including as a result of retirement.
 - (p) "Securities Act" means the *Securities Act*, R.S.B.C., 1996 c.418, as amended from time to time.
 - (q) "Share Unit" means a unit credited by means of an entry on the books of the Company to a Qualifying Participant, representing the right to receive, subject to and in accordance with this Plan, for each vested Share Unit one Share or cash equal to the Market Price of one Share, at the time, in the manner, and subject to the terms, set forth in this Plan and the applicable grant letter.
 - (r) "Share Unit Award" means an award of Share Units under this Plan to a Qualifying Participant.
 - (s) "Shares" means the common shares of the Company.
 - (t) "Subsidiary" has the meaning ascribed thereto in the Securities Act.
 - (u) "Termination With Cause" means the termination of employment (as an officer or employee) of the Qualifying Participant with cause by the Company or one of its Subsidiaries (and does not include Resignation).
 - (v) "Termination Without Cause" means the termination of employment (as an officer or employee) of the Qualifying Participant without cause by the Company or one of its Subsidiaries (and does not include Resignation) and, in the case of an officer, includes the removal of or failure to reappoint the Qualifying Participant as an officer of the Company.
- 1.3 The headings of all articles, sections and paragraphs in this Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Plan.
- 1.4 Whenever the singular or masculine are used in this Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.
- 1.5 The words "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this Plan as a whole and not to any particular article, section, paragraph or other part hereof.
- 1.6 Unless otherwise specifically provided, all references to dollar amounts in this Plan are references to lawful money of Canada.

ARTICLE II ADMINISTRATION OF THE PLAN

2.1 Administration

This Plan shall be administered by the Committee and the Committee shall have full authority to administer this Plan, including the authority to interpret and construe any provision of this Plan and to adopt, amend and rescind such rules and regulations for administering this Plan as the Committee may deem necessary in order to comply with the requirements of this Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Qualifying Participants and the Company. No member of the Committee shall be personally liable for any action taken or determination or

interpretation made in good faith in connection with this Plan and all members of the Committee shall, in addition to their rights as directors of the Company, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made in good faith. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of this Plan and of the rules and regulations established for administering this Plan. All costs incurred in connection with this Plan shall be for the account of the Company.

2.2 Delegation to Committee

All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by a committee of the Board, including the Committee.

2.3 Register

The Company shall maintain a register in which it shall record the name and address of each Qualifying Participant and the number of Share Units (and their corresponding key conditions and Entitlement Date) awarded to each Qualifying Participant.

2.4 Qualifying Participant Determination

The Committee shall from time to time determine the Qualifying Participants who may participate in this Plan. The Committee shall from time to time, and subject to any applicable blackout period, determine the Qualifying Participants to whom Share Units shall be granted and the number, provisions and restrictions with respect to such grant, all such determinations to be made in accordance with the terms and conditions of this Plan.

ARTICLE III SHARE UNIT AWARDS

3.1 General

This Plan is hereby established for Qualifying Participants of the Company or any of its Subsidiaries, as determined by the Committee.

3.2 Share Unit Awards and Vesting

A Share Unit Award and any applicable vesting conditions may be made to a particular Qualifying Participant as determined in the sole and absolute discretion of the Committee, except that Share Unit Awards shall not be made during a self imposed blackout period on trading imposed pursuant to the applicable policies of the Company in respect of insider trading. The number of Share Units awarded will be credited to the Qualifying Participant's account, effective as of the Grant Date.

Subject to the Committee's discretion, Share Unit Awards will vest 36 months from the Grant Date.

For the avoidance of doubt, a Qualifying Participant will have no right or entitlement whatsoever to receive any Shares or cash, as applicable, until the Entitlement Date.

3.3 Payouts

On each Entitlement Date, the Qualifying Participant shall be entitled to receive, and the Company shall issue or provide, a payout with respect to those vested Share Units in the Qualifying Participant's account to which the Entitlement Date relates in one of the following forms:

- (a) subject to shareholder approval of this Plan and the limitations set forth in Section 3.11 below, Shares issued from treasury equal in number to the vested Share Units in the Qualifying Participant's account to which the Entitlement Date relates, subject to any applicable deductions and withholdings;

- (b) the payment of a cash amount to a Qualifying Participant on the Entitlement Date equal to the number of vested Share Units in respect of which the Committee makes such a determination, multiplied by the Market Price on the Entitlement Date, subject to any applicable deductions and withholdings; or
 - (c) any combination of the foregoing,
- as determined by the Committee, in its sole discretion.

No fractional Shares shall be issued pursuant to this Plan and any fractional entitlements will be rounded down to the nearest whole number.

Shares issued by the Company from treasury under this Plan shall be considered fully paid in consideration of past service that is no less in value than the fair equivalent of the money the Company would have received if the Shares had been issued for money.

