NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR
ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON
TUESDAY, MAY 11, 2021
FOR
LUCARA DIAMOND CORP.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting (the “Meeting”) of the shareholders of LUCARA DIAMOND CORP. (the "Corporation" or “Lucara”) will be held at the office of Blake, Cassels & Graydon LLP, Suite 2600, 595 Burrard St., Vancouver, British Columbia V7X 1L3, on Tuesday, May 11, 2021 at 10:30 a.m. (Pacific Standard Time) for the following purpose:

1. To receive the audited consolidated financial statements for the year ended December 31, 2020, 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 elect directors for the upcoming year;
4. To adopt an advisory resolution on executive compensation; and
5. To transact such further or other business as may properly come before the Meeting.

Your vote is important. If you held Lucara shares on Friday, March 19, 2021, you are entitled to receive notice of and vote at the Meeting or any postponement or adjournment thereof.

This Notice is accompanied by a Management Proxy Circular and a proxy form or a voting instruction form. The audited consolidated financial statements of the Corporation for the year ended December 31, 2020, 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 are not able to attend the Meeting, please vote by using the proxy form or voting instruction form and return it according to the instructions provided before 10:30 a.m. (Pacific Time) Friday, May 07, 2021.

BY ORDER OF THE BOARD

(signed) “*Eira Thomas*”

Chief Executive Officer
Dated March 19, 2021

Management Proxy Circular
Annual General Meeting of Shareholders
Tuesday, May 11, 2021

Dated March 19, 2021

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SECTION 1 – VOTING INFORMATION

GENERAL

You have received this Management Proxy Circular (the "Circular") because you owned common shares ("Common Shares") in the capital of **Lucara Diamond Corp.** ("Lucara" or the "Corporation") on March 19, 2021, the record date. As a shareholder, you have the right to attend the annual meeting of shareholders on **Tuesday, May 11, 2021**, at the time and place in the accompanying notice (the "Meeting") or at any adjournment or postponement thereof. The business of the Meeting will be conducted at the place in the accompanying notice.

The Corporation encourages you to vote your shares by proxy in advance of the Meeting, via mail, telephone or on the internet. In conducting the Meeting on May 11, 2021, the Corporation intends to follow the guidelines for physical distancing prescribed by the Public Health Agency of Canada to minimize the spread of the novel coronavirus disease (COVID-19), as such guidelines are applicable as at the date of the Meeting. No management presentation will be made following the business of the Meeting.

Unless otherwise stated, the information contained in this Circular is given as at March 19, 2021 and all dollar amounts are expressed as Canadian dollars.

The solicitation of proxies on behalf of management 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 directors, officers, or employees 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 is sending proxy-related materials directly to non-objecting beneficial owners under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporter Issuer* 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. The Corporation intends to pay for intermediaries to forward the Meeting materials and voting instruction forms to objecting beneficial owners.

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

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

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

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) 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 +1-312-588-4290 to place their vote.

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 **10:30 a.m. (Pacific Time) on Friday, May 07, 2021** 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 the election of each of the persons nominated for election as directors in this Circular; and
- FOR the adoption of an advisory resolution on executive compensation 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 of Directors (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 10:30 a.m. (Pacific Time) on Friday, May 07, 2021 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 10:30 a.m. (Pacific Time) on Friday, May 07, 2021 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 (Pacific Time) on May 6, 2021 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
In accordance with applicable securities law requirements, the Corporation has distributed copies of the Meeting materials and the form of proxy and voting information form to the intermediaries and clearing agencies for distribution to the non-registered shareholders. The Corporation intends to pay for intermediaries to forward the Meeting materials and voting instruction forms to objecting beneficial owners.

Non-registered shareholders should carefully follow the instructions of their intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered. There may be deadlines for non-registered shareholders that are earlier than the deadlines for proxies from registered shareholders set out above.

In order to vote using the voting instruction form:

- Non-objecting beneficial owners: Fill in the voting instruction form you received with this package and carefully follow the instructions provided. You can send your voting instructions by phone or by mail or through the internet.
- Objecting beneficial owners: Sign and date the voting instruction form your intermediary sends to you and follow the instructions for returning the form.

Your intermediary (your broker, investment dealer, bank, trust company, nominee or other intermediary) is responsible for properly executing your voting instructions.

Your 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. Only registered shareholders have the right to revoke a proxy. A non-registered shareholder who has submitted voting instructions to an intermediary should contact their intermediary for information with respect to revoking their voting instructions.

Make sure your voting instruction form or proxy form, as applicable, is properly completed and that you allow enough time for it to reach Computershare if you are sending it by mail.

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.

Non-registered shareholders cannot use a voting instruction form to vote directly at the Meeting. If you are a non-registered shareholder and you wish to vote at the Meeting, you must appoint yourself as proxyholder by inserting your own name in the space provided on the voting instruction form sent to you and following all of the applicable instructions provided therein, including as follows:

- Non-objecting beneficial owners: Follow the instructions on the voting instruction form. You must request a legal proxy form granting you the right to attend the Meeting and vote, and return the proxy form to our transfer agent, Computershare, within the time periods specified.
- Objecting beneficial owners: Follow the instructions on the voting instruction form from your intermediary, and request a proxy form, which grants you the right to attend the Meeting and vote and return the proxy form to our transfer agent, Computershare, within the time periods specified.

Your voting instructions must be received by Computershare by 10:30 a.m. (Pacific Time) on Friday, May 07, 2021 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 Depositary for Securities. Holders of Euroclear Registered Securities will receive a Form of Proxy (the "Swedish Proxy") by mail directly from Computershare AB ("Computershare Sweden"). The

Swedish Proxy cannot be used to vote securities directly at the Meeting. Instead, the Swedish Proxy 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 Swedish Proxy.

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 email or 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, March 19, 2021, on all matters at the Meeting. As of the record date, there are 397,025,340 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.

WHO ARE THE PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of Lucara, Nemesia S.à.r.l ("Nemesia") and Letko, Brosseau & Associates are the only persons or companies beneficially owning or exercising control or direction, directly or indirectly, over Common Shares carrying more than 10% of the voting rights attached to all Common Shares. Nemesia is a private corporation owned by a trust whose settlor is the Estate of Adolf H. Lundin. As of March 19, 2021, Nemesia holds 70,372,200 Common Shares, which represents approximately 17.72% of the current outstanding Common Shares. As of March 19, 2021, Letko, Brosseau & Associates holds 44,402,900 Common Shares, which represents approximately 11.18% of the current outstanding Common Shares.

SECTION 2 - BUSINESS OF THE MEETING

2.1 FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2020 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.

2.2. APPOINTMENT AND REMUNERATION OF AUDITORS

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

This recommendation follows a tender process held in 2020, to which PwC and several other audit firms, each qualified in both Canada and Botswana, responded. After assessing the various proposals, the Board, on the Audit Committee's recommendation, recommends the re-appointment of PwC as the Corporation's auditor.

As in past years, it is proposed that the remuneration to be paid to the auditors shall be determined by the Board. For further information on the external auditors including fees paid to the auditors in 2019 and 2020, please refer to page 24 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 auditor's remuneration or you can withhold your vote. If you do not specify how you want your shares voted, the named proxyholders intend to cast votes **FOR** reappointing PwC and authorizing the directors to fix PwC's remuneration.

2.3 ELECTION OF DIRECTORS

Nominees - Directors

The term of office of each of the present directors expires at the Meeting. All seven nominees are existing directors of the Corporation. The Board is recommending that the seven individuals nominated 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. The average tenure of the non-executive directors standing for re-election is six years. Three of the six non-executive directors proposed for re-election have been elected to the Board since 2018.

You may either vote for the election of each of the below nominees or you can withhold your vote. If you do not specify how you want your shares voted, the named proxyholders intend to cast votes **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 Majority Voting Policy 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 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 March 19, 2021, is set out below. Further information on the proposed nominees can also found in this Circular; please see pages 47 and 48 for director compensation received.

David DICAIRE

British Columbia, Canada Age, 62	**Committee and Attendance** Board: 8 of 8 Audit Committee: 3 of 3 Safety, Health, Environment and Community Relations Committee (Chair): 3 of 3 *Mr. Dicaire's attendance is reported following his appointment as a director on May 8, 2020.

Independent: Yes	**Areas of Expertise** Diamond Industry Environmental, Safety and Occupational Health Finance & Financial Reporting Human Resources & Compensation Mergers & Acquisitions Mining Operations and Technical Skills Risk Management Strategic Planning Technology Experience
Director since: May 2020	**Current Occupation** Vice President, Projects & General Manager, Lundin Gold Inc. (resource company)
# of voting securities owned: 0	**Biography** Mr. Dicaire has over 40 years of experience in the mining, engineering and construction industry on a variety of global projects leading both Owner and EPCM teams. Prior to joining Lundin Gold in 2016, Mr. Dicaire was employed by Freeport-McMoRan Inc. from 2013 to 2016 as the Project Director for the highly successful US$4.6 billion Cerro Verde Expansion Project in Peru. Prior to moving to Freeport, Mr. Dicaire was the General Manager, Project Development for South America for Xstrata Copper (now Glencore plc) based in Santiago, Chile. Mr. Dicaire's experience covers all facets of company and project management for all types of mining projects from studies, project execution and operations. Mr. Dicaire specializes in leading complex, large scale projects. **Other Public Boards** Bluestone Resources Inc. (TSXV)

Paul CONIBEAR[1]

British Columbia, Canada Age, 63	**Committee and Attendance** Board (Lead Director): 10 of 10 Compensation Committee (Chair): 6 of 6 Corporate Governance and Nominating Committee: 3 of 3
Independent: Yes	**Areas of Expertise** Environmental, Safety and Occupational Health Finance & Financial Reporting Human Resources & Compensation Legal and Corporate Governance Mergers & Acquisitions Mining Operations and Technical Skills Risk Management Strategic Planning Technology Experience
Director since: April 2007	**Current Occupation** Corporate Director
# of voting securities owned: 383,000	**Biography** Mr. Conibear has over 35 years of experience in the mining industry in Africa, North and South America and Europe. His background includes 21 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 20 years he has held public company executive management and director's positions, last serving as President and CEO of Lundin Mining Corp. from 2010 until his retirement in 2018. Mr. Conibear also served 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.

Other Public Boards
Josemaria Resources Inc. (TSX, Nasdaq Stockholm)

Peter J. O'CALLAGHAN

British Columbia, Canada
Age, 62

Committee and Attendance
Board: 8 of 8
Compensation Committee: 2 of 2
Corporate Governance and Nominating Committee (Chair): 1 of 1
*Mr. O'Callaghan's attendance is reported following his appointment as a director on May 8, 2020.

Independent:
No

Areas of Expertise
Diamond Industry
Finance & Financial Reporting
Human Resources & Compensation
Legal & Corporate Governance
Mergers & Acquisitions
Risk Management
Strategic Planning

Director since:
May 2020

Current Occupation
Partner, Blake, Cassels & Graydon LLP (law firm)

# of voting securities owned:
0

Biography
Mr. O'Callaghan has practiced securities law for over 35 years. For the last 25 years he has practiced law at Blake, Cassels & Graydon LLP, with a particular focus on M&A and corporate finance, including public company acquisition and sale transactions and public and private financings. He has acted as independent counsel to investment dealers and boards of directors and independent committees of boards. He also has extensive experience negotiating and drafting shareholders' and joint venture agreements. Mr. O'Callaghan's clients are exclusively in or connected to the mining sector. He has acted for issuers and underwriters in respect of many mining transactions in Canada, the United States, South America, Africa, China and Australia.

Other Public Boards
Nil

Marie INKSTER

Ontario, Canada
Age, 49

Committee and Attendance
Board: 10 of 10
Audit Committee (Chair): 5 of 5
Compensation Committee*: 2 of 2
*Ms. Inkster joined the Compensation Committee in May 2020 therefore attendance for this Committee is reported following her appointment as a Committee member in May 2020.

