



# LUCARA

DIAMOND

**NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR  
ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
FRIDAY, MAY 10, 2019  
FOR  
LUCARA DIAMOND CORP.**

## **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

The Annual General and Special Meeting (the "Meeting") of the shareholders of LUCARA DIAMOND CORP. (the "Corporation" or "Lucara") will be held at Blake, Cassels & Graydon LLP, Suite 4000, 199 Bay Street, Toronto, Ontario, on Friday, May 10, 2019 at 2:00 p.m. (Eastern Standard Time) for the following purpose:

1. To receive the audited consolidated financial statements for the year ended December 31, 2018, 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 pass an ordinary resolution to approve unallocated options under the Corporation's stock option plan and to approve certain amendments to the stock option plan;
5. To adopt an advisory resolution on executive compensation; and
6. To transact such further or other business as may properly come before the Meeting.

Your vote is important. If you held Lucara shares on Wednesday, March 27, 2019, 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, 2018, have been provided separately to those shareholders who requested a copy. They are also available on the Corporation's website at [www.lucaradiamond.com](http://www.lucaradiamond.com) and on SEDAR at [www.sedar.com](http://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 2:00 p.m. (Eastern Time) Wednesday, May 08, 2019.

### **BY ORDER OF THE BOARD**

(signed) *"Eira Thomas"*

Chief Executive Officer  
Dated March 27, 2019



**Management Proxy Circular  
Annual General & Special Meeting of Shareholders  
Friday, May 10, 2019**

Dated March 27, 2019

## TABLE OF CONTENTS

SECTION 1 – VOTING INFORMATION .....	6
GENERAL .....	6
MATTERS TO BE VOTED ON AT THE MEETING .....	7
HOW TO VOTE IF YOU ARE A REGISTERED SHAREHOLDER AND YOUR SHARES TRADE ON THE TSX .....	7
HOW TO VOTE IF YOU ARE A NON-REGISTERED (OR BENEFICIAL) SHAREHOLDER AND YOUR SHARES TRADE ON the TSX.....	8
HOW TO VOTE IF YOUR SHARES TRADE ON THE NASDAQ STOCKHOLM EXCHANGE.....	9
HOW TO VOTE IF YOUR SHARES TRADE ON THE BOTSWANA STOCK EXCHANGE .	9
WHO IS ENTITLED TO VOTE AND HOW THE VOTES ARE COUNTED .....	9
WHO ARE THE PRINCIPAL SHAREHOLDERS .....	9
SECTION 2 - BUSINESS OF THE MEETING.....	10
1. FINANCIAL STATEMENTS.....	10
2. APPOINTMENT AND REMUNERATION OF AUDITORS .....	10
3. ELECTION OF DIRECTORS .....	10
4. APPROVAL OF UNALLOCATED OPTIONS AND AMENDMENTS TO THE STOCK OPTION PLAN.	16
5. ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION.....	16
SECTION 3 - CORPORATE GOVERNANCE .....	17
STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....	17
MANDATE OF THE BOARD OF DIRECTORS .....	17
INDEPENDENCE .....	18
SIZE OF BOARD .....	19
SERVING ON OTHER BOARDS .....	19
MEETING ATTENDANCE.....	19
POSITION DESCRIPTIONS .....	19
ASSESSMENT OF BOARD PERFORMANCE .....	19
ORIENTATION AND CONTINUING EDUCATION .....	20
NOMINATION OF DIRECTORS .....	20
GENDER DIVERSITY- EXECUTIVE OFFICERS AND BOARD .....	21
DETERMINATION OF DIRECTORS’ COMPENSATION .....	23
DIRECTOR RETIREMENT POLICY AND TERM LIMITS.....	23
COMMITTEES OF THE BOARD.....	23

ETHICAL BUSINESS CONDUCT .....	25
DIFFERENCES SWEDISH CORPORATE GOVERNANCE CODE .....	26
SHAREHOLDER COMMUNICATIONS .....	27
SECTION 4 – EXECUTIVE COMPENSATION .....	27
2018 COMPENSATION DISCUSSION AND ANALYSIS .....	27
COMPENSATION OF NAMED EXECUTIVE OFFICERS .....	32
SUMMARY COMPENSATION TABLE.....	39
SECTION 5 – COMPENSATION OF DIRECTORS .....	43
SECTION 6 – OTHER INFORMATION.....	44
EQUITY COMPENSATION PLAN INFORMATION.....	44
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS.....	49
MANAGEMENT CONTRACTS.....	49
INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON.....	49
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	49
ADDITIONAL INFORMATION.....	50
DIRECTORS’ APPROVAL.....	51
APPENDIX A - BOARD OF DIRECTORS’ MANDATE .....	52
APPENDIX B – STOCK OPTION PLAN (2019) .....	53