3.4 Dividends

In the event a cash dividend is paid to shareholders of the Company on the Shares while a Share Unit is outstanding no payment in cash shall be made to each Qualifying Participant in respect of Share Units; however, each Qualifying Participant will be credited with additional Share Units reflective of the cash dividends to such Qualifying Participant. In such case, the number of additional Share Units will be equal to the aggregate amount of dividends that would have been paid to the Qualifying Participant if the Share Units in the Qualifying Participant's account on the record date had been Shares divided by the Market Price of a Share on the date on which dividends were paid by the Company. If the foregoing shall result in a fractional Share Unit, the fraction shall be disregarded. The additional Share Units will vest and be settled on the Qualifying Participant's Entitlement Date of the particular Share Unit Award to which the additional Share Units relate.

3.5 Change of Control

In the event of a Change of Control, all unvested Share Units outstanding shall automatically immediately vest and become payable on the date of such Change of Control. Upon a Change of Control, Qualifying Participants shall not be treated any more favourably than shareholders of the Company with respect to the consideration the Qualifying Participants would be entitled to receive for their Shares.

3.6 Death or Disability of Qualifying Participant

In the event of:

- (a) the death of a Qualifying Participant, any unvested Share Units held by such Qualifying Participant will automatically vest on the date of death of such Qualifying Participant and the Company shall issue Shares or make payment with respect to the Share Units held by such Qualifying Participant to the Qualifying Participant's estate as soon as reasonably practical thereafter; or
- (b) the disability of a Qualifying Participant (as may be determined in accordance with the policies, if any, or general practices of the Company or any subsidiary), any unvested Share Units held by such Qualifying Participant will automatically vest on the date on which the Qualifying Participant is determined to be totally disabled and the Company shall issue Shares or make payment with respect to the Share Units to the Qualifying Participant as soon as reasonably practical thereafter.

3.7 Termination Without Cause

- (a) In the event of Termination Without Cause of a Qualifying Participant that has been continuously employed by the Company or any of its Subsidiaries for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Share Units held by such Qualifying Participant, that are not subject to Section 3.7(b) as a result of not

being subject to performance vesting criteria, will automatically vest on the date of Termination Without Cause and the Company shall issue Shares or make payment with respect to such Share Units to the Qualifying Participant as soon as reasonably practical thereafter.

- (b) In the event of Termination Without Cause of a Qualifying Participant that has been continuously employed by the Company or any of its Subsidiaries for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Share Units with performance vesting criteria held by such Qualifying Participant will vest in accordance with their normal vesting schedule unless otherwise stipulated in the Qualifying Participant's Share Unit grant letter.
- (c) In the event of Termination Without Cause of a Qualifying Participant that has been continuously employed by the Company or any of its Subsidiaries for less than two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, all of the Qualifying Participant's Share Units shall become void and the Qualifying Participant shall have no entitlement and will forfeit any rights to any issuance of Shares or payment under this Plan unless otherwise stipulated in the Qualifying Participant's Share Unit grant letter.

3.8 Termination With Cause or Resignation

In the event of Termination With Cause or the Resignation of a Qualifying Participant, all of the Qualifying Participant's Share Units shall become void and the Qualifying Participant shall have no entitlement and will forfeit any rights to any issuance of Shares or payment under this Plan, except as may otherwise be stipulated in the Qualifying Participant's Share Unit grant letter or as may otherwise be determined by the Committee in its sole and absolute discretion.

3.9 Share Unit Grant Letter

Each grant of a Share Unit under this Plan shall be evidenced by a confirmation Share Unit grant letter issued to the Qualifying Participant by the Company. Such Share Unit grant letter shall be subject to all applicable terms and conditions of this Plan and may include any other terms and conditions which are not inconsistent with this Plan and which the Committee deems appropriate for inclusion in a Share Unit grant letter. The provisions of the various Share Unit grant letters issued under this Plan need not be identical.

3.10 Subject to Employment/Severance Agreements

Sections 3.5, 3.6, 3.7 and 3.8 shall be subject to any employment/severance agreement between the Qualifying Participant and the Company or any of its Subsidiaries.

3.11 Maximum Number of Shares

The maximum number of Shares made available for issuance from treasury under this Plan, subject to adjustments pursuant to Section 4.8., shall not exceed 4,000,000 Shares. Any Shares subject to a Share Unit which has been cancelled or terminated in accordance with the terms of this Plan without settlement will again be available under this Plan. The grant of Share Units under this Plan is subject to the number of the Shares: (i) issued to any one Qualified Participant within a one year period; (ii) issued to Insiders of the Company, within any one (1) year period, and (iii) issuable to Insiders of the Company, at any time, under this Plan, or when combined with all of the Company's other security based compensation arrangements, shall not exceed 10% of the Company's total issued and outstanding Shares, respectively. For the purposes of this Plan, "security-based compensation arrangement" shall have the meaning set out in the TSX Company Manual. For greater certainty, the number of Shares outstanding shall mean the number of Shares outstanding on a non-diluted basis on the date immediately prior to the proposed Grant Date.

A Share Unit Award granted to a Qualifying Participant for services rendered will entitle the Qualifying Participant, subject to the Qualifying Participant's satisfaction of any conditions, vesting periods, restrictions or limitations

imposed pursuant to this Plan or as set out in the Share Unit grant letter, to receive payment following the Qualifying Participant's Entitlement Date in accordance with Section 3.3 of this Plan.