Independent:
Yes

Areas of Expertise
Environmental, Safety and Occupational Health
Finance & Financial Reporting
Human Resources & Compensation
Legal and Corporate Governance
Mergers & Acquisitions
Mining Operations and Technical Skills
Risk Management
Strategic Planning

Director since: June 2014	**Current Occupation** CEO, Lundin Mining Corp. (resource company)
# of voting securities owned: 180,000	**Biography** Ms. Inkster has been President, CEO & Director of Lundin Mining since October 2018. She previously served as Chief Financial Officer from May 2009 after joining the Company in September 2008 as Vice President, Finance. Prior to joining Lundin Mining, Ms. Inkster held senior positions in a number of publicly traded companies, including five years with LionOre Mining International Ltd where she served as Vice President, Controller at the time of its acquisition by Norilsk Nickel in July of 2007. Ms. Inkster was also appointed Chairperson of the International Zinc Association (IZA) in November 2020. Ms. Inkster has 20 years of experience in public company management, public and private equity and debt fundraising, corporate transactions and public company reporting. **Other Public Boards** Lundin Mining Corporation (TSX/Nasdaq Stockholm)

Lukas LUNDIN[(1)]

Geneva, Switzerland Age, 62	**Committee and Attendance** Board (Chairman): 10 of 10
Independent: No	**Areas of Expertise** Finance & Financial Reporting Human Resources & Compensation Mergers & Acquisitions Mining Operations and Technical Skills Strategic Planning
Director since: April 2007	**Current Occupation** Chair of the Board of the Corporation and Chair of several resource companies.
# of voting securities owned: 4,215,000	**Biography** Mr. Lundin graduated from the New Mexico Institute of Mining and Technology (engineering) in 1981. In 1982, Mr. Lundin headed International Petroleum Corporation's oil and gas operations and was based in Dubai, U.A.E. for 6 years. From 1990 to 1995, he was President of International Musto Exploration Limited and was responsible for Musto's acquisition of the Bajo de la Alumbrera deposit. His uninhibited pursuit of highly prospective 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 Corporation's $3.3 billion merger with EuroZinc Mining, the $2 billion sale of Tanganyika Oil Company Ltd. and, in 2010, the $9.2 billion sale of Red Back Mining Inc. He currently sits on the Board of several publicly traded companies **Other Public Boards** Filo Mining Corp. (TSX-V, OTCQX, Nasdaq First North Stockholm) Lundin Gold Inc. (TSX, Nasdaq Stockholm) Lundin Mining Corporation (TSX, Nasdaq Stockholm) Lundin Energy AB (Nasdaq Stockholm

Catherine McLEOD-SELTZER

British Columbia, Canada Age, 61	**Committee and Attendance** Board: 10 of 10 Audit Committee: 5 of 5 Corporate Governance and Nominating Committee: 3 of 3 Safety, Health, Environment and Community Relations Committee (Chair): 4 of 4

Independent: Yes	**Areas of Expertise** Diamond Industry Environmental, Safety and Occupational Health Finance & Financial Reporting Human Resources & Compensation Legal and Corporate Governance Mergers & Acquisitions Mining Operations and Technical Skills Risk Management Strategic Planning
Director since: February 2018	**Current Occupation** Chair of Kinross Gold Corporation and Chair of Bear Creek Mining Corp.
# of voting securities owned: 4,400,000 (direct) 100,000 (indirect)	**Biography** Ms. McLeod-Seltzer has been directly involved in more than $4 billion in corporate transactions in the past 25 years and has been instrumental in helping build a number of successful mineral companies, including, Arequipa Resources, Francisco Gold, Miramar Mining, Bear Creek Mining, Stornoway Diamonds and Peru Copper Inc. Ms. McLeod-Seltzer was named Mining Man of the Year by The Northern Miner in 1999, and in 1997 she was given the "Award for Performance" by the Association of Women in Finance. She has also held positions on the Financial Post's "Power 50". Ms. McLeod-Seltzer is currently Chairman of Bear Creek Mining Corp and the Independent Chair of the Kinross Gold Board of Directors. She is a recognized leader in the minerals industry for her ability to create growth-focused companies that generate significant shareholder value. **Other Public Boards** Bear Creek Mining Corp. (TSX-V) Flow Capital Corp. (TSX-V) Kinross Gold Corporation (TSX/NYSE)

Eira THOMAS

British Columbia, Canada Age, 52	**Committee and Attendance** Board: 10 of 10 Safety, Health, Environment and Community Relations Committee: 4 of 4
Independent: No	**Areas of Expertise** Diamond Industry Diamond Sales and Marketing Environmental, Safety and Occupational Health Finance & Financial Reporting Human Resources & Compensation Legal and Corporate Governance Mergers & Acquisitions Mining Operations and Technical Skills Risk Management Strategic Planning Technology Experience
Director since: August 2009	**Current Occupation** President, CEO and Director of the Corporation as of February 25, 2018
# of voting securities owned: 5,298,000	**Biography** Ms. Thomas is a Canadian geologist with over 25 years of experience in the Canadian mining industry, including her previous roles as Vice President, Aber Resources, now Dominion Diamond Corp., CEO of Stornoway Diamond Corp., and CEO of Kaminak Gold Corporation. In 2007, Ms. Thomas founded Lucara Diamond Corporation, with partners Lukas Lundin and Catherine McLeod-Seltzer; since February 2018, Ms. Thomas has served as President and CEO of Lucara. In 2008, Ms. Thomas was one of only four Canadians that year to be named to the “Young Global

Leaders", by the World Economic Forum, and in 2007 she was selected as one of Canada's 'Top 100 Most Powerful Women'. Ms. Thomas is currently a director of Suncor Energy Inc. where she chairs the Governance Committee.

Other Public Boards
Suncor Energy Inc. (TSX/NYSE MKT)

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

(1) RB Energy Inc. ("RBI") commenced proceedings under the Companies' Creditors Arrangement Act (the "CCAA") in 2014. CCAA proceedings continued in 2015 and a receiver was appointed in May 2015. The TSX de-listed RBI's common shares in November 24, 2014 for failure to meet the continued listing requirements of the TSX. Messrs. Lundin and Conibear were never directors, officers or control persons of RBI but they were directors of one of the amalgamating companies that formed RBI, Sirocco Mining Inc. ("Sirocco"). On January 31, 2014, Mr. Lundin and Mr. Conibear resigned as directors of Sirocco at which time Sirocco was financially solvent. However, as a result of the amalgamation of Canada Lithium and Sirocco to form RBI, Messrs. Lundin and Conibear were directors of an issuer within the period of 12 months preceding it filing for CCAA protection.

Legend Stock Exchanges:

TSX	*= Toronto Stock Exchange*
TSX-V	*= TSX Venture Exchange*
Nasdaq First North	*= Nasdaq First North*
Nasdaq Stockholm	*= Nasdaq Stockholm Exchange*
OMX	*= OMX Nasdaq*
NYSE	*= New York Stock Exchange*
NYSE American	*= New York American Stock Exchange*
OTCQB	*= OTC Markets Group*

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 and is posted on the Corporation's website. 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.

2.4 ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

As part of Lucara's commitment to strong governance practices, the Board has provided shareholders with an opportunity to cast an advisory vote on the Board's overall approach to executive compensation (Say on Pay) at its annual meeting. Lucara's approach to executive compensation was approved by 97.23% of the shares voted at the 2020 annual meeting. Again, this year, the Corporation is providing shareholders with a non-binding advisory vote on Say on Pay. The Executive Compensation section of this Circular provides details on Lucara's compensation programs. As outlined in this section, the objectives of these programs are to structure compensation to recruit, retain and motivate qualified, high caliber executives and also to link compensation to the performance of the Corporation.

You may either vote for approval of the following Say on Pay resolution or you can vote against. The Board recommends that you vote for this resolution. If you do not specify how you want your shares voted, the named proxyholders intend to cast votes **FOR** the adoption of the advisory resolution on executive compensation.

> *"**BE IT RESOLVED** that on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in this Circular delivered in connection with the 2021 annual meeting of shareholders."*

Because the vote is advisory it will not be binding upon the Board. However, the Compensation Committee of the Board will review and analyze the results of the vote and take into consideration such results as part of its ongoing review of executive compensation.

SECTION 3 - CORPORATE GOVERNANCE

3.1 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.

3.2 MANDATE OF THE BOARD OF DIRECTORS

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

- 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. The Board measures the success of the strategic plan by assessing performance results against annual corporate objectives.

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; and

In addition, the Safety, Health, Environmental and Community Relations Committee (the "SHECR Committee") assists the Board in its oversight of Lucara's operations (including the operations of its active subsidiaries) by monitoring management's performance in managing and mitigating risks involved with safety, health, environment and the local community. The Committee is also involved in the review and issuance of a Sustainability Report which is published on an annual basis and provides a detailed overview of risks/material issues including context, potential impact and management's approach.

3.3 INDEPENDENCE

A majority of Lucara's current directors are independent; four of the seven nominees for election to the Board 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* ("NI 52-110") and National

Policy 58-201 *Corporate Governance Guidelines* ("NI 58-201").

The Board has reviewed the nominated directors and determined that three of the nominees are not independent. Eira Thomas, Lukas Lundin and Peter J. O'Callaghan are not independent for the following reasons: Ms. Thomas is Lucara's current President & CEO; Mr. Lundin is Lucara's Chair of the Board and as Chair, he is involved with the Corporation on corporate development opportunities which could be regarded as having an indirect material relationship; and Mr. O'Callaghan is a partner at Blake, Cassels and Graydon, LLP ("Blakes"), a law firm which provides legal services to the Corporation and as a result, Mr. O'Callaghan does not meet the test for independence as set out in NI 52-110, Section 1.5(2)(b).

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:

- *Chair and Lead Director*
  The Chair of the Board position is separate from the CEO position. 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.
- *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 for all directors, including the CEO, and the second is only with independent directors present. The in-camera meetings of independent directors are presided over by the Lead Director. The Audit Committee regularly holds sessions with the Corporation's external auditors without management present to discuss the audit and cooperation from management; "in camera" sessions are typically held at the end of each Audit Committee meeting as well. In 2020, a majority of the Compensation, Governance and SHECR Committee meetings also included an "in camera" session as part of the Committee's regular business.
- *Committee Membership*
  In 2020, the following committee was composed entirely of independent directors: Audit Committee.
- Should all the nominated directors be elected at the Meeting, it is expected that all committee members will remain unchanged in 2021.
- *Independent Advisor*
  Directors may, with the authorization of the Chair or the Corporate Governance and Nominating Committee, engage independent advisors at the expense of the Corporation.

3.4 SIZE OF BOARD

On an annual basis, the Corporate Governance and Nominating Committee considers the size of the Board. If it believes changes are warranted it makes a recommendation to the Board. No changes to the size of the Board are proposed for 2021. The Board considers that 7 directors, a majority of whom are independent, is an appropriate size which facilitates open dialogue among directors and effective decision making but also ensures there are sufficient directors with the appropriate experience and skills, such as in-depth mining, diamond, and technology experience, to fulfill its responsibilities.

3.5 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 may assist 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 public company directorships held by the nominees for this year's election of directors are included in the Directors' information section beginning on page 11.

3.6 MEETING ATTENDANCE

The Board held ten meetings in 2020. The Audit Committee meets at least every quarter to review the Corporation's financial statements and MD&A. Other committees typically meet three to four times per year to carry out their mandates. Committees of the Board held a total of eighteen meetings in 2020. The number of meetings and attendance records for all Board and Committee meetings held during 2020 are included in the Directors' information section beginning on page 11.

3.7 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 co-ordinate 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, the Chair is not independent, and as such, these 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 position description for the CEO. The CEO has responsibility for general supervision of the business and affairs of the Corporation, subject to the authority of the Board. The CEO is also responsible for making recommendations to the Board regarding the implementation, performance and monitoring, as the case may be, of each of the items referred to 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.

3.8 ASSESSMENT OF BOARD PERFORMANCE

At the beginning of each calendar 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. The individual assessments are returned 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. Following a review of the results, the Chair of the Committee has one-on-one conversation with each of the directors to ensure the assessment process is candid. 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 results of the assessment process held in Q1 2021 indicated that the directors believed that the Board and the Board Committees functioned effectively.

The effective performance of the Board is also monitored by the completion of its annual workplan and completion by the Committees of their annual workplans. These workplans are reviewed annually and list standard items to be dealt with at each Board or committee meeting and any additional items for that year.

3.9 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 individual 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, orientation focused on financial literacy may not be included. New director orientation was completed in 2020 for Mr. David Dicaire and Mr. Peter J. O'Callaghan, two new directors appointed to the Corporation's Board in May 2020. In addition, the comprehensive package is made available to all directors.

With regard to continuing education for Board members, the Corporate Governance and Nominating Committee's mandate is to provide for such 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. In 2020, a two-hour information session was held for all directors which focused on Clara Diamond Solutions, Lucara's 100% owned secure, digital sales platform. Clara uses proprietary analytics together with cloud and blockchain technologies with the objective of modernizing the existing diamond supply chain, driving efficiencies, unlocking value and ensuring diamond provenance.

Directors are regularly informed by the CEO, verbally and through a written monthly directors' report, of strategic and operational issues affecting Lucara, including the competitive environment, the Corporation's performance and developments, and risks that could materially impact the Corporation. Directors are also provided with information regarding legislative changes and governance trends. From time to time, the Corporation arranges for legal counsel and industry experts to provide status updates and education. In 2020, as part of the Corporation's pandemic response, the CEO provided regular written updates to the Board, on a weekly or bi-weekly basis.

3.10 NOMINATION OF DIRECTORS

The Corporate Governance and Nominating Committee, which is presently composed of a majority of 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* (the "Guidelines"). These guidelines specify certain qualities, listed below, for consideration when evaluating the composition of the Board and when nominating potential candidates. When tabling these Guidelines, the Board 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. The Guidelines were updated in February 2021 to include:

i. seeking diversity in perspectives, by considering qualified candidates with relevant education and experience of any age, gender and ethnicity;
ii. actively seek out highly qualified women to include in the pool from which Board nominees are chosen;
iii. actively seek out highly qualified Black, Indigenous and People of Color (BIPOC) to include in the pool from which Board nominees are chosen; and
iv. identify those skills and qualifications which are relevant to trends that affect the Company's business including, but not limited to technology, globalization, business strategy and innovation.

Also, to ensure adherence to the *Board and Executive Officer Diversity and Inclusion Policy*, which is outlined below, this policy was updated in February 2021 to clearly specify that highly qualified people from all ethnic backgrounds should be considered. For 2021, the key skills and experience criteria for Lucara Board members remains unchanged.