## SECTION 1 – VOTING INFORMATION

### GENERAL

You have received this Management Proxy Circular (the “Circular”) because you owned shares of **Lucara Diamond Corp.** (“Lucara” or the “Corporation”) on March 27, 2019, the record date. As a shareholder, you have the right to attend the annual meeting of shareholders on **Friday, May 10, 2019**, at the time and place in the accompanying notice (the “Meeting”) or at any adjournment or postponement thereof.

Unless otherwise stated, the information contained in this Circular is given as at March 27, 2019 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 officers of Lucara. They will vote your Common Shares for you, unless you appoint someone else to be your proxyholder. You have the right to appoint another person to be your proxyholder. If you appoint someone else, he or she must be present at the Meeting to vote your Common Shares.**

Please follow the instructions below for voting. This Circular is being sent to both Registered and Non-Registered (or Beneficial) Shareholders. The Corporation is sending proxy-related materials directly to non-objecting beneficial owners 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 does not intend to deliver proxy-related materials and voting instruction forms for the Meeting to objecting beneficial owners. As a result, an objecting beneficial owner will not receive these materials unless the objecting beneficial owner’s intermediary assumes the cost of delivery.

#### ***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 in 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](http://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 **2:00 p.m. (Eastern Time) on May 08, 2019** 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;
- FOR the approval of the unallocated options under the Corporation’s stock option plan and certain amendments to the Corporation’s stock option plan; 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 2:00 p.m. (Eastern Time) on May 10, 2019 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 2:00 p.m. (Eastern Time) on May 08, 2019 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 09, 2019 or, in the case of any adjournment or postponement of the Meeting, by the close of business on the last business day before the day of the adjourned or postponed Meeting;
- give a notice of revocation in writing from you or your authorized attorney to the Chair of the Meeting or the Corporate Secretary on the day of, but prior to the commencement of the Meeting; or
- in any other manner permitted by law.

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

### **By Proxy**

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

### **In Person**

Lucara does not have access to the names of holdings of our Non-Registered (or Beneficial) shareholders. This means you can only vote your Common Shares in person at the Meeting if you have previously appointed yourself as the proxyholder for your Common Shares by inserting your name in the space provided on the voting instruction form, which you received from your intermediary, and submitting it as directed on the form. Your voting instructions must be received by Computershare by 2:00 p.m. (Eastern Time) on May 08, 2019 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting. You should identify yourself to the representative from Computershare before entering the Meeting to register your attendance at the Meeting.



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

**The information in this section is of significance to shareholders who hold their securities (“Euroclear Registered Securities”) through Euroclear Sweden AB, which securities trade on the Nasdaq Stockholm Exchange.** Shareholders who hold Euroclear Registered Securities are not registered holders of voting securities for the purposes of voting at the Meeting. Instead, Euroclear Registered Securities are registered under CDS & Co., the registration name of the Canadian Depository for Securities. Holders of Euroclear Registered Securities will receive a 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 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 27, 2019, on all matters at the Meeting. As of the record date, there are 396,732,049 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”) is the only person or company 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 27, 2019, Nemesia holds 70,372,200 Common Shares, which represents approximately 17.74% of the current outstanding Common Shares.

## SECTION 2 - BUSINESS OF THE MEETING

### 1. FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2018 have been provided to shareholders who requested them and are available on Lucara's website at [www.lucaradiamond.com](http://www.lucaradiamond.com) or at SEDAR at [www.sedar.com](http://www.sedar.com). Management will discuss these consolidated financial results at the Meeting. No vote of shareholders is required with respect to this item of business.

### 2. APPOINTMENT AND REMUNERATION OF AUDITORS

The Board 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.

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 2017 and 2018, 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 auditors 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.