Subject to and following the receipt of the approval of the Exchange and the Required Shareholder Approval, the Committee shall have the power, but not the obligation, to satisfy any Share Unit obligation of the Company (including those granted prior to and conditional on such approvals) by the issuance of Shares from treasury at a rate of one Share for each Share Unit, subject to adjustment. For greater certainty, if the Required Shareholder Approval is not obtained, such conditional grants will be void and no Shares may be issued from treasury in respect of such Share Units.

ARTICLE IV GENERAL

4.1 Effectiveness

This Plan shall become effective upon Board approval, subject to the provisions of Section 4.2 hereof. This Plan shall remain in effect until it is terminated by the Committee or the Board.

4.2 Discontinuance of Plan

The Committee or the Board, as the case may be, may discontinue this Plan at any time in its sole discretion, and without shareholder approval, provided that such discontinuance may not, without the consent of the Qualifying Participant, in any manner adversely affect the Qualifying Participant's rights under any Share Unit granted under this Plan. In the event this Plan is discontinued by the Committee or the Board the balance of outstanding Share Units shall be maintained until the earlier of the Entitlement Date for, or the termination, resignation, death or disability of, each Qualifying Participant as provided for under this Plan.

4.3 Non-Transferability

Except pursuant to a will or by the laws of descent and distribution, no Share Unit and no other right or interest of a Qualifying Participant is assignable or transferable.

4.4 Withholding

The Company or any of its Subsidiaries may withhold from any amount payable to a Qualifying Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Company or its Subsidiaries will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Qualifying Participant. Each of the Company and its Subsidiaries shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling on behalf of a Qualifying Participant any Shares which would otherwise be issued or provided to a Qualifying Participant hereunder.

4.5 Amendments to the Plan

The Committee may from time to time in its sole discretion, and without shareholder approval, amend, modify and change the provisions of this Plan and any Share Unit grant letter, in connection with (without limitation):

- (a) amendments of a housekeeping nature;
- (b) the addition or a change to any vesting provisions of a Share Unit;
- (c) changes to the termination provisions of a Share Unit or this Plan; and
- (d) amendments to reflect changes to applicable securities or tax laws.

However, other than as set out above, any amendment, modification or change to the provisions of this Plan which would:

- (a) materially increase the benefits to the holder of the Share Units who is an Insider to the material detriment of the Company and its shareholders;
- (b) increase the number of Shares or maximum percentage of Shares which may be issued pursuant to this Plan (other than by virtue of adjustments pursuant to Section 4.8 of this Plan);
- (c) permit Share Units to be transferred other than for normal estate settlement purposes;
- (d) remove or exceed the Insider participation limits;
- (e) modify the eligibility requirements for participation in this Plan; or
- (f) modify the amending provisions of this Plan set forth in this Section 4.5,

shall only be effective on such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of this Plan shall be subject to the approval, if required, by any stock exchange having jurisdiction over the securities of the Company.

4.6 Qualifying Participant Rights

No holder of any Share Units shall have any rights as a shareholder of the Company. Except as otherwise specified herein, no holder of any Share Units shall be entitled to receive, and no adjustment is required to be made for, any dividends, distributions or any other rights declared for shareholders of the Company.

4.7 No Right to Continued Employment or Service

Nothing in this Plan shall confer on any Qualifying Participant the right to continue as an employee or officer of the Company or any of its Subsidiaries, as the case may be, or interfere with the right of the Company or any of its Subsidiaries, as applicable, to remove such officer and/or employee.

4.8 Adjustments

In the event there is any change in the Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made to outstanding Share Units by the Committee, in its sole discretion, to reflect such changes. If the foregoing adjustment shall result in a fractional Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Plan.

4.9 Effect of Take-Over Bid

If a bona fide offer (the "Offer") for Shares is made to the Qualifying Participant or to shareholders generally or to a class of shareholders which includes the Qualifying Participant, which Offer, if accepted in whole or in part, would result in the offeror exercising control over the Company within the meaning of the Securities Act, then the Company shall, immediately upon receipt of notice of the Offer, notify each Qualifying Participant of the full particulars of the Offer. The Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that notwithstanding the other terms of this Plan Shares may be conditionally issued to each Qualifying Participant holding Share Units so as to permit the Qualifying Participant to tender the Shares received in connection with the Share Units pursuant to the Offer. If:

- (a) the Offer is not complied with within the time specified therein;
- (b) the Qualifying Participant does not tender the Shares underlying the Share Units pursuant to the Offer; or
- (c) all of the Shares tendered by the Qualifying Participant pursuant to the Offer are not taken up and paid for by the offeror,

then at the discretion of the Committee or the Board, the Share Units shall be deemed not to have been settled and the Shares or, in the case of clause (c) above, the Shares that are not taken up and paid for, shall be deemed not to have been issued and will be reinstated as authorized but unissued Shares and the terms of the Share Units as set forth in this Plan and the applicable Share Unit grant letter shall again apply to the Share Units.