Key skills & experience criteria for Lucara Board members:

- 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
  - Technology
  - Diamond Market Experience
- 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 suitability with the Guidelines.

The Corporate Governance and Nominating Committee requests directors on an annual basis to complete a matrix identifying their experience against a key set of skills and experience deemed desirable for Lucara Board members. This matrix is used as a tool by the Board in assessing needs in the context of the nomination process. The individual directors' skills are included in the Directors' information beginning on page 11.

3.11 DIVERSITY & INCLUSION - EXECUTIVE OFFICERS AND BOARD

In 2014, the Board adopted a *Board and Executive Officer Gender Diversity Policy.* In February 2021, this policy was re-named to *Board and Executive Officer Diversity and Inclusion Policy* (the "Diversity Policy") to acknowledge the inclusion of ethnic diversity. This policy formalizes the following vision for Lucara:

The Corporation recognizes the importance of identifying and recruiting individuals for Board and Executive Officer positions who possess diversity in age, gender, ethnicity and experience. The Corporation believes that a diverse board and executive management structure enhances the decision making of the Board and at senior management levels.

As noted above, with regard to diversity and the Board, measures taken to ensure the policy is effectively implemented include the commitment from the Corporate Governance and Nominating Committee to actively seek out highly qualified women, highly qualified BIPOC individuals and those individuals who possess the skills and qualifications which are relevant to trends that affect the Company's business, 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.

Regarding diversity and senior management, measures taken to ensure the policy is effectively implemented include the mandate set out in the Diversity Policy that management of Lucara shall, as part of the hiring process of executive officers, actively seek out highly qualified women, highly qualified BIPOC individuals and those individuals who possess the skills and qualifications which are relevant to trends that affect the Company's business. The Diversity 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.

The Corporate Governance and Nominating Committee tracks the following information on an annual basis and presents it to the Board:

Current Status of Representation of Women – Lucara %'s

Description	Number of Women	Total Number	Women as a % of Total
Board Members	3	7	43%
Executive Officers – Lucara Diamond Corp.	3	4	75%
Executive Officers – Lucara Botswana (Pty) Ltd.	2	3	67%

**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.*

Pursuant to the Diversity Policy, the Corporate Governance and Nominating Committee is mandated to discuss targets for promoting diversity and make recommendations to the Board. At its February 2021 meeting, members of the Corporate Governance and Nominating Committee discussed the setting of diversity targets and recommended that with respect to Board Diversity targets, that at least 30% of the board members shall be women. This is an increase of 5% from the target set in 2019 and 2020. Three of the nominees for election to the Board at the 2021 AGM are women and therefore the objective will be exceeded if the shareholders elect the proposed nominees.

With regards to a gender diversity objective for executive officer positions, the Corporate Governance and Nominating Committee did not recommend a specific target be set for 2021, given that 75% of the Corporation's executive officers are presently women. The Corporate Governance and Nominating Committee recommended, and the Board agreed, that any executive officer appointments in the future be reviewed with the level of representation of women in executive officer positions in mind and consistent with the Diversity Policy, that management of the Corporation, as part of the hiring process of Executive Officers: (i) actively seek out women having the necessary skills, knowledge and experience to evaluate as potential candidates; and (ii) appointments be made based on a balance of criteria, including the merit and experience of the candidate plus the needs of the Corporation at the relevant time.

Currently there are no set targets for the level of ethnic diversity at either the Board or at the Executive level. Pursuant to the terms of the Diversity Policy, the Corporate Governance and Nominating Committee is responsible for monitoring the policy and reporting to the Board on the achievement of any targets set and it is also responsible to review the policy and make recommendations on changes to the Diversity Policy to the Board.

3.12 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 Compensation Committee is also cognizant that the recommended compensation for directors must not compromise their independence. In previous years, the Compensation Committee has retained expert advice to assist in making recommendations on director's compensation. Most recently, in 2019 the Compensation Committee retained Global Governance Advisors ("GGA") to assess the market competitiveness of director compensation through a benchmarking exercise that considered a number of similar sized mining and development companies. This benchmarking exercise compared Lucara to sixteen other publicly traded companies of a similar size and industry (mining and development) using compensation information from GGA's proprietary database. The Board determines the amount and form of director compensation after considering recommendations received from the Compensation Committee. This information is disclosed in this Circular on pages 47 and 48.

3.13 DIRECTOR RETIREMENT POLICY AND TERM LIMITS

The Board has not adopted a retirement policy or limits relating to the time a director can serve. The following sets out the tenure for the seven nominated directors:

# of Directors	Tenure (Years)
2	Fourteen
1 (Executive Director)	Eleven
1	Seven
1	Three
2	One
Average (Non-Executive Directors)	Six

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 and they are highly valued for their expertise. Long serving directors 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 the best interests of Lucara or its shareholders. In addition, the Board believes that its assessment process, which includes regular evaluations of the Board and committees and an annual evaluation of each individual director provides a mechanism to promote Board renewal and regularly assess Board members' effectiveness. In 2020, two new directors were elected and generated Board renewal organically. If all nominees are elected at the Meeting, three of the seven directors will have been elected to the Board since 2018.

3.14 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, Environment and Community Relations Committee. The Board may form other committees from time to time as appropriate to address matters the Corporation faces. 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. As of May 2020, the members were: Marie Inkster (Chair), Catherine McLeod-Seltzer, and David Dicaire, all of whom are financially literate as such term is defined in

NI 52-110. In May 2020, Mr. Brian Edgar retired as a Lucara director and was subsequently replaced by Mr. Dicaire as a member of the Audit Committee. Should the nominated directors all be elected, no changes to the Audit Committee composition are foreseen.

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 pages 25 and 26 of this Circular).

The Audit Committee reviews with management and the 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, which include the annual and interim financial statements, MD&A and annual information form, before recommending these documents for approval by the Board.

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. PwC have been Lucara's auditors since 2010. In 2020, the Corporation's annual audit was put to tender to several audit firms qualified in both Canada and Botswana. Following the tender process, the Audit Committee recommended that PwC be re-appointed as the Corporation's auditor for the ensuing year.

The Audit Committee pre-approves all services provided by PwC. The fees paid to PwC during 2019 and 2020 were as follows:

Fiscal Year Ending	Audit Fees CDN$(1)	Audit-Related Fees CDN$(2)	Tax Fees CDN$(3)	All other Fees(4)
December 31, 2020	200,000	58,000	Nil	Nil
December 31, 2019	321,000	56,000	Nil	8,000

(1) *Audit fees represent the aggregate fees billed by the Corporation's auditors for audit services, rounded to the nearest thousand dollars. During the year ended December 31, 2019, audit fees related to Fiscal 2018 and 2019 were billed in 2019. As a result, the fees in Fiscal 2019 appear significantly higher than the fees billed in Fiscal 2020.*

(2) *Audit-related fees represent the aggregate fees billed for assurance and related services by the Corporation's auditors 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 by the Corporation's external auditor for tax compliance, tax advice and tax planning.*

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

The Audit Committee reviews the Corporation's policies and practices with respect to cash management, insurance and taxation. It also verifies 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 30, 2021, which is available on the Corporation's website or on SEDAR at www.sedar.com.

Corporate Governance and Nominating Committee

As of May 2020, the Corporate Governance and Nominating Committee consisted of a majority of independent directors: Peter J. O'Callaghan (Chair, not independent), Paul Conibear and Catherine McLeod-Seltzer. In May 2020, Mr. Brian Edgar retired as a Lucara director and was subsequently replaced by Mr. O'Callaghan as Chair of the

Corporate Governance and Nominating Committee. The Committee is responsible for developing and monitoring the Corporation's approach to corporate governance issues. Should the nominated directors all be elected, no changes to the composition of the Corporate Governance and Nominating Committee are foreseen.

The Corporate Governance and Nominating Committee oversees the effective functioning of the Board, takes steps to support the Board functioning 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 Diversity and Inclusion Policy to perform certain functions as described on pages 21 and 22 of this Circular under the section "Gender & Ethnic Diversity - Executive Officers and Board." 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 Corporate Governance and Nominating Committee delivers this annual statement on corporate governance to the Board for inclusion in the Circular.

Compensation Committee

As of May 2020, the Compensation Committee consisted of a majority of independent directors: Paul Conibear (Chair), Marie Inkster and Peter J. O'Callaghan (not independent). In May 2020, Mr. Brian Edgar and Mr. Rick Clark both retired as Lucara directors and were subsequently replaced by Ms. Inkster and Mr. O'Callaghan as members of the Compensation Committee. Should the nominated directors all be elected, no changes to the Compensation Committee composition are foreseen. For more information regarding the nature, scope, roles and responsibilities of the Compensation Committee, see page 33 of this Circular.

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

As of May 2020, the SHECR Committee consisted of a majority of independent directors: Catherine McLeod-Seltzer (Chair), David Dicaire and Eira Thomas. Eira Thomas is the Corporation's CEO and is not independent. It was determined that Ms. Thomas's knowledge of the operations of the Corporation and previous mining experience would assist the Committee in fulfilling its mandate. In May 2020, Mr. Rick Clark retired as a Lucara director and was subsequently replaced by Mr. Dicaire as a member of the SHECR Committee. Should the nominated directors all be elected, no changes to the SHECR Committee composition are foreseen. The SHECR Committee assists the Board 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.

3.15 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 (including Contractors) of the Corporation. On March 20, 2020, the Board approved certain amendments to the Code to add a new section on Crime and Money Laundering Prevention (clause 4 of the Code). This addition was included to better align with the regulatory requirements in Botswana and Canada which arise for Lucara as a seller of rough diamonds. The Code is available on the Corporation's website and has been filed on and is accessible through SEDAR at https://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. It reviews the Code on an annual basis and makes recommendations regarding compliance monitoring. In Q4 2020, online training sessions on compliance with the Code were conducted through a third-party service provider to enhance understanding and promote compliance with the Code. All employees and contractors at the Corporation's Karowe mine in Botswana, as well as at the head office of its subsidiary, Lucara Botswana (Pty) Limited and all the Corporation's executive officers and employees also completed this training.

With regards 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 contractors, 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 outlined in the Charter, the Corporation is participating in a sustainability reporting process. This process is monitored by the SHECR Committee utilizing the Global Reporting Initiatives 4 ("GRI 4") 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 the Corporation's social performance. Social performance includes, for example, an evaluation of the Corporation's impact on human rights. This monitoring assists the Corporation in conducting its business to meet high ethical standards. In addition, in 2020 the Corporation adopted a *Responsible Mining Policy* which outlines the actions the Corporation is taking to address environmental, social and governance issues, as well as the objective of planning for a positive legacy. In 2021, the Corporation has introduced a *Human Rights Policy* which is available on the website.

In 2016, Lucara became a member of the Responsible Jewellery Council (the "RJC"), a not-for-profit standard setting organization, which defines responsible ethical, human rights, social and environmental practices for businesses in the jewellery supply chain via a Code of Practices. Lucara is fully committed to adhering to the RJC Code of Practices. In 2017 Lucara was independently audited against the RJC Code of Practices and received its RJC member certification. Further information on the RJC and its Code of Practices can be found at:
www.responsiblejewellery.com.

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

3.16 DIFFERENCES FROM SWEDISH CORPORATE GOVERNANCE CODE

The Nasdaq Stockholm exchange in Sweden has a set of rules of corporate governance which are set forth in the Swedish Corporate Governance Code (the "Swedish Code"). Lucara has a secondary listing on the Nasdaq Stockholm exchange, however as its primary exchange is the TSX it follows the Corporate Governance rules applicable to a TSX listed company under Canadian securities laws ("Canadian Corporate Governance Rules"). There are differences between shareholder rights in Sweden, including the Swedish Code requirements, and Canadian Corporate Governance Rules. A description of the key differences is on Lucara's website (www.lucaradiamond.com).

3.17 SHAREHOLDER COMMUNICATIONS

Structures are in place to promote 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 Lucara's 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., 1250 Homer Street, Suite 502, Vancouver, B.C., Canada, V6B 2Y5

SECTION 4 – EXECUTIVE COMPENSATION

4.1 2020 COMPENSATION DISCUSSION AND ANALYSIS

Objectives

The goal of Lucara's executive compensation philosophy is to structure remuneration packages that are sufficiently attractive to recruit, retain and motivate qualified, high calibre executives.

Lucara's compensation practices are based on a pay-for-performance philosophy in which assessment of performance is based on the Corporation's financial and operational performance as well as individual contributions.

The compensation program is designed to reward each executive based on corporate and individual performance and is also designed to incent such executives to drive the organization's growth in a sustainable and prudent way long-term.

The following key principles guide the Corporation's overall compensation philosophy:

- Be sufficiently attractive to recruit, retain and motivate qualified, high calibre executives;
- Provide executives with compensation that is in accordance with existing market standards;
- Align the interests of Lucara's executives with those of its shareholders; and
- Link individual executive compensation to the performance of both Lucara and the individual executive.

Lucara's compensation philosophy has been designed to:

- Provide competitive base salaries that are targeted around the median (P50) of the Peer Group (defined herein); and
- Provide a market competitive incentive opportunity (through short and long-term incentives) that targets the median of the Peer Group with the ability to earn higher compensation closer to the 75th percentile for superior performance.