### 3. ELECTION OF DIRECTORS

#### **Nominees - Directors**

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

You may either vote for 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 policy on Majority Voting that provides that the Chair of the Board will ensure that the number of shares voted in favour or withheld from voting for each director nominee is recorded and promptly made public after the meeting. If any nominee for director is not elected by at least a majority (50% + 1 vote) of the votes cast with regard to his or her election, the director must immediately tender his or her resignation to the Chair of the Board following the meeting, to take effect upon acceptance by the Board. The Board shall accept the resignation absent exceptional circumstances. To assist the Board in making a determination with regard to exceptional circumstances, the Board will refer the resignation to the Corporate Governance and Nominating Committee who will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept the resignation. Within 90 days of the shareholders' meeting, the Board will make a final decision concerning the acceptance of the director's resignation (and reasons for rejecting the resignation if applicable) and announce that decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation. The policy applies only to uncontested elections, where the number of nominees as director is equal to the number of directors to be elected. If the director fails to tender his or her resignation as contemplated in the policy, the Board

will not re-nominate the director. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position.

Information regarding each of the seven proposed nominees, as at March 27, 2019, is set out below. Further information on the proposed nominees is also found in this Circular, please see pages 43 and 44 for director compensation received.

**Richard CLARK<sup>(1)</sup>**

London, United Kingdom  
Age, 61

**Committee and Attendance**

Board: 11 of 11  
Compensation Committee: 3 of 3  
Safety, Health, Environment and Community Relations Committee: 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 & Acquisition  
Mining Operations and Technical Skills  
Risk Management  
Strategic Planning

**Director since:**  
February 2010

**Current Occupation**

CEO, Orca Gold Inc. (resource company)

**# of voting securities owned:**  
124,100

**Biography**

Mr. Clark is a lawyer with a geological background and has over 30 years of experience in the mineral exploration, development and mining business in the Americas and Africa. For the past 19 years Mr. Clark has been a senior executive of the Lundin Group, serving in the role of President, CEO and Director of various companies including Red Back Mining Inc. Mr. Clark was appointed as the CEO of Orca Gold Inc. in August 2016, immediately prior to that appointment Mr. Clark was the Chairman of Orca Gold Inc.

**Other Public Boards**

Mag Silver Corp. (TSX/ NYSE American)  
Orca Gold Inc. (TSX-V)

**Paul CONIBEAR<sup>(2)</sup>**

British Columbia, Canada  
Age, 61

**Committee and Attendance**

Board (Lead Director): 11 of 11  
Compensation Committee (Chair): 3 of 3  
Corporate Governance and Nominating Committee: 4 of 4

**Independent:**  
Yes

**Areas of Expertise**

Environmental, Safety and Occupational Health  
Finance & Financial Reporting  
Human Resources & Compensation



Legal and Corporate Governance  
Mergers & Acquisition  
Mining Operations and Technical Skills  
Risk Management  
Strategic Planning

**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 19 years he has held public company executive management and director's positions with the Lundin group of companies, including serving for several years as President & CEO of Tenke Mining Corp. where he was instrumental in progressing the world class Tenke Fungurume copper/cobalt project towards its current position as a major mining operation in central Africa. Mr. Conibear served as President and CEO of Lundin Mining Corp. from 2010 until his retirement in 2018.

**Other Public Boards**  
N/A

---

---

**Brian EDGAR**

British Columbia, Canada  
Age, 69

**Committee and Attendance**

Board: 11 of 11  
Audit Committee: 5 of 5  
Compensation Committee: 3 of 3  
Corporate Governance and Nominating Committee (Chair): 4 of 4

**Independent:**  
Yes

**Areas of Expertise**

Environmental, Safety and Occupational Health  
Finance & Financial Reporting  
Human Resources & Compensation  
Legal and Corporate Governance  
Mergers & Acquisition  
Risk Management  
Strategic Planning

**Director since:**  
April 2007

**Current Occupation**  
Chair of Silver Bull Resources Inc. (resource company)

**# of voting securities  
owned:**  
300,000

**Biography**

Mr. Edgar has served on public company boards for over 30 years. A graduate of the University of British Columbia law school, Mr. Edgar practiced corporate and securities law in Vancouver for 16 years. In 1992, he established a private investment company, Rand Edgar Investment Corp. and in 2010 became Chair of the mineral exploration company, Silver Bull Resources Inc.