4.10 Unfunded Status of Plan

This Plan shall be unfunded.

4.11 Compliance with Laws

If any provision of this Plan or any Share Unit contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

4.12 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

4.13 Effective Dates and Amendments

Approved by the Board on March 19, 2015.

Approved by the Shareholders on [●], 2015.

APPENDIX B – NEW STOCK OPTION PLAN

Lucara Diamond Corp. (the “Company”)

Incentive Stock Option Plan (the “Plan”)

As adopted by the Board of Directors on March 19, 2015 and approved by the Company’s shareholders on [●], 2015

ARTICLE I INTRODUCTION

1.1 Purpose of Plan

The purpose of the Plan is to secure for the Company and its shareholders the benefits of incentive inherent in the share ownership by the Directors, Officers and Employees of the Company and its Subsidiaries who, in the judgment of the Board, will be largely responsible for its future growth and success. It is generally recognized that a stock option plan of the nature provided for herein aids in retaining and encouraging Directors, Officers and Employees of exceptional ability because of the opportunity offered them to acquire a proprietary interest in the Company.

1.2 Definitions

- (a) “Affiliate” has the meaning ascribed thereto by the policies of the Exchange.
- (b) “Associate” has the meaning ascribed thereto in the Securities Act.
- (c) “Certificate” means a physical share certificate representing Share(s) or a non-transferable written acknowledgement of the right to obtain a physical share certificate representing Share(s).
- (d) “Change of Control” means the occurrence of any one or more of the following events:
 - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation immediately after completion of the transaction;
 - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the assets, rights or properties of the Company and its subsidiaries on a consolidated basis to any other person or entity, other than transactions among the Company and its subsidiaries;
 - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
 - (iv) any person, entity or group of persons or entities acting jointly or in concert (the “Acquiror”) acquires, or acquires control (including, without limitation, the power to vote or direct the voting) of, voting securities of the Company which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or Affiliates of the Acquiror to cast or direct the casting of 30% or more of the votes attached to all of the Company’s outstanding voting securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);

- (v) as a result of or in connection with: (A) a contested election of directors of the Company; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity (a "Transaction"), fewer than 50% of the Directors are persons who were Directors of the Company immediately prior to such Transaction; or
- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing definition of Change of Control, "voting securities" means Shares and any other shares entitled to vote for the election of directors of the Company and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors, including any options or rights to purchase such shares or securities.

- (e) "Board" means the board of directors of the Company, or any committee of the board of directors to which the duties of the board of directors hereunder are delegated.
- (f) "Company" means Lucara Diamond Corp., a company duly continued under the laws of British Columbia.
- (g) "Consultant" means, in relation to the Company, any individual, corporation or, other person engaged to provide ongoing valuable services to the Company or any Affiliate.
- (h) "Director" means a director of the Company or any of its Subsidiaries.
- (i) "Disinterested Shareholder Approval" means approval by a majority of the votes cast by all the Company's shareholders at a duly constituted shareholders' meeting, excluding votes attached to shares of the Company beneficially owned by Insiders or their Associates.
- (j) "Eligible Person" means an Employee, Director (including an Outside Director), or Officer of the Company or any of its Subsidiaries and, except in relation to a Consultant company, includes a company that is wholly-owned by such persons.
- (k) "Employee" means an individual who is a bona fide employee of the Company or of any Subsidiary of the Company and includes:
 - (i) an individual who is considered an employee of the Company or its Subsidiary under the Income Tax Act (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),
 - (ii) an individual who works full-time for the Company or its Subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work, as an employee of the Company, but for whom income tax deductions are not made at source,
 - (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source, and
 - (iv) a bona fide Consultant of the Company or of a Subsidiary of the Company who is approved for participation in this Plan by the Board and in respect of whom the Company has qualified by way of an exemption, or has obtained an order from any securities commission or other

regulatory authority having jurisdiction over the granting of options to consultants, permitting granting of the Option.