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 ("STIP"). Executives have no contractual right to a short-term incentive payment and as such, 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 agreed and approved criteria. For Fiscal 2020, the Board approved a framework for short-term incentive payments based on the "Balanced Scorecard" approach as this type of plan more commonly aligns with market practices (see the Short-Term Incentive Program Framework described in Performance Goals on page 30). The Board uses the payment of short-term incentives to motivate and reward executives for meeting short-term performance goals which benefit the Corporation.

Long-term Incentives ("LTIP"). The Corporation's performance-based equity incentives include stock options, restricted share units and performance share units. Performance share units were introduced in 2020. All equity-based incentives are administered by the Board. The Compensation Committee makes annual recommendations to the Board for grants of stock options and share units following the applicable year end and considers previous grants when determining award levels. The awards are made based on corporate and personal performance achievements for the previous year. This basis for providing grants is to ensure that an executive who demonstrates high performance in exceeding goals will over the long-term receive higher level of awards and the strong performance of the Corporation will result in executives receiving equity grants which have a higher value over the long-term. This form of compensation aligns the interests of executive officers with the longer-term interests of shareholders as the exercise price of options cannot be set below the market value of the Corporation's shares at the time of the grant. As options and share units vest over time they are an important executive retention strategy for Lucara. Stock options and share units are another form of compensation that is "at risk".

The Corporation recognizes that its compensation package must 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 short-, medium- and long-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 achieving short-term performance goals and share-based awards, consisting of stock options, restricted share units and performance share units as a retention strategy and to reward executives for long-term business growth. By providing base salary at a competitive level the Corporation can attract talented candidates. However, the short-term incentive provides executives with the opportunity to achieve a higher total annual reward through their own delivery of excellence at individual and business levels. Finally, the longer-term reward element (share-based awards), provides the opportunity to build ownership and better aligns with shareholder interests.

Compensation Benchmarking

Peer Group

The last external compensation survey was completed in 2019 by GGA, an external firm retained by Lucara to conduct a compensation benchmarking exercise for its executive team and Board (the "2019 GGA Report") to ensure continued alignment to the market and shareholder interests.

A compensation peer comparator group of mining companies was developed by GGA (the "Peer Group") using the following criteria:

- Companies of a fairly similar size to Lucara (0.25x to 4x), primarily from a market cap perspective, but also taking into account other factors such as total revenue and total assets;
- Companies with operations in similar geographical locations to Lucara to account for geographic risk;
- Companies mining for precious metals (specifically diamonds), where possible;
- Companies who are operational and not exclusively in the exploration stage; and
- Companies currently operating a single mining asset.

In addition, data from companies of a similar size to Lucara from within GGA's proprietary mining database was provided to the Compensation Committee as a "reality check" of the primary Peer Group data.

Using these criteria as a guideline, the Compensation Committee reviewed the Peer Group in November 2020. Due to mergers and de-listings, the Peer Group now consists of the following eleven companies, including three diamond companies:

1. Dundee Precious Metals Inc
2. Fortuna Silver Mines Inc.
3. Galiano Gold Inc.
4. Gem Diamonds Limited
5. Golden Star Resources Ltd.
6. Gran Colombia Gold Corp.
7. Guyana Goldfields Inc.
8. Mountain Province Diamonds Inc.
9. Petra Diamonds Limited
10. Roxgold Inc.
11. Sierra Metals Inc.

In determining compensation levels for 2021 and performance-based awards for 2020, the Compensation Committee used data from the Peer Group and other available information. The Compensation Committee also considered the following objectives:

- Total direct compensation to be targeted around the 50th percentile of the Peer Group;
- Reviewing the benchmark allocation between Base Salary, STIP and LTIP recommended by GGA, but with a move towards a greater weighting of "at-risk" compensation; and
- Consideration of past practice (adjusted for actual performance) for the size and value of proposed share-based awards, including key person retention incentives.

<u>Benchmarking - Executive Salaries</u>

To develop its recommendations to the Board related to executive compensation, the Compensation Committee reviewed:

1. GGA's 2020 Global Mining Compensation Survey Report;
2. the 2019 GGA Report which was prepared specifically for Lucara and included a peer group analysis, an evaluation of Total Direct Compensation ("TDC") (base salary plus short-term incentive and long-term incentive) levels and a high-level analysis of Lucara's short and long-term incentive design practices relative to the market); and,
3. various other compensation advisory firm papers issued in 2020.

Following a review of this information, the Compensation Committee recommended, and the Board of Directors approved, TDC targeted at the 50th percentile of the 2019 GGA Report Peer Group, with a 2.5% adjustment for inflation to reflect that the 2019 GGA Report data was based on fiscal 2018 compensation values.

No changes to the annual base salaries for Ms. Thomas, Ms. Boldt, Dr. John Armstrong or Ms. Hira were recommended for 2021.

Officers – January 1, 2021	2021 Salary (CAD$)[(1)]
Chief Executive Officer – Eira Thomas	$700,000
Chief Financial Officer & Corporate Secretary - Zara Boldt	$375,000
Vice President Technical Services - John Armstrong	$330,000
Vice President Corporate Development & Strategy – Ayesha Hira	$305,000

(1) During 2020, Ms. Boldt and Ms. Hira were both resident in the UK and received the Pounds Sterling equivalent of the amounts presented in Canadian Dollars in the table above, based on a fixed conversion rate of UK£=CAD1.69, rounded to the nearest thousand Canadian Dollars. In 2020, Ms. Boldt's was paid an annual salary of £221,000 and Ms. Hira's annual salary was £180,000.

Benchmarking Director Compensation

The 2019 GGA Report was used for a review of director compensation. This review indicated that director cash compensation was comparable to that of the Peer Group but, due to the lack of equity compensation, overall director compensation was less than market. The 2019 GGA Report highlighted that more than 2/3rds of Lucara's Peer Group provided equity compensation to directors, typically in the form of deferred share units ("DSUs"). Based on this finding, in February 2020 the DSU Plan (defined herein) was adopted. This plan was subsequently approved by shareholders at the May 2020 annual meeting.

No changes were recommended for director cash compensation, which has remained unchanged since 2017, given the difficult equity markets and the financial challenges of 2020.

Performance Goals

At the recommendation of GGA, in 2020 a "Balanced Scorecard" plan design was adopted to determine STIP payments for executives. This change was made to better align the Corporation's STIP with the leveraged plan design more commonly used by the Corporation's peers. A leveraged plan design communicates a lower percentage of base salary and then provides a multiplier (typically between 150% and 200%, the Corporation chose 150%) when stretch targets are achieved.

Executive – 2020 STIP Opportunity	**Threshold**	**Target**	**Superior**
Eira Thomas, President & CEO	40%	80%	120%
Zara Boldt, CFO & Corporate Secretary	30%	60%	90%
John Armstrong, Vice-President, Technical Services	25%	50%	75%
Ayesha Hira, Vice-President, Corp. Development & Strategy	25%	50%	75%

For 2020, the "Balanced Scorecard" included five metrics critical to the achievement of the Corporation's goals that were measured as part of the "Corporate" Key Performance Indicators ("KPIs"). Specific performance criteria for each of "threshold", "target" and "superior" performance were developed for these five key metrics:

- Environment, health, safety and social;
- Production;
- Cost;

- Underground expansion; and
- Clara.

Alignment of Compensation Programs and Risk Management

Risk management is a primary consideration of the Board when implementing its compensation program. The compensation program is structured to reduce the focus on short-term results and excessive risk taking by implementing the following strategies:

- 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 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.
- The Board implemented a claw-back of compensation that applies to all annual short-term incentive payments awarded on or after January 1, 2017. The claw-back applies to the officers of the Corporation and provides the Corporation with the discretion to recover a short-term incentive payment in the event it is found that the achievements relating to such payment involved fraud, theft, or other intentional illegal conduct on such officers' part.
- Commencing in 2019, the Board recommended that a claw-back provision also be applied to long-term incentive awards earned by officers of the Corporation. On March 20, 2019, the Board approved the inclusion of this claw-back provision and certain other amendments to the Option Plan (defined herein).
- The Corporation's Option Plan includes 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 a 4 year term and 36-month vesting provisions such that the first third of the options vest one year after grant, the second third vest two years after the grant date and the final third vest three years from the grant date.
- Pursuant to the terms of the Corporation's Share Unit Plan, restricted share units awards do not vest until three years after the date of the award which reduces the risk of short-term decision making. On March 18, 2020 the Board approved the inclusion of a claw-back provision and certain other amendments to the Share Unit Plan. This covers both restricted and performance share unit awards.
- In February 2020, the Corporation granted performance share units to senior members of management. Under the terms of the Corporation's Share Unit Plan, the number of performance share units that ultimately vest will be dependent on the achievement of pre-established metrics related to total shareholder return and cash-flow from operations at the end of a three-year period. The time to vest reduces the risk of short-term decision making as well as the metrics are also aligned with shareholder interest.
- Lucara's Board 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.
- The Board has established share ownership guidelines for non-employee directors to demonstrate their commitment to Lucara's long-term success and to align their interests 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 the basic annual retainer of CAD$100,000. These shares must be acquired within four years of joining the Board. As of the date of this Circular, all directors standing for re-election met these guidelines.
- The Board also believes it is important for senior management to have equity ownership in the Corporation to demonstrate their commitment to Lucara's long-term success and to align with shareholders. This is consistent with the nature of the Corporation's long-term incentive program which includes the issuance of both stock options and share units (only share units count towards the share ownership requirement). Under the share ownership guidelines for executives, the ownership level should be achieved by the executive within five years of the implementation of the guidelines (the guidelines were adopted February

23, 2020), or if an officer is appointed after implementation, within five years of their appointment as an officer.

Prior to 2020, the executive share ownership requirement was a flat number of shares. The *Executive Share Ownership Guidelines* were revised as of February 23, 2020 such that Officers of the Corporation must own Qualifying Shares with a value, calculated at the time of the stock purchase or at the current share purchase price, whichever is greater, equal to a multiple of the Officer's annual base salary. Executive share ownership as of the date of the Circular was as follows:

Position and Multiple of Annual Base Salary Required	Share Ownership Value Required	# of Shares Owned	# of Restricted Share Units Granted (1)	# of Performance Share Units Granted (1)	Assessment
CEO – 3.0x	$2,100,000	5,401,299	1,093,595	455,000	Compliant
CFO - 1.5x	$562,500	162,000	773,074	290,000	Compliant
VP, Technical Services – 1.0x	$330,000	280,063	525,966	224,000	Compliant
VP, Corp. Dev. & Strategy – 1.0x	$305,000	Nil	474,739	213,000	Compliant

(1) Unvested restricted and performance share units held by an executive count towards the achievement of the applicable ownership guideline.

Consultant Work and Fees

In 2019, the Compensation Committee retained GGA to review and make recommendations regarding director and executive compensation. GGA were paid a fee of CAD$20,900 plus direct expenses and GST for these services rendered in 2019. No consulting fees were paid to external compensation consultants in 2020.

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. The Board of Directors has ultimate responsibility for evaluating the CEO's performance and determining CEO compensation.

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 consists of three members, a majority of whom are independent directors. Following the 2020 annual meeting where Messrs. Clark and Edgar retired, the Compensation Committee was reconstituted with these members: Paul Conibear (Chair), Marie Inkster and Peter J. O'Callaghan. In 2020, the Compensation Committee met a total of six times with all members of the Compensation Committee at the time being present for each meeting.

Skills and Experience of Compensation Committee Members

All members of the Compensation Committee have direct experience which is relevant to their responsibilities as Compensation Committee members. Two of the three members are currently or have served as the CEO for a public company, and therefore have a good understanding of how compensation works and how to motivate staff. Mr. O'Callaghan is a senior partner at a national Canadian law firm and has served as a member of that firm's national executive committee and national compensation committee and is currently the managing partner of one of the firm's large regional offices. All members have financial expertise which allows them to assess the costs versus benefits of the Corporation's 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.

The Compensation Committee members for the year ended December 31, 2020 were as follows:

Name	Independent[(1)]	Education and Experience Relevant to Performance of Compensation Committee Duties
Paul Conibear (Chair)	Yes	Mr. Conibear, an engineer, was in a senior executive role in the resource sector until mid-2018 and has extensive experience in serving as a compensation committee member with other public company boards.
Marie Inkster	Yes	Ms. Inkster is a CEO of a mining company and therefore has relevant experience in compensation matters.
Peter J. O'Callaghan	No	Mr. O'Callaghan is a corporate lawyer and has experience advising many public companies on a variety of matters, including compensation. He has served as a member of his firm's national executive committee and national compensation committee and is currently the managing partner of one of his firm's large regional offices.

(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, reasonably interfere with the exercise of a member's independent judgment or is otherwise deemed to have a material relationship under NI 52-110. Mr. O'Callaghan is a senior partner at the law firm of Blake, Cassels & Graydon, LLP. While Mr. O'Callaghan does not provide legal advice to the Corporation directly, other partners at his firm do. As a result of this relationship, Mr. O'Callaghan is not considered independent.

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.

4.2 COMPENSATION OF NAMED EXECUTIVE OFFICERS

Lucara's Named Executive Officers ("NEOs") for 2020 include the Corporation's Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executives of the Corporation and its subsidiaries. One of the NEOs holds a position with Lucara's indirect, wholly-owned subsidiary, Lucara Botswana (Pty) Limited ("Lucara Botswana").