**Other Public Boards**

Shamaran Petroleum Corp. (TSX-V/OMX)  
Denison Mines Corp. (TSX/NYSE MKT/NYSE American)  
Silver Bull Resources Inc. (TSX/OTCQB)

---

---

## Marie INKSTER

Ontario, Canada  
Age, 47

### Committee and Attendance

Board: 11 of 11  
Audit Committee (Chair): 5 of 5

### Independent:

Yes

### Areas of Expertise

Finance & Financial Reporting  
Human Resources & Compensation  
Legal and Corporate Governance  
Mergers & Acquisition  
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 20 years of experience in public company financial management, public and private equity and debt fundraising, corporate transactions and public company reporting. Presently, Ms. Inkster serves as President, CEO & as a Director of Lundin Mining. Prior to this appointment in October 2018, Ms. Inkster served as Lundin Mining's Chief Financial Officer (from May 2009) after joining the company in September 2008 as Vice President, Finance. Under Ms. Inkster's stewardship as CFO, Lundin Mining underwent a significant transformation with the successful acquisitions of Eagle and Candelaria mines, and notable growth initiatives through exploration and brownfields expansion at the company's operations. During her career, Ms. Inkster has 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 is the Chair of Lucara's Audit Committee.

### Other Public Boards

Lundin Mining Corporation (TSX/Nasdaq Stockholm)

## Lukas LUNDIN<sup>(2)</sup>

Geneva, Switzerland  
Age, 60

### Committee and Attendance

Board (Chairman): 11 of 11

### Independent:

No

### Areas of Expertise

Finance & Financial Reporting  
Human Resources & Compensation  
Mergers & Acquisition  
Mining Operations and Technical Skills  
Strategic Planning

### Director since:

April 2007

### Current Occupation

Chair of the Board of the Corporation and Chair of a number of resource companies.

### # of voting securities owned:

4,215,000

### Biography

Mr. Lundin is known for recognizing value and superior global investment opportunities in the natural resource sector. His pursuit of properties around the world has resulted in numerous resource discoveries. Mr. Lundin has led several companies through highly profitable business acquisitions and mergers such as Lundin Mining's \$3.3 billion merger with EuroZinc Mining and the \$2 billion sale of Tanganyika Oil Company Ltd. Mr. Lundin is a graduate of the New Mexico Institute of Mining and Technology. He currently sits on the Board of a number of publicly

traded companies.

**Other Public Boards**

Lundin Mining Corporation (TSX/Nasdaq Stockholm)  
 NGEx Resources Inc. (TSX/Nasdaq Stockholm)  
 Lundin Petroleum AB (Nasdaq Stockholm)  
 Lundin Gold Inc. (TSX/Nasdaq Stockholm)  
 Filo Mining Corp. (TSX-V/OMX)  
 International Petroleum Inc. (TSX/Nasdaq First North)

**Catherine  
 McLEOD-SELTZER**

British Columbia, Canada  
 Age, 59

**Committee and Attendance\***

Board: 5 of 5  
 Audit Committee: 4 of 4  
 Corporate Governance and Nominating Committee: 2 of 2  
 Safety, Health, Environment and Community Relations Committee (Chair): 3 of 3  
 \*Ms. McLeod-Seltzer's attendance is reported following her appointment as a director on February 25, 2018.

**Independent:**  
 Yes

**Areas of Expertise**

Diamond Industry  
 Environmental, Safety and Occupational Health  
 Finance & Financial Reporting  
 Human Resources & Compensation  
 Legal and Corporate Governance  
 Mergers & Acquisition  
 Risk Management  
 Strategic Planning

**Director since:**  
 February 2018

**Current Occupation**

Chair of Kinross Gold Corporation and Co-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 Diamond Corp. and Peru Copper Inc. Ms. McLeod-Seltzer was appointed Independent Chair of Kinross Gold Corporation in January 2019 and is currently co-Chair of Bear Creek Mining Corp.

**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, 50

**Committee and Attendance**

Board: 11 of 11  
 Audit Committee\*: 1 of 1  
 Corporate Governance and Nominating Committee\*: 2 of 2  
 Safety, Health, Environment and Community Relations Committee: 4 of 4



\*Ms. Thomas was a member of these committees (as an independent director) until her appointment as President & CEO of the Corporation on February 25, 2018.