- (l) "Exchange" means the Toronto Stock Exchange.
- (m) "Exercise Notice" means a written notice of exercise of an Option delivered by the Optionee hereunder to the Company and shall be substantially in the form of Exhibit "I" attached to Schedule "A" hereto.
- (n) "Insider" of the Company shall mean a Participant who is an "insider" of the Company as defined in the Securities Act.
- (o) "Market Price" means the higher of the closing price of the Shares on the Exchange on: (i) the date the Option is granted and (ii) the last trading day preceding the date the Option is granted.
- (p) "Officer" has the meaning ascribed thereto in the Securities Act.
- (q) "Option" shall mean an incentive stock option granted under the terms of the Plan.
- (r) "Option Commitment" means a notice of grant of an Option delivered by the Company hereunder to an Optionee and shall be substantially in the form of Schedule "A" attached hereto.
- (s) "Option Period" shall mean the period during which an Option may be exercised.
- (t) "Optionee" shall mean a Participant to whom an Option has been granted under the terms of the Plan.
- (u) "Outside Director" means every director of the Company who is not a full-time employee of, or consultant to, the Company or any of its Subsidiaries.
- (v) "Participant" means, in respect of the Plan, an Eligible Person who elects to participate in the Plan.
- (w) "Plan" means the Incentive Stock Option Plan established and operated pursuant to Article II hereof.
- (x) "Personal Representative" means:
 - (i) In the case of a deceased Optionee, the executor or administrator of the deceased Optionee duly appointed by a court or public authority having jurisdiction to do so, and
 - (ii) In the case of an Optionee who for any reason is unable to manage his or her affairs, the person entitled by law to act on behalf of such Optionee.
- (y) "Resignation" means the cessation of employment (as an Officer or Employee) of the Participant with the Company or any of its Subsidiaries as a result of resignation, including as a result of retirement.
- (z) "Securities Act" means the Securities Act, R.S.B.C., 1996 c.418, as amended from time to time.
- (aa) "Share Compensation Arrangement" means the Plan described herein and any other stock option, stock option plan, employee stock purchase plan, share distribution plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Shares to one or more Eligible Persons.
- (bb) "Shares" shall mean the common shares of the Company.

(cc) "Subsidiary" has the meaning ascribed thereto in the Securities Act.

(dd) "Termination With Cause" means the termination of employment (as an Officer or Employee) of the Participant with cause by the Company or any of its Subsidiaries (and does not include Resignation).

(ee) "Termination Without Cause" means the termination of employment (as an Officer or Employee) of the Participant without cause by the Company or any of its Subsidiaries (and does not include Resignation) and, in the case of an Officer, includes the removal of or failure to reappoint the Participant as an Officer of the Company or any of its Subsidiaries.

1.3 Agreement

The Company and every person to whom an option is awarded hereunder shall be bound by and subject to the terms of this Plan.

1.4 Interpretation

The Plan will be governed by and construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein.

1.5 Headings

The headings used herein are for convenience only and are not to affect the interpretation of the Plan.

ARTICLE II STOCK OPTION PLAN

2.1 Participation

Options to purchase Shares may be granted hereunder to Eligible Persons.

2.2 Determination of Option Recipients

The Board shall make all necessary or desirable determinations regarding the granting of Options to Eligible Persons and may take into consideration the present and potential contributions of a particular Eligible Person to the success of the Company and any other factors which it may deem proper and relevant.

2.3 Exercise Price

The exercise price per Option shall be determined by the Board but, in any event, shall not be lower than the Market Price. Any reduction in the exercise price of an Option held by an Optionee who is an Insider of the Company at the time of the proposed reduction will require Disinterested Shareholder Approval.

2.4 Grant of Options

The Board may at any time authorize the granting of Options to such Eligible Persons as it may select for the number of Shares that it shall designate, subject to the provisions of the Plan. A Director of the Company to whom an Option may be granted shall not participate in the decision of the Board to grant such Option. The date of each grant of Options shall be determined by the Board when the grant is authorized.

2.5 Option Commitment

Each Option granted to an Optionee shall be evidenced by an Option Commitment detailing the terms of the Option and upon delivery of the Option Commitment to the Optionee by the Company the Optionee shall have the right to purchase the Shares underlying the Option at the exercise price set out therein, subject to any provisions as to the vesting of the Option, which the Board may determine.

2.6 Terms of Options

Subject to the early expiry provisions contained elsewhere in this Plan, the expiry date (the "Expiry Date") of an Option shall be the date so fixed by the Board at the time the particular Options is awarded, provided, however, that the Option Period shall not be longer than 5 years. Notwithstanding the foregoing, in the event that any Option expires during, or within 48 hours after, a self imposed blackout period on trading due to the applicable policies of the Company in respect of insider trading, such Expiry Date will be automatically extended to and will become the tenth day following the end of the blackout period. Any Option or any part thereof not exercised

within the Option Period shall terminate and become null, void and of no effect as of 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date, as extended if applicable.

2.7 Exercise of Option

Subject to the provisions of the Plan, an Option may be exercised from time to time prior to the Expiry Date by delivery to the Company of a completed Exercise Notice accompanied by payment in full by certified cheque, money order or such other manner of payment as may be acceptable to the Company of the exercise price of the Shares to be purchased plus such amount as may be required by applicable legislation for statutory withholdings. Certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

2.8 Vesting

Options granted pursuant to the Plan shall vest and become exercisable by an Optionee at such time or times as may be determined by the Board at the date of the Option grant and as indicated in the Option Commitment related thereto.

Subject to the Board of Directors' discretion, Options may have a vesting period of up to three years, with 1/3 of the Options vesting 12 months from the date of grant; 1/3 of the Options vesting 24 months from the date of grant; and the remaining 1/3 vesting 36 months from the date of grant.