The list of NEOs is as follows:

Name	Title	Date of Appointment
Eira Thomas	President and Chief Executive Officer, Lucara ("CEO")	February 25, 2018
Zara Boldt	Chief Financial Officer and Corporate Secretary, Lucara ("CFO")	April 1, 2018
Dr. John Armstrong	Vice President, Technical Services, Lucara ("VP Technical Services")	August 2, 2013
Naseem Lahri	Managing Director, Lucara Botswana ("Lucara Botswana MD")	May 1, 2018 (1)
Ayesha Hira	Vice President, Corporate Development & Strategy ("VP Corp Dev")	June 11, 2018

(1) Previously Ms. Lahri served as the CFO for Lucara Botswana

2020 Named Executive Officer Compensation Results

The Board reviewed Lucara's 2020 performance and the analysis and recommendations of the Compensation Committee and approved all decisions on executive compensation for the four NEOs who were Lucara officers in 2020: the CEO, CFO, VP Technical Services, and VP Corporate Development & Strategy (the "Officer NEOs"). The Board also approved decisions, based on the CEO's and the Compensation Committee's recommendations, for the awards for long-term incentives for the Managing Director of Lucara Botswana (the "Lucara Botswana NEO"). The Lucara CEO and CFO reviewed Lucara Botswana's performance and the individual performance of the Lucara Botswana NEO and made decisions regarding: (i) her Base Salary; and (ii) short-term incentive using a set of KPIs similar to the KPIs applicable to the assessment of performance for the Officer NEOs.

(i) Base Salaries

As discussed above under *Benchmarking - Executive Salaries*, the Compensation Committee considered benchmarking data for the Officer NEOs and made no adjustments to the base salaries of the Officer NEOs for fiscal 2021. For fiscal 2020, no salary adjustments were awarded to the Officer NEOs. Officer NEO compensation is established in Canadian Dollars but paid in British Pounds Sterling for the two Officer NEOs, Ms. Boldt and Ms. Hira, who are currently resident in the UK.

As noted above, the Lucara Botswana NEO, Ms. Lahri, is an employee of the Corporation's subsidiary Lucara Botswana. As she is not an officer of the Corporation, her salary is not reviewed by the Compensation Committee but is determined by the CEO and CFO. The Lucara Botswana NEO is compensated in Botswana Pula ("BWP").

(ii) Long-term Incentives

In determining the quantum of long-term incentive awards for the Officer NEOs, the total potential amount available to be earned was based on TDC at the 50th percentile of the Peer Group, based on the 2019 GGA Report and adjusted by 2.5% for inflation, less amounts paid for base salary and short-term incentives. The resulting dollar value ("LTIP Award Amount") was then used to determine the number of stock options and share units to be granted, with a weighting of 25% to stock options, 50% to restricted share units and 25% to performance share units.

An option value of $0.65 was used to determine the number of stock options to be granted (the Black-Scholes value of the stock option granted on February 25, 2021 was $0.27) and a share price of $0.80 was used to determine the number of restricted and performance share units to be granted (the actual share price on the February 25, 2021 date of grant was $0.75).

Stock Options

The NEOs each received stock option grants in February 2021 based on individual and the Corporation's 2020 performance, their level of responsibility and their ability to impact the Corporation's results (the value of such option grants, calculated using the Black-Scholes option pricing methodology, is set out below in the Summary Compensation Table).

Position	Executive	February 2021 Option Grant[1]
President and CEO	Eira Thomas	345,000
CFO & Corporate Secretary	Zara Boldt	204,000
VP Technical Services	John Armstrong	177,000
Lucara Botswana MD	Naseem Lahri	120,000
VP Corporate Development & Strategy	Ayesha Hira	171,000

(1) Based on 2020 Performance

Share Units

The Compensation Committee views the granting of share units as an important method, when combined with the minimum share ownership levels for officers, to align senior management's interests with shareholders and to promote retention. The NEOs received share unit awards in February 2021, based on their individual performance, the Corporation's 2020 performance, their level of responsibility and their ability to impact the Corporation's results (the value of such awards is set out below in the Summary Compensation Table).

Position	Executive	February 2021 Restricted Share Unit Award [1]	February 2021 Performance Share Unit Award [1]
President and CEO	Eira Thomas	560,000	280,000
CFO	Zara Boldt	330,000	165,000
VP Technical Services	John Armstrong	285,000	142,000
Lucara Botswana MD	Naseem Lahri	200,000	75,000
VP Corporate Development & Strategy	Ayesha Hira	278,000	139,000

(1) Based on 2020 Performance

Performance criteria for the 2021 performance share unit awards will be based on three criteria:

1. The total shareholder return of Lucara (25% weighting) over a three-year lookback period with the Corporation's share price of $0.52 as of December 31, 2020 as the measurement point.
2. The total shareholder return of Lucara's Diamond Peer Group (25% weighting) over a three-year lookback period.
3. Cash flow from operations (50%) measured annually from the audited financial statements over the three-year period against budgeted cash flow from operations for the respective fiscal year.

(iii) *Annual Short-Term Incentives*

The Officer NEOs are eligible for short-term incentives following an assessment by the Compensation Committee in accordance with the Corporation's STIP framework for executives, which uses a "Balanced Scorecard" approach to measure achievement. Short-term incentives related to fiscal 2020 performance metrics were paid in March 2021 (following the release of the Corporation's 2020 audited financial results).

The short-term incentive payment for the Lucara Botswana NEO was determined by the Lucara CEO and CFO following an evaluation of performance against several operational KPIs related to safety and the environment, operational performance, financial targets, and leadership.

The 2020 performance metrics and achievement against the 2020 performance metrics as well as the results considered as part of the assessment process for the Officer NEOs are described below. The weighting of the 2020 performance evaluation was 80% corporate KPIs and 20% individual performance for each of Ms. Thomas and Ms. Boldt, and 60% corporate KPIs and 40% individual performance for each of Dr. Armstrong and Ms. Hira.

Overview of 2020 Corporate Performance

Despite signs of a strengthening diamond market at the beginning of 2020, the global pandemic took hold in late February and manifested in very weak rough diamond prices and polished demand until late in the third quarter, 2020. Early into the pandemic, mining was declared an essential service by the Government of Botswana and Lucara's Management took swift action to implement a crisis management plan in support of continued, safe operations at the Karowe mine as well as at the head office and sales facilities in Gaborone. In conjunction with this effort, management sought ways to reduce costs across the organization, including adjustments to the mine-plan, a re-scoping of the 2020 underground project expenditures, and a reduction of corporate costs.

The most difficult challenge for the organization to mitigate, however, was the inability to sell the rough diamond production for predictable revenues. Not only did international borders around the world shut down, making transport of rough diamonds difficult or impossible in Q2 2020, rough diamond buyers were also unable to travel to attend tender sales. The pandemic acted as a strong catalyst for buyers to find alternative ways to transact diamonds resulting in Clara, the Corporation's online, digital sales platform, attracting significant interest. In March 2020, the Corporation received permission from the Government of Botswana to export rough diamonds to Antwerp for sale. However, rough diamond prices at the height of the crisis were still being discounted by as much as 40% for rough diamonds being sold out of Antwerp. As a result, the Corporation decided not to sell any of its +10.8 carat diamonds after Q2 2020 in favour of negotiating a novel sales agreement with HB Group out of Antwerp in the belief that this type of sales arrangement, together with Clara, would position the Corporation to achieve better prices and increased demand for Karowe diamonds over the medium to longer term. As part of this new sales strategy, two ground-breaking agreements were negotiated and concluded with the world's largest leading luxury brand Louis Vuitton.

Advancing the underground expansion project also remained a top priority in 2020. This involved a significant reduction in the planned spend for 2020 and necessitated a complete re-scoping of the schedule and plan. Management also evaluated several financing options for the underground expansion and commenced a technical due diligence process in Q4 2020 in support of these efforts.

Overshadowing these achievements has been the weak prevailing market for rough diamonds and the lack-lustre performance of Lucara's share-price, which though better than the Peer Group, continues to highlight a lack of investor interest in the space. This started to change in late 2020, but the ongoing uncertainty associated with the pandemic is likely to result in continued volatility, at least through 2021.

The achieved performance for the 2020 corporate KPIs was as follows:

KPI	Weighting	Achievement	Summary Assessment (See detailed analysis below table)
EHSS	10%	110%	All target performance measures were achieved, with health and safety performance achieved between "target" and "superior"
Production	25%	50%	For 2020, this KPI focused on the achievement of the Corporation's revenue target, which is estimated from the annual mine plan ("KDE"). Despite an otherwise strong operational performance and the use of alternative sales channels (agreements with Louis Vuitton on two unique stones plus an agreement with the HB Group) the 2020 revenue targets were not achieved, resulting in a negative impact on cash flow from operations. Production results were strong and in line with revised targets approved by the Board in response to the pandemic (see table below).
Cost	25%	125%	After adjusting for f/x and a Board approved reduction of total tonnes mined in response to the pandemic, the achieved cost per tonne is mid-way between the target operating cost per tonne processed and the superior performance target (12% below budget).
Underground	30%	100%	Several sub-criteria were used to measure this KPI: budget, scope, schedule, core activities and construction activities. The underground expansion program was significantly impacted by the pandemic. Despite a greatly reduced scope and budget, meaningful progress was made to advance those work streams that could be advanced and detailed engineering has helped to de-risk the project.
Clara	10%	0%	Addition of third-party production to the platform, a "threshold" metric, was not met resulting in an award of zero.
Total	**100%**	**85%**	**Weighted average achievement of 2020 Corporate KPIs**

LUCARA DIAMOND

A. Environment, Health, Safety & Social – Superior Performance Achieved

Key Criteria	Achievement	Detailed Assessment
LTIFR	0.43	1 LTI during 2020; achievement better than target of an occurrence rate of <= 1.0 but not at "superior" achievement of zero.
AIFR	0.60	7 incidents; achievement better than target of an occurrence rate of <= 2.0 but not at "superior" achievement of zero.
Environmental Compliance	Target achieved	No material environmental non-compliance.
Amended Mining License	Received	A 25-year extension to the mining license was received on December 31, 2020 with similar terms & conditions to the original license for the open pit.
Sustainability Reporting	Target achieved	Sustainability Report issued in May 2020 links the Corporation's performance on economic and social metrics to the GRI and UN Global Compact Sustainable Development Goals "(SDGs").
Sustainability Projects	Target achieved	The Mokubilo Farm was recognized by the Government of Botswana as a critical initiative for food security; MoU signed with the Canada-Africa Chamber of Business to develop food security projects within Botswana.

B. Production – Threshold Performance Achieved

Key Criteria	Against Original Budget	Against Revised Budget	Assessment
Ore Mining	80%	91%	Mine plan reworked to prioritize ore directly to the plant with limited stockpiling (to reduce rehandling expense).
Waste Mining	69%	90%	Reduction in tonnage as a cost saving measure in response to the pandemic. Tonnes deferred will be caught up in 2022 and 2023.
Ore Processed	102%	102%	Successful upgrade of 5 XRT machines. Regular maintenance is reducing process downtime. Process contract insourcing complete.
Carats Recovered	97%	95%	Consistent carat recoveries, including two stones through the Mega Diamond Recovery circuit (549 carat Sethunya in February and the 998 carat in November).
Carats Sold	102%	98%	4 quarterly tenders held (3 in Antwerp); 23 sales through Clara (~every 10 days) by year-end; innovative agreements with Louis Vuitton and the HB Group to polish stones > 10.8 carats, allowing the Corporation to participate in potential upside from polishing.
Grade	95%	93%	Carat recoveries and SFD are consistent with the resource
Gross Revenue	Significant reduction from target revenue due to the overall market conditions for large stones and the decision not to sell any +10.8 carat diamonds into a weak market. Second collaboration agreement with Louis Vuitton announced for the 549 carat Sethunya.		

C. Cost – Superior Performance Achieved

Key Criteria	Description	Assessment
F/X Assumption	US $1.00 = BWP 10.5	Cost per tonne processed, adjusted for F/X, is $30.23
Ore Tonnes Processed	2,632,035 tonnes	2,676,066 ore tonnes processed (+2%)
Adjustments	Reduction of ~ 2.0 million tonnes mined as a cost saving measure in 2020. Increased cost per tonne processed to give effect to the reduced volumes mined. **Achieved: Better than budget for cost per tonne processed**	

D. Underground Expansion – Target Performance Achieved

Key Criteria	Original Objectives	Assessment
Budget	The original 2020 budget was $53.4 million, to be funded from cash flow which was rescoped to $22.0 million in response to the pandemic.	Spending remained on track against a rescoped budget, within the context of reduced activity levels due to the pandemic and cash constraints. Total overall project cap-ex remained consistent at $514 million.
Scope	Re-scoped to focus on critical path, long lead-time equipment and detailed engineering.	Key contract separated into three components to permit limited procurement of critical path items whilst limiting financial exposure and long-term commitments, pending financing. Detailed design and engineering for shafts progressed in line with original targets.
Schedule	Five year build with February 2025 production start date. Pandemic / financing delays have pushed this back.	Efforts made to protect the schedule as much as possible. Various alternatives were considered. The revised schedule prioritized long lead cap-ex procurement, but shaft construction and the camp deferred to 2021. Re-based project capital/schedule completed in May and updated in October to align with proposed project financing schedule.
Core Activities	Detailed engineering work for the shaft, underground dewatering and the BPC power-line, as well as permitting, procurement and recruitment.	Critical long-lead equipment was ordered and detailed engineering progressed, as has work related to the BPC power-line ("way-leave" approval received in Nov. 2020) and recruitment. A 25-year extension to the mining license was received as of December 31, 2020 and the EMP was approved. Due to updated assessments and schedule delays, focus on surface dewatering for open pit and underground.
Construction Activities	Grout curtain installation, camp, vent and shaft pre-sink construction.	A reduced scope of critical civil work was completed using local contractors and good progress has been made to mitigate dewatering risk. Both a vent shaft geotechnical core hole and a production shaft geotechnical hole were completed.