**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 & Acquisition  
Mining Operations and Technical Skills  
Risk Management  
Strategic Planning

**Director since:**

August 2009

**Current Occupation**

President, CEO and Director of the Corporation as of February 25, 2018

**# of voting securities**

**owned:**  
5,192,000

**Biography**

Ms. Thomas is a Canadian geologist with over 25 years of experience in the Canadian diamond business, including her previous roles as Vice President, Aber Diamond Corp., now part of the Washington Group of Companies, and as founder, CEO and then Executive Chairman of Stornoway Diamond Corp. Ms. Thomas served as the President & CEO of Kaminak Gold Corporation, a mineral exploration company, from 2013 to July 2016. On February 25, 2018, Ms. Thomas was appointed President & CEO of the Corporation.

**Other Public Boards**

Suncor Energy Inc. (TSX/NYSE MKT)

---

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

- (1) *From January 2014 to May 2015, Mr. Clark was President, Chief Executive Officer and a director of RB Energy Inc. ("RBI"). In October 2014, RBI commenced proceedings under the Companies' Creditors Arrangement Act (the "CCAA"). CCAA proceedings continued in 2015 and a receiver was appointed in May 2015. The TSX de-listed RBI's common shares in November 24, 2014 for failure to meet the continued listing requirements of the TSX. Mr. Clark resigned as a Director and ceased employment as President and CEO of RBI on May 8, 2015.*
- (2) *As noted in paragraph 1 above, RBI commenced CCAA proceedings in 2014. 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.

#### 4. APPROVAL OF UNALLOCATED OPTIONS AND AMENDMENTS TO THE STOCK OPTION PLAN

Lucara's Stock Option Plan was approved by shareholders on May 13, 2015 (the "Stock Option Plan"). The Stock Option Plan contains evergreen provisions specifying that, if any option has been exercised, cancelled or has expired or been terminated for any reason, it will again be available for grant. The rules of the TSX provide that all unallocated options, under a stock option plan which contains evergreen provisions, be approved by shareholders every three years. Shareholder approval in 2016 was received for unallocated options under the Stock Option Plan until May 12, 2019. Therefore, approval is now being sought for the unallocated options under the Stock Option Plan for a further three years, until May 10, 2022. If shareholder approval is not received for the unallocated options, the Stock Option Plan will remain in effect and continue to govern options awarded prior to May 12, 2019. However, if the shareholders do not approve the requested approval for unallocated options no further options under the Stock Option Plan may be awarded following the meeting and expired or cancelled options may not be reallocated.

The Stock Option Plan provides participants with an incentive to enhance shareholder values by providing a form of compensation that is tied to increases in the market value of the Corporation's shares. The aggregate number of Common Shares available at all times for issuance under the Stock Option Plan is 20,000,000, which represents approximately 5.0% of the Corporation's current issued and outstanding Common Shares. As of the date of this Circular, there are 5,715,336 options outstanding which represents approximately 1.4% of the Corporation's current issued and outstanding Common Shares. Therefore, an additional 14,284,664 options are available for grant representing approximately 3.6% of the issued and outstanding common shares.

On March 20, 2019, the Board approved certain amendments to the Stock Option Plan to clarify that the Compensation Committee will make annual recommendations to the Board for option grants and to allow for the claw-back of subsequently granted options in the instances described in the summary of the Stock Option Plan (the "Proposed Amendments"). A copy of the Stock Option Plan, marked to show the Proposed Amendments, is included in Appendix B. A summary of the Stock Option Plan can be found in the Equity Compensation Plan Information section beginning on page 45 of this Circular.

The TSX has conditionally approved the issuance of the unallocated options under the Stock Option Plan until May 10, 2022, subject to receipt from the Corporation of evidence of shareholder approval.

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

*"BE IT RESOLVED that:*

- i) Unallocated options under the Stock Option Plan be and are hereby approved until May 10, 2022;*
- ii) The Corporation has the ability to continue granting options under the Stock Option Plan until May 10, 2022;*
- iii) The Proposed Amendments, as described in the Circular, be approved; and*
- iv) any one director or officer of the Corporation is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Corporation or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions."*

#### 5. 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 89.06% of the shares voted at the





2018 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 2019 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

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

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

### MANDATE OF THE BOARD OF DIRECTORS

The Board has a formal mandate (see Appendix 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
- identification of the “owner” of the risk i.e. the employee who owns the risk and is responsible for implementing controls and developing ways to mitigate the risk

In addition, the Safety, Health, Environmental and Community Relations 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 also is involved in the review and issuance of a detailed 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.