2.9 Death or Disability of Optionee

In the event of:

- (a) the death of a Participant, any unvested Options held by such Participant will automatically vest and become exercisable on the date of death of such Participant and all Options shall be exercisable for a period of 12 months after the date of death, subject to the expiration of such Options occurring prior to the end of such 12-month period; or
- (b) the disability of a Participant (as may be determined in accordance with the policies, if any, or general practices of the Company or any subsidiary), any unvested Options held by such Participant will automatically vest and become exercisable on the date on which the Participant is determined to be totally disabled and all Options shall be exercisable for a period of 12 months after the date the Participant is determined to be totally disabled, subject to the expiration of such Options occurring prior to the end of such 12-month period.

2.10 Termination Without Cause

In the event of Termination Without Cause of a Participant who has been continuously employed by the Company or any of its Subsidiaries, or retained as a Consultant to the Company or any of its Subsidiaries, for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Options held by such Participant will automatically vest on the date of Termination Without Cause, and shall be exercisable for a period of 90 days after the date of Termination Without Cause, subject to the expiration of such Options occurring prior to the end of such 90-day period. In the event of Termination Without Cause of a Participant who has been continuously employed by the Company or any of its Subsidiaries, or retained as a Consultant to the Company, for less than two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any vested Options held by such Participant shall be exercisable for a period of 90 days after the date of Termination Without Cause, but any unvested Options held by the Participant shall expire on the date of Termination Without Cause and become void and the Participant shall have no entitlement and will forfeit any rights to any issuance of Shares under this Plan in connection with such unvested Options, except as may otherwise be stipulated in the Participant's Option Commitment or as otherwise determined by the Board.

2.11 Resignation

In the event of Resignation of a Participant, all of the Participant's Options that have vested shall be exercisable for a period of 90 days after the date of Resignation, subject to the expiration of such Options occurring prior to the end of such 90-day period, and any unvested Options held by such Participant shall expire and become void on the date of Resignation.

2.12 Termination With Cause

In the event of Termination With Cause of a Participant, all of the Participant's Options shall expire and become void on the date of Termination With Cause and the Participant shall have no entitlement and will forfeit any rights to any issuance of Shares under Options awarded under this Plan, except as may otherwise be stipulated in the Participant's Option Commitment, employment agreement or as may otherwise be determined by the Board in its sole and absolute discretion.

2.13 Subject to Employment/Severance Agreements

Sections 2.9, 2.10, 2.11 and 2.12 shall be subject to any employment/severance agreement between the Participant and the Company or any of its Subsidiaries.

2.14 Effect of Take-Over Bid

If a bona fide offer (the "Offer") for Shares is made to the Optionee or to shareholders generally or to a class of shareholders which includes the Optionee, which Offer, if accepted in whole or in part, would result in the offeror exercising control over the Company within the meaning of the Securities Act, then the Company shall, immediately upon receipt of notice of the Offer, notify each Optionee of the full particulars of the Offer. The Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that notwithstanding the other terms of this Plan, such Option may be exercised in whole or in part by the Optionee so as to permit the Optionee to tender the Shares received upon such exercise (the "Optioned Shares") pursuant to the Offer. If:

- (a) the Offer is not complied with within the time specified therein;
- (b) the Optionee does not tender the Optioned Shares pursuant to the Offer; or
- (c) all of the Optioned Shares tendered by the Optionee pursuant to the Offer are not taken up and paid for by the offeror in respect thereof;

then at the discretion of the Board, the Optioned Shares or, in the case of clause (c) above, the Optioned Shares that are not taken up and paid for, shall be returned by the Optionee to the Company and reinstated as authorized but unissued Shares and the terms of the Option as set forth in this Plan and the Option Commitment shall again apply to the Option. If any Optioned Shares are returned to the Company under this Section, the Company shall refund the exercise price to the Optionee for such Optioned Shares.

2.15 Effect of Reorganization, Amalgamation or Merger

If the Company is reorganized, amalgamated or merges with or into another company, at the discretion of the Board, each Option will thereafter be deemed to entitle the holder to receive upon due exercise of the Option, not Shares of the Company, but instead the securities or property which the Optionee would have received upon such reorganization, amalgamation or merger as if the Optionee had exercised the Option immediately prior to the record date applicable to such reorganization, amalgamation or merger, and the exercise price shall be adjusted appropriately by the Board, subject to any applicable Exchange or other regulatory approvals, and such adjustment shall be binding for all purposes of the Plan.

2.16 Effect of Change of Control

If a Change of Control occurs, all Shares subject to each outstanding Option will become fully vested at the effective time of the Change of Control, whereupon such Option may be exercised in whole or in part by the Optionee.