E. Clara – Threshold Target Not Met

Key Criteria	Description	Assessment
3rd party production	Key objective for 2020	Not achieved.
The number of manufacturers purchasing	Target not specified	Customer base grew 178% to 75 buyers. Growth constrained by lack of supply.
Frequency of sales	Target not specified	23 sales completed in fiscal 2020. Sales now occurring ~every 10 days with increasing volumes (supply constrained). Successfully completed 3 sales between April and May during global lockdowns.

F. Individual Performance Ratings

Each of Ms. Eira Thomas (CEO), Ms. Zara Boldt (CFO & Corporate Secretary), Dr. John Armstrong (Vice-President, Technical Services), and Ms. Ayesha Hira (Vice-President, Corporate Development & Strategy) achieved ratings of between 97-99% for their individual contributions (20-40% weighting) during fiscal 2020.

In the evaluation of the CEO's performance, the Compensation Committee considered that Ms. Thomas responded with good leadership from the onset of the pandemic with critical action taken and progress achieved including:

- rapid institution of successful protocols in response to the pandemic;
- negotiation of the HB agreement whereby the Corporation received upfront payment for rough diamonds delivered thereby securing steady cash flow during a period of significant volatility in diamond markets;
- reducing operating costs with a refined mine plan and reduced corporate overhead costs;
- promptly reducing scope of the underground project yet maintaining progress on the critical path;
- securing a landmark sales agreement with Louis Vuitton;
- notably increasing the number of subscribers on Clara; and
- excellent overall communication through a very challenging time.

In 2020, Zara Boldt, CFO & Corporate Secretary, provided strong financial leadership. Notable accomplishments included:

- regular, detailed cost forecasts, revised budgets, liquidity checks and sound financial reporting to the CEO, site, and the Board as the pandemic evolved;
- securing an amended corporate revolver and adding a second lender to the working capital facility to ensure the Corporation had sufficient liquidity;
- careful cash management and leadership of corporate and site cost reductions with the result being better than budget operating cost performance and a stable balance sheet;
- careful monitoring of new sales agreement terms and payments as well as underground project costs with overall expenditures coming in right on the re-scoped approved budget; and
- advancing underground project financing initiatives with credible international financial institutions.

In 2020, the accomplishments of Dr. John Armstrong, Vice-President, Technical Services included:

- Despite the challenges of COVID-19, the operating environment at Karowe remained safe and stable under a revised mine-plan that adhered to strict new pandemic-related operating protocols and successfully reduced costs;
- The resource continued to perform well against carats recovered, the % recovery of specials and adherence to the Size Frequency Distribution;

- The XRT upgrade project, a large and critical capital project for the Company, was successfully completed on time and budget;
- Leadership of the underground expansion project, which was completely re-scoped under a reduced 2020 budget. A key objective and an important milestone for the underground project was the receipt of a mining license renewal in December 2020, granting an extension for mining operations at Karowe out to 2046; and
- Active role engaging with external reviewers as part of technical and market due diligence processes related to a potential underground project financing initiative.

In 2020, the significant accomplishments of Ayesha Hira, Vice-President, Corporate Development & Strategy included:

- Active assessment of various financing alternatives for the underground expansion project;
- Regular assessment of M&A opportunities and corporate strategy; and
- Significant engagement with analysts, shareholders and stakeholders during a period of significant uncertainty and share price volatility.

In 2020, Naseem Lahri, Managing Director of Lucara Botswana led:

- Government relations in Botswana, successfully negotiating permission for the Corporation to hold tenders in Antwerp while international travel restrictions were in place and obtaining permission from the Government for a new way of selling stones > +10.8 carats;
- A rapid and thorough response to the impact of the pandemic in Botswana through the implementation of new health and safety protocols throughout the organization and regular communication with stakeholders;
- Successful insourcing of the plant processing contract mid-year;
- Operating cost saving initiatives, implementing changes that didn't impact carat recoveries; and
- Several new community-driven sustainability initiatives with specific focus on food security and gender-based violence.

The following chart sets out the performance metrics achieved and STI award paid to each of the NEOs:

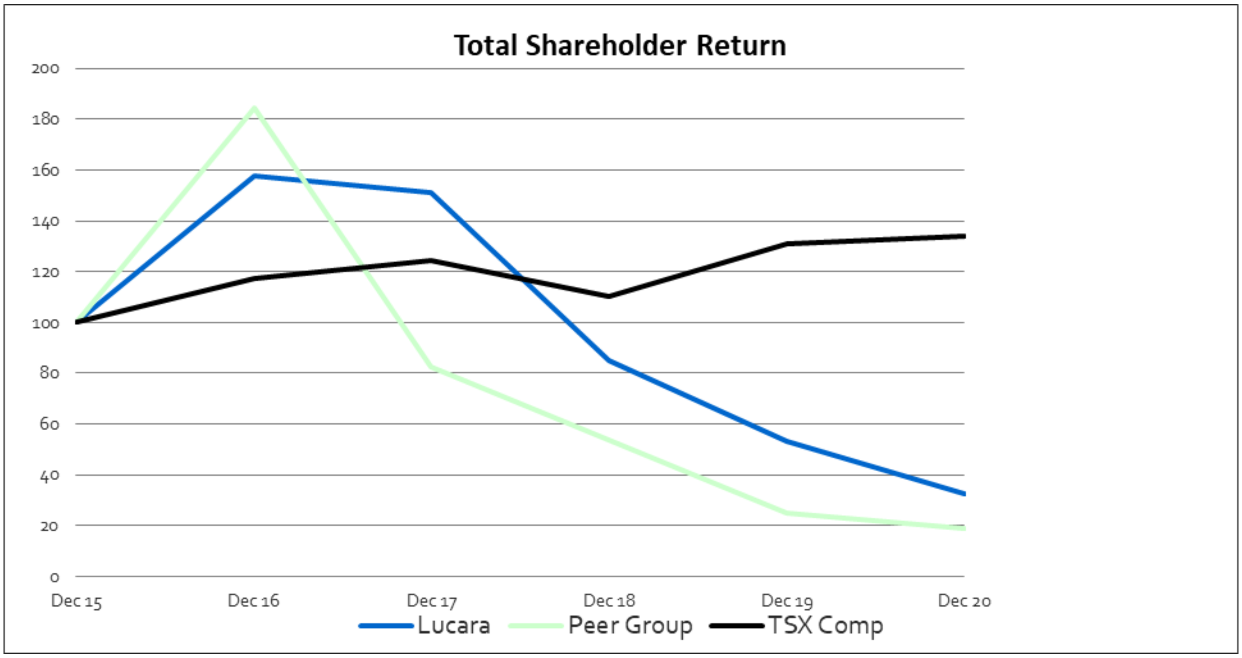
Position	Executive	% of STI Metrics Achieved	Target STI (%)(1)	STI Payment (%)(1)	STI Payment (CAD$)(2)
CEO	Eira Thomas	98%	80%	78%	548,000
CFO	Zara Boldt	98%	60%	59%	220,000
VP Technical Services	John Armstrong	99%	50%	49%	163,000
Lucara Botswana MD	Naseem Lahri	69%	90%	62%	201,000
VP Corporate Development	Ayesha Hira	97%	50%	49%	148,000

(1) As a percentage of base salary, rounded to the nearest thousand Canadian Dollars

(2) The following conversion rates, being the Bank of Canada average rates for 2020, were used to convert the STI payment earned by the Lucara Botswana NEOs in 2020 from the Botswana Pula into Canadian Dollars: CAD$1.00=BWP8.52.

Performance Graph

The following graph shows the total cumulative return on a CAD$100 investment in Common Shares from December 31, 2015 compared to the cumulative total return of the TSX Composite Index and a diamond sector index comparator group, consisting of Petra Diamonds Ltd., Mountain Province Diamonds Inc., Gem Diamonds Limited, Stornoway Diamond Corporation (prior to delisting in 2019) and Firestone Diamonds PLC (prior to delisting in 2020), through the five years ending December 31, 2020, assuming reinvestment of all dividends. During the five years ended December 31, 2020, Lucara paid dividends of CAD$ 318.5 million.



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

Three of the four Lucara NEOs were appointed during the year ended December 31, 2018. Total compensation in 2018 included "New Hire Stock Option Grants" and "New Hire Share Unit Grants" awarded to the NEOs appointed in 2018, as well as an initial share unit grant to the Lucara Botswana NEO. No changes to base salaries for the Lucara NEOs have been made since 2018, apart from an increase in the base salary of the Vice-President, Technical Services in 2019.

In 2019, total NEO compensation was largely unchanged as TDC was targeted at P50 of the Corporation's Peer Group. The industry experienced significant decreases in equity value and the rough diamond market remained under significant pricing pressure in late 2018 and 2019. This impact is visible in the total shareholder return in comparison to the TSX composite.

In 2020, total NEO compensation was again targeted at P50 of the Peer Group, with a greater emphasis on "at risk" compensation and a move to a "Balanced Scorecard" approach for STIP. Lucara has outperformed its Peer Group with strong operational results, although the 2020 financial results reflected a very challenging market for diamond equities.

4.3 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (CAD$)	Option-based Awards(2) (CAD$)	Restricted Share Awards(3) (CAD$)	Non-Equity Annual Incentive Plan(4) (CAD$)	All Other Compensation (5) (CAD$)	Total Compensation (1) (CAD$)
Eira Thomas CEO(6)	2020 2019 2018	700,000 700,000 592,000	94,000 24,000 191,000	630,000 462,000 641,000	548,000 722,000 520,000	- - -	1,972,000 1,908,000 1,946,000
Zara Boldt CFO(7)	2020 2019 2018	375,000 375,000 281,000	56,000 31,000 73,000	371,000 289,000 343,000	220,000 330,000 200,000	- - -	1,022,000 1,025,000 897,000
Naseem Lahri Lucara Botswana MD	2020 2019 2018	322,000 314,000 265,000	33,000 23,000 24,000	206,000 173,000 213,000	201,000 219,000 242,000	91,000 91,000 90,000	853,000 820,000 834,000
John Armstrong VP Technical Services	2020 2019 2018	330,000 330,000 286,000	48,000 24,000 24,000	320,000 189,000 120,000	163,00 208,000 175,000	- - 10,000	861,000 751,000 605,000
Ayesha Hira VP Corporate Development & Strategy(8)	2020 2019 2018	305,000 305,000 203,000	47,000 23,000 18,000	313,000 171,000 155,000	148,000 177,000 86,000	- - -	813,000 696,000 462,000

(1) *All amounts in the Summary Compensation Table are rounded to the nearest thousand Canadian dollars. Ms. Thomas, Ms. Boldt, and Dr. Armstrong were paid in Canadian Dollars and British Pounds Sterling during 2019 and 2020, and in Canadian dollars prior to 2019. Ms. Hira is paid in British Pounds Sterling. Ms. Lahri is paid in Botswana Pula. A fixed conversion rate of CAD$1.00=UK£0.59 was used to convert the salaries paid to Ms. Boldt and Ms. Hira in the table above. The following conversion rates were used to convert salary payments for presentation in Canadian Dollars:*

- *Financial year ended December 31, 2020 average exchange rate of Botswana Pula 1=CAD$0.117.*
- *Financial year ended December 31, 2019 average exchange rate of Botswana Pula 1=CAD$0.123.*
- *Financial year ended December 31, 2018 average exchange rate of Botswana Pula 1=CAD$0.127.*

(2) *This column represents stock option awards earned in respect of the corresponding year's performance. Awards for 2020 performance were made in 2021, awards for 2019 performance were made in 2020, and awards for 2018 performance were made in 2019. The amounts represent the fair value, on the date of grant, of awards made under Lucara's Option Plan. The value has been determined using the Black-Scholes model. 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. Stock option values are calculated in Canadian dollars. 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. When determining the award value for 2020, an option value of CAD$0.65 was used. This compares to the Black-Scholes value of CAD$0.27 which is used for accounting/presentation purposes in the table above.*

(3) *This column represents share unit awards earned in respect of the corresponding year's performance. Awards for 2020 performance were made in 2021, awards for 2019 performance were made in 2020, and awards for 2018 performance were made in 2019. Awards reported in 2018 include the value of initial share unit awards to three of the four Lucara NEOs who were appointed in 2018 and the Lucara Botswana NEO upon acceptance of their new roles. Share units' values were calculated in Canadian dollars based on the fair value of Common Shares on the grant date. The amount presented in the table represents the fair value of the share unit as at the*

date of grant. The Corporation's restricted and performance share units vest three years from the date of grant. In determining the number of restricted share units and performance share units to be granted, the Compensation Committee used an estimated share price of CAD$0.80; the share price at the date of grant was CAD$0.75.