## **INDEPENDENCE**

The majority of Lucara’s current directors are independent.

### *Assessing Independence of Directors*

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

The Board has reviewed the nominated directors and determined that Eira Thomas and Lukas Lundin 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.

### *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 without management present and the second is only with independent directors present. The in-camera meetings of independent directors are presided over by the Lead Director. 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 committee meeting as well.
- *Committee Membership*  
All of the members of the following committees are composed entirely of independent directors: Audit Committee, Corporate Governance and Nominating Committee and Compensation Committee.
- *Independent Advisor*  
Directors may, with the authorization of the Chair or the Corporate Governance and Nominating



Committee, engage independent advisors at the expense of the Corporation.

## **SIZE OF BOARD**

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 composition of the Board are proposed for 2019. The Board considers that 7 directors, 5 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 and diamond experience, to fulfill its responsibilities.

## **SERVING ON OTHER BOARDS**

Lucara's directors do not serve on the boards of its competitors. Many do serve on other mining public company boards which 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.

## **MEETING ATTENDANCE**

The Board held eleven meetings in 2018. The Audit Committee meets at least every quarter to review the Corporation's financial statements and MD&A. Other committees meet as necessary to ensure their mandates are performed. Committees of the Board held a total of sixteen meetings in 2018. The number of meetings and attendance record for all Board and Committee meetings held during 2018 are included in the Directors' information section beginning on page 11.

## **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 description for the CEO. The CEO has, subject to the authority of the Board, general supervision of the business and affairs of the Corporation. Responsibilities include making recommendations to the Board regarding the implementation, performance and monitoring, as the case may be, of each of the items referred 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.

## **ASSESSMENT OF BOARD PERFORMANCE**

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

functioning of the Board, its interaction with management and the performance of the standing committees of the Board. Board members conduct peer reviews and a self-assessment regarding their effectiveness as a Board member as part of this assessment process. To ensure the assessment process is candid, the individual assessments are returned on a confidential basis to the Chair of the Corporate Governance and Nominating Committee with a copy to the Corporate Secretary. The results are compiled for the Corporate Governance and Nominating Committee. The Committee reviews and discusses the results and makes recommendations to the Board regarding any action that may be deemed necessary or advisable to ensure the Board continues to function effectively and adequately perform its mandate. The Board aims for a 100% compliance rate for completion of the assessment by directors, which was achieved this year. The peer reviews and self-assessments by Directors are considered as part of the director nomination process. The results of the assessment process held in Q1 2019 indicated that the directors believe that the Board and the Board Committees function 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.

## **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.

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.

Directors are regularly informed by the CEO, verbally and through a written monthly directors' report, of strategic issues affecting Lucara, including the competitive environment, the Corporation's performance and developments, including risks that could materially impact the Corporation. Directors are also provided with information regarding legislative changes and governance trends. The Corporation arranges for legal counsel and industry experts to provide status updates and education. In May 2018, an industry expert presented to the Board on security in the diamond mining sector.

## **NOMINATION OF DIRECTORS**

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

and Executive Officer Gender Diversity Policy, which is outlined below, the Guidelines require that the Committee actively seek out highly qualified women to include in the pool from which Board nominees are chosen. For 2019, technology skills and diamond market experience were added to the list of criteria.

- 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 compliance 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 detailed beginning on page 11.

## **GENDER DIVERSITY- EXECUTIVE OFFICERS AND BOARD**

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

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

As noted above, with regard to gender diversity and the Board, measures taken to ensure the policy is effectively implemented include the commitment imposed on the Corporate Governance and Nominating Committee to actively seek out highly qualified women to include in the pool from which Board nominees are evaluated and

chosen. This commitment is documented in the Guidelines for the Composition of Lucara’s Board.