2.17 Adjustment in Shares Subject to the Plan

If prior to the exercise of any Option, the Shares are consolidated, subdivided, converted, exchanged or reclassified or are in any way substituted for (collectively, the "Event"), an Option, to the extent it has or has not been exercised shall be adjusted by the Board in accordance with such Event in the manner the Board determines appropriate. The Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Share that would, except for this provision, be deliverable upon the exercise of an Option will be cancelled. If any questions arise at any time with respect to the exercise price or

number of Shares deliverable upon exercise of an Option as a result of an Event, such questions will be conclusively determined by the Company's auditors, or, if they decline to so act, any other firm of Chartered Accountants that the Company may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

ARTICLE III GENERAL

3.1 Maximum Number of Shares

- (a) Subject to Section 2.17 hereof, the aggregate number of Shares issuable upon the exercise of all Options granted under the Plan shall not exceed 20,000,000 Shares.
- (b) Options that have been exercised, cancelled or that have expired or terminated for any reason in accordance with the terms of the Plan, shall again be available for grant under the Plan.
- (c) The aggregate number of Shares reserved for issuance pursuant to this Plan or any other Share Compensation Arrangement (pre-existing or otherwise) to any one Participant within a one-year period shall not exceed 10% of the Shares outstanding at the time of the grant unless the Company has obtained the requisite Disinterested Shareholder Approval.
- (d) The aggregate number of Shares reserved for issuance pursuant to this Plan or any other Share Compensation Arrangement (pre-existing or otherwise) to Insiders shall not exceed 10% of the Shares outstanding from time to time unless the Company has obtained the requisite Disinterested Shareholder Approval.
- (e) The aggregate number of Shares which may be issued pursuant to this Plan or any other Share Compensation Arrangement (pre-existing or otherwise) to Insiders within a one-year period shall not exceed 10% of the Shares outstanding from time to time unless the Company has obtained the requisite Disinterested Shareholder Approval.
- (f) The aggregate number of Shares that may be issued pursuant to this Plan, together with any Shares that may be issued pursuant to any other Share Compensation Arrangement (pre-existing or otherwise), to all Outside Directors shall not exceed 1% of the Shares outstanding on a non-diluted basis from time to time and the value of any Options granted to Outside Directors shall not exceed \$100,000 per year per Outside Director.

3.2 Transferability

Options are not assignable or transferable other than by will or by the applicable laws of descent. During the lifetime of an Optionee, all Options may only be exercised by the Optionee.

3.3 Employment

Nothing contained in the Plan shall confer upon any Optionee any right with respect to employment or continuance of employment with the Company or any Subsidiary, or interfere in any way with the right of the Company or any Subsidiary, to terminate the Optionee's employment at any time. Participation in the Plan by an Optionee is voluntary.

3.4 No Shareholder Rights

An Optionee shall not have any rights as a shareholder of the Company with respect to any of the Shares covered by an Option until the Optionee exercises such Option in accordance with the terms of the Plan and the Shares are issued by the Company.

3.5 Record Keeping

The Company shall maintain a register in which shall be recorded the name and address of each Optionee, the number of Options granted to an Optionee, the details thereof and the number of Options outstanding.

3.6 Necessary Approvals

The Plan shall be effective only upon the approval of the Board, the shareholders of the Company by ordinary resolution or Disinterested Shareholder Approval, as applicable, and acceptance by the Exchange. The obligation of the Company to sell and deliver Shares in accordance with the Plan is subject to the approval of any governmental authority having jurisdiction or any stock exchanges on which the Shares are listed for trading which may be required in connection with the authorization, issuance or sale of such Shares by the Company. If any Shares cannot be issued to any Optionee for any reason including, without limitation, the failure to obtain such approval, then the obligation of the Company to issue such Shares shall terminate and any exercise price paid by an Optionee to the Company shall be returned to the Optionee.

3.7 Administration of the Plan

The Board is authorized to interpret the Plan from time to time and to adopt, amend and rescind rules and regulations for carrying out the Plan. The interpretation and construction of any provision of the Plan by the Board shall be final and conclusive. Administration of the Plan shall be the responsibility of the appropriate officers of the Company and all costs in respect thereof shall be paid by the Company.

3.8 Withholding

The Company or its Subsidiaries may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Company or its Subsidiaries will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Participant. Each of the Company and its Subsidiaries shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling on behalf of a Participant any Shares which would otherwise be issued or provided to a Participant hereunder.

3.9 Amendments to the Plan

The Board shall have the power to, without shareholder approval, at any time and from time to time, either prospectively or retrospectively, amend, suspend, or terminate this Plan or any Option granted under this Plan:

- (a) for the purposes of making minor or technical modifications to any of the provisions of this Plan;
- (b) to correct any ambiguity, defective provisions, error or omission in the provisions of this Plan or to reflect changes to applicable securities or taxation laws;
- (c) to change any vesting provisions of Options;
- (d) to change the termination provisions of this Plan or to extend the expiration date of any Option provided that the period during which an Option is exercisable does not exceed 5 years from the date the Option is granted;
- (e) to add or change provisions relating to any form of financial assistance provided by the Company to Eligible Persons that would facilitate the purchase of securities under the Plan; and
- (f) to add a cashless exercise feature to any Option or to the Plan, providing for the payment in cash or securities upon the exercise of Options,

provided however that:

- (g) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- (h) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of an optionee with respect to any then outstanding Option, as determined by the Board acting in good faith, without his or her consent in writing; and

- (i) the Board shall obtain shareholder approval of the following;
 - i) any amendment to increase the maximum number of Shares issuable upon the exercise of all Options granted under the Plan specified in Section 3.1(a) (other than pursuant to Section 2.17);
 - ii) any amendment that would reduce the exercise price of an outstanding Option (other than pursuant to Section 2.17);
 - iii) any amendment that would extend the term of any Option;
 - iv) any amendment that would remove or exceed the participation limits set out in Sections 3.1(d), (e) and (f);
 - v) any amendment to Section 3.2 with respect to assignment or transferability of the Options;
 - vi) any amendment that would materially modify the eligibility requirements for participation in this Plan;
 - vii) any amendment that would materially increase the benefits to a holder of Options who is an Insider to the material detriment of the Company and its shareholders; and
 - viii) a change to this Section 3.9 of this Plan.