(4) *This column represents STI awards earned in respect of the corresponding year's performance. Payment of the 2020 STI award was made in February or March 2021. Payment of the 2019 STI award was made in March 2020. Payment of the 2018 STI award was made in February 2019. STI payments for employees of Lucara Botswana were made in Botswana Pula and translated to Canadian dollars at the rates disclosed in note (1) to the table.*

(5) *Amounts in this column typically consist of benefits greater than CAD$50,000 or 10% of the executive's base salary which are not given to all employees. The amounts for Dr. Armstrong represent accrued holidays paid out for the year ended 2018. Ms. Lahri, as an employee of Lucara Botswana, receives a gratuity in lieu of a pension, calculated at 20% of her base salary. The gratuity is payable every three years.*

(6) *Ms. Thomas was appointed President and CEO effective February 25, 2018.*

(7) *Ms. Boldt was appointed CFO and Corporate Secretary effective April 1, 2018.*

(8) *Ms. Hira was appointed VP Corporate Development and Strategy effective June 11, 2018.*

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plan for Lucara employees. Lucara Botswana senior management, due to their employment in Botswana, are entitled to receive a gratuity equivalent to 15% of their base salary for the first 3 years of employment and 20% of their base salary thereafter in lieu of a pension. These amounts are accrued on an annual basis and paid every third year.

Liability Insurance

The Corporation is obligated to provide all Officer NEOs with liability insurance appropriate to the nature of their responsibilities.

Termination and Change of Control Benefits- NEOs

Except as disclosed below, all Officer NEOs have written employment agreements with Lucara. Ms. Lahri has a written employment agreement with Lucara Botswana.

Ms. Thomas

Employment Agreement in effect on December 31, 2020 – Ms. Thomas

Pursuant to the employment agreement in effect on December 31, 2020:

- if Ms. Thomas' employment had been terminated without cause; or
- if Ms. Thomas terminates her agreement for good reason i.e. a material reduction in her base salary or entitlement to receive incentives, a material reduction in the scope of her services, a requirement that she relocate or a material breach by the Corporation of her employment agreement,

she would have been entitled to receive a payment equal to her salary for 24 months, a payment equal to the average STI award she earned in the past two years prior to her termination, and if less than two STI awards have been made, a target STI amount, and benefits for a 12 month period. Also, Ms. Thomas' options and share units would have become fully vested. If such a termination of her employment had occurred on December 31, 2020, it is estimated the total value of Ms. Thomas' severance package would have been CAD$2,035,000 (*rounded*).

Ms. Boldt

Pursuant to the employment agreement with Ms. Boldt:

- if Ms. Boldt's employment is terminated without cause; or
- if Ms. Boldt terminates her agreement for good reason i.e. a material reduction in her base salary or entitlement to receive incentives, a material reduction in the scope of her services, a requirement that she relocate or a material breach by the Corporation of her employment agreement,

she will be entitled to receive a payment equal to her salary for 18 months, a payment equal to the STI award she earned in the year prior to her termination and benefits for a 12 month period. Also, Ms. Boldt's options and share units will become fully vested. If such a termination of her employment had occurred on December 31, 2020, it is estimated the total value of Ms. Boldt's severance package would have been CAD$790,000 (*rounded*).

Ms. Lahri

Pursuant to the employment agreement between Lucara Botswana and Ms. Lahri, if Ms. Lahri's employment is terminated without cause she will be entitled to receive a payment equal to 3 months' salary and a payment with respect to an accrued 20% gratuity in lieu of a pension. In addition, as her employment with Lucara Botswana is longer than two years, her share options and share units will become fully vested in the event her employment is terminated without cause. It is estimated the total value of Ms. Lahri's severance package would have been CAD$82,000 (*rounded*) if a termination of her employment had occurred on December 31, 2020.

Dr. Armstrong

Pursuant to the employment agreement with Dr. Armstrong:

- if Dr. 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 STI award he earned in the year prior to his termination (provided it is not greater than his annual base salary). Also, Dr. Armstrong's options and share units will become fully vested. If such a termination of his employment had occurred on December 31, 2020 it is estimated the total value of Dr. Armstrong's severance package would have been CAD$493,000 (*rounded*).

Ms. Hira

Pursuant to the employment agreement with Ms. Hira:

- if Ms. Hira's employment is terminated without cause; or
- if Ms. Hira terminates her agreement for good reason i.e. a material reduction in her base salary or entitlement to receive incentives, a material reduction in the scope of her services, a requirement that she relocate or a material breach by the Corporation of her employment agreement,

she will be entitled to receive a payment equal to her salary for 12 months, a payment equal to the STI award she earned in the year prior to her termination and benefits for a 12 month period. Also, Ms. Hira's options and share units will become fully vested. If such a termination of her employment had occurred on December 31, 2020, it is estimated the total value of Ms. Hira's severance package would have been CAD$458,000 (*rounded*).

Outstanding Option and Share based Awards

The following table sets forth for each NEO all awards outstanding at the end of 2020.

NEO	Grant Date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options (#)	Option exercise price (CAD$)	Option expiration date	Value of unexercised in-the-money options (CAD$)[1]	Number of shares or units of shares that have not vested [3] (#)	Market payout value of share-based awards that have not vested [2] (CAD$)	Market payout value of share-based awards not paid out or distributed (CAD$)
Eira Thomas President & CEO	February 27, 2018	300,000	2.49[6]	February 27, 2022	-	200,000	104,000	-
	February 25, 2019	138,000	1.64[10]	February 25, 2023	-	103,000	53,560	-
	February 26, 2020	105,000	0.77[11]	February 26, 2024	-	600,000	312,000	-
	Various (dividend SUs)	-	-	-	-	27,745	14,427	-
Zara Boldt CFO	April 1, 2018	125,000	2.05[7]	April 1, 2022	-	125,000	65,000	-
	February 25, 2019	69,000	1.64[10]	February 25, 2023	-	53,000	27,560	
	February 26, 2020	135,000	0.77[11]	February 26, 2024	-	375,000	195,000	
	Various (dividend SUs)	-	-	-	-	15,074	7,838	-
John Armstrong VP, Technical Services	March 8, 2017	60,000	2.80[5]	March 8, 2021	-	-	-	-
	February 27, 2018	60,000	2.49[6]	February 27, 2022	-	49,000	25,480	-
	February 25, 2019	96,000	1.64[10]	February 25, 2023	-	73,000	37,960	-
	February 26, 2020	105,000	0.77[11]	February 26, 2024	-	246,000	127,920	-
	Various (dividend SUs)	-	-	-	-	9,392	4,884	-
Naseem Lahri Lucara Botswana MD	March 8, 2017	50,000	2.80[5]	March 8, 2021	-	-	-	-
	February 27, 2018	50,000	2.49[6]	February 27, 2022	-	-	-	-
	June 29, 2018	-	-	-	-	45,000	23,400	-
	February 25, 2019	96,000	1.64[10]	February 25, 2023	-	72,000	37,440	-
	February 26, 2020	100,000	0.77[11]	February 26, 2024	-	225,000	117,000	-
	Various (dividend SUs)	-	-	-	-	7,739	4,024	-
Ayesha Hira VP Corporate Development & Strategy	June 29, 2018	50,000	2.11[8]	June 29, 2022	-	50,000	23,400	-
	August 10, 2018	60,000	2.19[9]	August 10,2022	-	-	-	-
	February 25, 2019	39,000	1.64[10]	February 25, 2023	-	30,000	32,760	-
	February 26, 2020	99,000	0.77[11]	February 26, 2024	-	150,000	78,000	-
	Various (dividend SUs)	-	-	-	-	7,250	3,770	-

(1) *Based on the closing price of the Common Shares on the TSX on December 31, 2020 of CAD$0.52 per Common Share, less the exercise price of the in-the-money stock options. These stock options have not been, and may never be, exercised and the actual gain, if any, on exercise will depend on the value of the Common Shares on the date of exercise.*

(2) *The value is based on the closing price of the Common Shares on the TSX on December 31, 2020 of CAD$0.52.*

(3) *Share units include all units that have not vested, including units issued in lieu of cash dividends applicable to outstanding share units held when a dividend was paid by the Corporation. Share units vest three years from the date of grant.*

(4) *These values represented all vested options.*

(5) *One third vesting will occur 12, 24 and 36 months after the date of grant, being March 8, 2018, March 8, 2019 and March 8, 2020, respectively.*

(6) *One third vesting will occur 12, 24 and 36 months after the date of grant, being February 27, 2019, February 27, 2020 and February 27, 2021, respectively.*

(7) *One third vesting will occur 12, 24 and 36 months after the date of grant, being April 1, 2019, April 1, 2020 and April 1, 2021, respectively.*

(8) *These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being June 28, 2019, June 28, 2020 and June 28, 2021, respectively.*

(9) *These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of*

grant, being August 10, 2019, August 10, 2020 and August 10, 2021, respectively.

(10) *These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being February 25, 2020, February 25, 2021 and February 25, 2022, respectively.*

(11) *These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being February 26, 2021, February 26, 2022 and February 26, 2023, respectively.*

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 2020 by each NEO.

Name	Option-based awards – Value vested during the year (1) (CAD$)	Share-based awards – Value vested during the year(2) (CAD$)	Non-equity incentive plan compensation-value earned during the year (3) (CAD$)
Eira Thomas	-	-	548,000
Zara Boldt	-	-	220,000
Naseem Lahri	-	-	201,000
John Armstrong	-	33,878	163,000
Ayesha Hira	-	-	148,000

(1) *Calculated using the closing price of the Common Shares on the TSX on the dates on which stock options vested during 2020, 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; rounded to the nearest thousand Canadian Dollars.*

(2) *Calculated using the closing price of the Common Shares on the TSX on the dates on which share units vested during 2020, 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; rounded to the nearest thousand Canadian Dollars.*

(3) *This column represents short-term incentive plan payments referred to earlier in the Circular, the incentive payment is paid in 2021 for 2020 performance. Ms. Boldt and Ms. Hira are paid in British Pounds Sterling and that amount was converted from Canadian dollars to payment currency at a rate of CAD$1.00=UK£0.58. Ms. Lahri was paid in Botswana Pula and that amount was converted to Canadian dollars for presentation in the table above. The following conversion rates were used to convert the 2019 short-term incentive plan payments Botswana Pula 1=CAD$0.117.*

SECTION 5 – COMPENSATION OF DIRECTORS

The following table sets forth the details of compensation provided to directors in 2020, other than Eira Thomas. Ms. Thomas, Lucara's CEO, did not receive compensation for her service as a director.

Directors – 2020	Cash-based Fees (CAD$)	Share-based Awards (CAD$)*(2)	Total Fees Earned (CAD$)
Richard Clark*1	49,000	-	49,000
Paul Conibear	120,000	33,750	153,750
David Dicaire*1	-	93,004	93,004
Brian Edgar*1	59,000	-	59,000
Marie Inkster	29,000	118,390	147,390
Lukas Lundin	115,000	32,250	147,250
Catherine McLeod-Seltzer	110,000	30,750	140,750
Peter J. O'Callaghan*1	-	101,704	101,704

Notes to Director Compensation table:

*[*1] In May 2020 Messrs. Clark and Edgar retired from the Corporation's Board and were replaced by Messrs. Dicaire and O'Callaghan.*

[2] This column represents share unit awards earned as part of a directors' remuneration and fees paid in DSUs in lieu of receipt of cash. Share units' values were calculated in Canadian dollars based on the fair value of Common Shares on the grant date. The amount presented in the table represents the fair value of the share unit as at the date of grant. The Corporation's DSUs vest immediately and are paid out to a director upon retirement from the Board.

In 2019, the Compensation Committee retained GGA to perform benchmarking for director compensation. The benchmarking data showed that the directors' annual retainers were generally in line with the cash compensation paid to directors of the companies in the Peer Group, but that most of the Peer Group companies also provide some form of share-based compensation (stock options, deferred share units, etc.) as part of the director compensation package. As a result, in February 2020 the Board adopted a deferred share unit plan (the "DSU Plan"), and made an initial grant to Directors. The DSU Plan was subsequently approved by Shareholders at the May 2020 annual meeting.

For 2021, the Compensation Committee recommended (and the Board approved) a decision that no increases be made to the cash compensation paid to non-executive directors in 2021. Current director fees are:

- each non-executive director's annual base remuneration CAD$100,000;
- the Lead Director, the Chair of the SHECR Committee, the Chair of the Corporate Governance and Nominating Committee and the Chair of Compensation Committee each receive an additional CAD$10,000 per annum; and
- the Chair of the Board and the Chair of the Audit Committee each receive an additional CAD$15,000 per annum.
- Deferred share units are granted pursuant to the terms of the Company's DSU Plan and are awarded at the discretion of the Board, typically following a recommendation from the Compensation Committee

Lucara reimburses directors for any reasonable travel and out-of-pocket expenses relating to their duties as directors. No fees were paid for attendance at meetings. The Corporation provides all directors with liability insurance.

Outstanding Option-Based Awards

There were no outstanding option-based awards held by the directors of the Corporation at the end of 2020, other than Eira Thomas who is a NEO (see above).

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 2020 by each director, other than Eira Thomas who is a NEO (see above).