3.10 No Representation or Warranty

The Company makes no representation or warranty as to the future market value of any Shares issued in accordance with the provisions of the Plan.

3.11 Compliance with Applicable Law

If any provision of the Plan or any agreement entered into pursuant to the Plan contravenes any law or any order, policy, by-law or regulation of any regulatory body or stock exchange having authority over the Company or the Plan then such provision shall be deemed to be amended to the extent required to bring such provision into compliance therewith.

Schedule "A"
OPTION COMMITMENT

Notice is hereby given that, effective this _____ day of _____, 20____ (the "Date of Grant"), Lucara Diamond Corp. (the "Company") has granted to **[Name of Optionee]**, an Option to acquire **[Number of optioned Shares]** Shares up to 5:00 p.m. Vancouver Time on the _____ day of _____, 20____ (the "Expiry Date"), at an exercise price of **Cdn\$[price per Share]** per share.

The grant of the Option evidenced hereby is made subject to the terms and conditions of the Company's Incentive Stock Option Plan (the "Plan"), a copy of which is attached hereto and whose terms, conditions and definitions are hereby incorporated herein. This Option Commitment and the Plan shall be collectively referred to herein as the "Option Documents".

The Shares may be acquired as follows:

[Enter vesting provisions, as applicable]

In the event there is a Change of Control of the Company, as such term is defined in the Plan, the Options represented by this Option Commitment shall immediately vest, subject to stock exchange approval as applicable.

To exercise your Option, deliver a completed Exercise Notice to the Company, together with certified cheque(s) or bank draft(s) in full payment of the Exercise Price plus all statutory deductions and withholdings, if any. Certificate(s) for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of the Exercise Notice and receipt of the requisite payment(s).

Please acknowledge acceptance of this Option on the terms and conditions prescribed herein by returning a signed (where indicated below) copy of the same to the Company (Attention: Corporate Secretary). By signing and delivering a copy of this Option Commitment to the Company, you are acknowledging receipt of a copy of the Plan and are agreeing to be bound by all of the terms contained therein.

LUCARA DIAMOND CORP.

Authorized Signatory

Election to Accept Option

I, _____, have read the Option Documents and hereby elect, acknowledge and agree to accept this Option and to be bound by the Option Documents this _____ day of _____, 20____.

Signature: _____

Address: _____

Witness: _____

Witness Name: _____

(Printed)

APPENDIX C – BOARD OF DIRECTORS’ MANDATE

(As amended and restated by the Board of Directors on March 22, 2012)

The following is a description of the mandate and responsibilities of the Board of Directors (the “Board”) of Lucara Diamond Corp. (the “Company”):

- a. The principal responsibilities of the Board are to supervise and evaluate management, to oversee the conduct of the Company’s business, to set policies appropriate for the business of the Company and to approve corporate strategies and goals. The Board is to carry out its mandate in a manner consistent with the fundamental objective of enhancing shareholder value.
- b. In discharging its duty of stewardship over the Company the Board expressly undertakes the following specific duties and responsibilities:
 - i. adopting, supervising and providing guidance on the Company’s strategic planning process including, reviewing on at least an annual basis, a strategic plan which takes into account the opportunities and risks of the Company’s business;
 - ii. identifying the principal risks of the Company’s business and ensuring the implementation of appropriate risk management systems;
 - iii. ensuring that the Company has management of the highest calibre and maintaining adequate and effective succession planning for senior management;
 - iv. placing limits on management’s authority;
 - v. overseeing the integrity of the Company’s internal control and management information systems; and
 - vi. overseeing the Company’s communication policy with its shareholders and with the public generally.
- c. The Board’s independent directors shall meet without management and non-independent directors present on a quarterly basis. If a Lead Director has been appointed, such meetings of the independent directors will be presided over by the Lead Director.

Outside Advisors and Fulfilling Responsibilities

A director may, with the prior approval of the Chairman of the Board, engage an outside advisor at the reasonable expense of the Company, where such director and the Chairman of the Board determine that it is appropriate in order for such director to fulfil his or her responsibilities, provided that the advice sought cannot properly be provided through the Company’s management or through the Company’s advisors in the normal course. If the Chairman of the Board is not available in the circumstances, or determines that it is not appropriate for such director to so engage outside counsel, the director may appeal the matter to the Corporate Governance and Nominating Committee, whose determination shall be final.