Directors – 2020	Share-based awards –Value vested during the year (CAD$) (1)
Paul Conibear	33,750
David Dicaire	93,004
Lukas Lundin	118,390
Marie Inkster	32,250
Catherine McLeod-Seltzer	30,750
Peter J. O'Callaghan	101,704

(1) Calculated using the closing price of the Common Shares on the TSX on the dates on which stock options vested during 2020, or if 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. If the closing price of the Common Shares on the vesting date was below the exercise price the value of the stock options is shown as "-".

SECTION 6 – OTHER INFORMATION

6.1 EQUITY COMPENSATION PLAN INFORMATION

As at December 31, 2020, the Corporation had three compensation plans under which equity securities of the Corporation were authorized for issuance. A share unit plan for executive compensation was approved on May 13, 2015 by the shareholders (the "Share Unit Plan"), a stock option plan was approved by shareholders on May 10, 2019 (the "Option Plan"), and the DSU Plan was approved on May 8, 2020. The following information is presented as at the Corporation's fiscal year-end of December 31, 2020.

<u>Equity Compensation Plan Information (as at fiscal year end December 31, 2020)</u>

Plan Category	Number of securities to be issued upon exercise of outstanding options/share units	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))
Equity Compensation Plans approved by security holders:			
Option Plan	4,423,000	1.62	5,577,000
Share Unit Plan	2,946,527	N/A (share units)	7,053,473
DSU Plan	613,547	N/A (share units)	3,386,453
Total	**7,983,074**	**N/A**	**16,016,926**

In February 2021, the Corporation granted 897,000 stock options, 1,453,000 restricted share units and 726,000 performance share units to Lucara executives. A further 251,000 deferred share units were granted to directors.

<u>Percentage of issued and outstanding shares</u>

<u>Option Plan</u>
In 2020 the number of Common Shares reserved for issuance under the Option Plan was reduced from 20,000,000 to 10,000,000 and the difference was re-allocated to the Share Unit Plan for directors and executives. As at the date of this Circular there are 397,025,340 Common Shares issued and outstanding. Subject to the policies of the TSX, the maximum number of Common Shares which may be issued under the Option Plan is 10,000,000 representing approximately 2.5% of the Corporation's issued and outstanding Common Shares as at the date of this Circular. There are currently 6,345,000 Common Shares issuable for outstanding stock options under the Option Plan, leaving 3,655,000 Common Shares issuable under the Option Plan.

<u>Share Unit Plan and DSU Plan</u>
In 2020 the shareholders voted in favour of increasing the number of Common Shares of the Corporation reserved for issuance under the Share Unit Plan from 4,000,000 to 10,000,000 (97% in favour). As at the date of this Circular there are 397,025,340 Common Shares issued and outstanding. Subject to the policies of the TSX, the maximum number of Common Shares which may be issued under the Share Unit Plan is 10,000,000 representing approximately 2.5% of the Corporation's issued and outstanding Common Shares as at the date of this Circular. There are currently 5,523,951 Common Shares issuable for outstanding share units under the Share Unit Plan.

DSU Plan
In 2020, Shareholders approved the adoption of a DSU Plan (99% in favour). A total of 4,000,000 Common Shares were reserved for issuance under the Deferred Share Unit Plan. As at the date of this Circular there are 397,025,340 Common Shares issued and outstanding. Subject to the policies of the TSX, the maximum number of Common Shares which may be issued under the DSU Plan is 4,000,000 representing approximately 1.0% of the Corporation's issued and outstanding Common Shares as at the date of this Circular. Following a DSU grant to directors in February 2021, there are 864,547 Common Shares issuable for outstanding share units under the DSU Plan as at the date of the Circular.

Summaries of the key plan terms can be found on the following pages.

Burn Rate *(1)*

Year	Stock Options Granted	Burn Rate	Share Units Granted	Burn Rate	Deferred Share Units Granted	Burn Rate
2020	1,604,000	0.4%	498,746	0.5%	687,547	0.2%
2019	1,437,000	0.4%	1,918,000	0.1%	-	-
2018	1,490,000	0.4%	699,165	0.2%	-	-
3 year total	**4,531,000**	**1.1%**	**3,115,911**	**0.8%**	**687,547**	**0.2%**

(1)*Calculated using the TSX prescribed methodology that became effective for issuers with fiscal years ending on or after October 31, 2017 –calculated by dividing stock options/share units granted in the applicable fiscal year by the weighted average number of Common Shares outstanding over the applicable fiscal year*.

The Share Unit Plan
The material terms of the Share Unit Plan can be summarized as follows:

- The Share Unit 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").
- Full time employees of the Corporation or any of its subsidiaries, including any senior executive, vice president, and members of the management team of the Corporation or any of its subsidiaries are eligible to receive SUs under the Share Unit Plan.
- 10,000,000 Common Shares are reserved for issuance under the Share Unit Plan, representing approximately 2.5% of the current issued and outstanding Common Shares.
- Any Common Shares subject to an Share Unit which are cancelled or terminated in accordance with the terms of the Share Unit Plan without settlement will again be available for issuance under the SU Plan.
- The grant of SUs under the Share Unit 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 Share Unit 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 Share Unit 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 the 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; and
  - 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.
- A clawback provision allows for the Corporation to cancel any vested SUs granted and require repayment of any SUs vested within the past twelve months should a termination with cause occur or a restatement in the Corporation's financial results.
- All of the termination provisions in the Share Unit 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 Share Unit 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 Share Unit 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 Share Unit 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 Share Unit Plan;

  - materially modifying the eligibility requirements for participation in the Share Unit Plan; or
  - modifying the amending provisions of the Share Unit Plan.

The DSU Plan

The material terms of the DSU Plan can be summarized as follows:

- The DSU Plan provides that DSUs may be granted by the Board, the Compensation Committee, or any other committee of directors authorized by the Board to administer the DSU Plan (the "Committee").
- Directors who are not employees or officers of the Corporation, including a non-executive Chair of the Board are eligible to receive DSUs under the DSU Plan.
- 4,000,000 Common Shares are reserved for issuance under the DSU Plan, representing approximately 1% of the current issued and outstanding Common Shares.
- Any Common Shares subject to a DSU which are cancelled or terminated in accordance with the terms of the DSU Plan without settlement will again be available for issuance under the DSU Plan.
- A director can elect to receive all or a portion of his or her director's fees in the form of DSUs.
- The number of Common Shares (i) issued under the DSU Plan to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the DSU 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 number of Common Shares reserved for issuance under the DSU Plan to a director within a one year period, in combination with all other equity awards granted to directors under any other share compensation arrangement, shall be limited to an annual equity award value (based on Black-Scholes or Share Price as determined by the Board) of CAD$150,000 per director. The aggregate number of Common Shares reserved for issuance to directors shall not exceed 1.0% of the total number of issued and outstanding Common Shares.
- A DSU is a unit credited by means of an entry on the books of the Corporation to a director, representing the right to receive one Common Share or cash equal to the market price of the share on the vesting date.
- The number of DSUs granted to participants will be determined by the Committee, or in the case of director's fees will be calculated based on the market value of the Common Shares at the time of grant and credited to the participant's account effective on the grant date. Subject to the Committee's discretion to determine a later date, a director's entitlement date to receive payment of his or her DSUs is her or her termination date.
- Following the entitlement date, the DSUs 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 participant.
- In the event dividends are paid to shareholders while DSUs are outstanding, additional DSUs 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.
- DSUs are not transferable other than by will or the laws of succession and distribution.
- In the event of death, all DSUs shall become payable to the director's legal representative.
- The specific amendment provisions for the DSU 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 a DSU;
  - changes to the termination provisions of a DSU or the DSU 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 DSUs 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 DSU Plan (other than by virtue of adjustments permitted under the DSU Plan);
- permitting DSUs to be transferred other than for normal estate settlement purposes;
- removing or exceeding the insider participation limits of the DSU Plan;
- materially modifying the eligibility requirements for participation in the DSU Plan; or
- modifying the amending provisions of the DSU Plan.

The Option Plan

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

- Employees, directors (including non-employee directors), officers of the Corporation or any of its subsidiaries and, except in relation to a consultant company, any company wholly owned by such persons are eligible to receive options under the Option Plan.
- The aggregate number of Common Shares currently available at all times for issuance under the Option Plan is 10,000,000, which represents approximately 2.5% 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 Option Plan will again be available under the 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 Option Plan does not provide for the transformation of options granted under the Option Plan into stock appreciation rights involving the issuance of securities from the treasury of the Corporation.
- The term of all options awarded under the Option Plan is a maximum of five years.
- Options granted pursuant to the 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 Board's 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 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 Corporation 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 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 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 Option Plan to any one non-employee director, within any one-year period shall not exceed a maximum value of $100,000.
- The aggregate number of Common Shares reserved for issuance pursuant to the Option Plan, together with any Common Shares that may be issued pursuant to any other share compensation arrangement 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 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 Option Plan are delegated.
- Options are not assignable or transferable other than by will or by the applicable laws of descent.
- Unvested options and options granted which have vested within the twelve months, including Common Shares received from exercising such options, are subject to claw-back, to the extent permitted by law, if: (i) a participant was terminated with cause, or the Board reasonably determines after termination of a participant's employment that the termination could have been with cause; (ii) the Board reasonably determines that a participant engaged in conduct that causes material financial or reputational harm to the Corporation or its Affiliates, or engaged in gross negligence, willful misconduct or fraud in respect of the performance of the participant's duties; or (iii) the Corporation is required to restate its financial statements and the restated financial statements disclose materially worse financial results in the Board's reasonable opinion.
- The specific amendment provisions for the 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 to the Option Plan or options granted thereunder also require shareholder approval:
    - increasing the number of Common Shares which may be issued pursuant to the 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 Option Plan; or

- changing the amending provisions.

6.2 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.

6.3 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.

6.4 INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed herein, to the best of the Corporation's knowledge, no director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year of the Corporation, or any proposed nominee, or any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors.

6.5 INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, 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.

On March 2, 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totaling 13.4 million shares may become payable. Such shares will be paid in the event certain performance milestones, related to total revenues (revenues from rough diamonds bought and sold) generated through the platform, are achieved (the "Performance Milestones"). The Corporation has also agreed to a profit-sharing mechanism whereby the founders of the Clara technology will retain 13.3% and the management of Lucara will retain 6.67% of the annual EBITDA generated by the platform, to a maximum of US$16.67 and US$8.33 million per year, respectively, for 10 years.

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

Catherine McLeod-Seltzer was also a founder of Clara and, following Lucara's acquisition of Clara, was appointed to the Lucara Board. Ms. McLeod-Seltzer received 400,000 Lucara shares as consideration for her Clara shares. Ms. McLeod-Seltzer may be issued up to an additional 600,000 shares of Lucara. Such additional shares will only be issued upon Clara achieving the Performance Milestones or upon the occurrence of a change of control event.

John Armstrong, the Vice President (Technical Services) of the Corporation, and Zara Boldt, the Chief Financial Officer of the Corporation (effective April 1, 2018), were shareholders of Clara at the time of the Corporation's acquisition of Clara. Mr. Armstrong and Ms. Boldt each received 50,000 Lucara shares as consideration for the Clara shares. They may each receive a further 74,000 Common Shares of Lucara. Such additional shares will only be issued upon Clara achieving the Performance Milestones or upon the occurrence of a change of control event.

Pursuant to the profit-sharing mechanism described above, a total of 3.45% of the EBITDA generated by the platform, has been assigned to Ms. Thomas and Ms. McLeod-Seltzer and 3.22% of the EBITDA generated by the platform to be distributed to management, including Dr. Armstrong and Ms. Boldt, at the discretion of Lucara's Compensation Committee based on key performance targets. In March 2019, the EBITDA sharing agreement between Clara and Eira Thomas and Clara and the Clara Management was amended. Under the terms of the amendment, each of Eira Thomas and the Clara Management waived their respective rights to the EBITDA payment to the extent that such payment relates to net income earned by Clara on the sale of rough diamonds from the Karowe Mine. This waiver was effective from the date of the share purchase agreement in February 2018 through to December 31, 2020.

Ms. Thomas, Dr. Armstrong and Ms. Boldt each maintain a business address at the Corporation's head office, located at Suite 502, 1250 Homer Street, Vancouver, British Columbia, V6B 2Y5. Ms. McLeod-Seltzer maintains a business address at: Suite 1400, 400 Burrard St., Vancouver, BC

6.6 ADDITIONAL INFORMATION

The Corporation's Annual Information Form ("AIF"), annual audited, consolidated financial statements for the year ended December 31, 2020 ("Annual Financial Statements") and management's discussion and analysis ("Annual MD&A") as well as the interim financial statements from fiscal 2020 ("2020 Interims") are available on the 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 this Circular, its latest AIF, Annual Financial Statements and Annual MD&A, the 2020 Interims and interim financial statements and management's discussion and analysis for subsequent periods upon request by contacting:

(i) e-mail: info@lucaradiamond.com

(ii) telephone: 604- 674-0272

(iii) mail: Lucara Diamond Corp.
Suite 502 – 1250 Homer Street
Vancouver, B.C., V6B 2Y5
Attn: Investor Relations

6.7 DIRECTORS' APPROVAL

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

DATED the 19th day of March 2021.

(Signed) "*Eira Thomas*"
Chief Executive Officer

APPENDIX A - BOARD OF DIRECTORS' MANDATE

(As amended and restated by the Board of Directors on March 22, 2012 and reviewed on February 20, 2019)

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.