With regard to gender diversity and senior management, measures taken to ensure the policy is effectively implemented is 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 women, having the necessary skills, knowledge and experience, to evaluate as potential candidates. 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

BOARD MEMBERS		
Women Board Members	Total Board Members	%
3	7	43

  

EXECUTIVE OFFICERS* LUCARA		
Women Executive Officers	Total Executive Officers	%
3	4	75

  

EXECUTIVE OFFICERS* MAJOR SUBSIDIARY Lucara Botswana (Pty) Ltd.		
Women Executive Officers	Total Executive Officers	%
2	4	50

*\*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 2019 meeting, members of the Corporate Governance and Nominating Committee discussed the setting of diversity targets and recommended that with respect to Board Diversity, that at least 25% of the board members should be women. This is the same as the target set in 2017 and 2018. Three of the nominees for election to the Board at the 2019 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 2019, 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.

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.

## 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 2016 the Compensation Committee retained Gurr & Associates to assess the market competitiveness of director's compensation through a benchmarking exercise that considered 17 similar sized mining and development companies. For 2019, using this information as a starting point, the Compensation Committee completed an internal review to assess the market competitiveness of the compensation paid to Lucara's directors. This benchmarking exercise compared Lucara to fifteen other publicly traded companies of a similar size and industry (mining and development) using compensation information disclosed in the 2018 circulars. The Board determines the amount and form of director compensation after taking into account recommendations received from the Compensation Committee. This information is disclosed in this Circular on pages 43 and 44.

## DIRECTOR RETIREMENT POLICY AND TERM LIMITS

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

# of Directors	Tenure (Years)
3	Twelve
2	Nine
1	Five
1	One

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

## COMMITTEES OF THE BOARD

To assist the Board with its responsibilities, the Board has established four standing committees: the Audit Committee, the Compensation Committee, the Corporate Governance and Nominating Committee, and the Safety, Health, Environmental and Community Relations Committee. The Board may form other committees from time to time as appropriate to address matters the Corporation 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. The current members are Marie Inkster (Chair), Brian Edgar, and Catherine McLeod-Seltzer all of whom are financially literate as such term is defined in National Instrument 52-110.

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

The Audit Committee plays a key role in relation to the Corporation’s external auditors. It initiates and approves their engagement or termination, subject to shareholder approval, and monitors and reviews their independence, effectiveness, performance and quality control processes and procedures. PwC have been Lucara’s auditors since 2010. The Audit Committee pre-approves all services provided by PwC. The fees paid to PwC during 2017 and 2018 were as follows:

<b>Fiscal Year Ending</b>	<b>Audit Fees CDN\$<sup>(1)</sup></b>	<b>Audit-Related Fees CDN\$<sup>(2)</sup></b>	<b>Tax Fees CDN\$<sup>(3)</sup></b>	<b>All other Fees<sup>(4)</sup></b>
December 31, 2018	316,366	55,000	Nil	Nil
December 31, 2017	252,330	64,400	Nil	Nil

- (1) *Audit fees represent the aggregate fees billed by the Corporation’s auditors for audit services.*
- (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 ensures that management has procedures in place that facilitate compliance with laws relating to insider trading and continuous disclosure. For additional information about the Audit Committee, including the Audit Committee Charter, see “Audit Committee Information” in Lucara’s Annual Information Form dated March 20, 2019, which is available on the Corporation’s website or on SEDAR at [www.sedar.com](http://www.sedar.com).

Corporate Governance and Nominating Committee

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

The Corporate Governance and Nominating Committee oversees the effective functioning of the Board, ensures that the Board can function independently of management, identifies possible nominees for the Board, develops



an orientation program for new recruits to the Board and provides, with the assistance of management, director education opportunities. It has also set up a system for an annual review of the Corporation's material policies by applicable Board committees.

The Corporate Governance and Nominating Committee has been mandated under the Board and Executive Officer Gender Diversity Policy to perform certain functions as described on pages 21 and 22 of this Circular under the section "Gender 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 Committee delivers this annual statement on corporate governance to the Board for inclusion in the Circular.

#### Compensation Committee

The Compensation Committee consists of three independent directors: Paul Conibear (Chair), Brian Edgar and Richard Clark. For more information regarding the nature, scope, roles and responsibilities of the Compensation Committee, see page 32 of this Circular.

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

The SHECR Committee consists of three directors. Two are independent, Catherine McLeod-Seltzer (Chair) and Richard Clark. Eira Thomas, the third member of the Committee, 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. The Managing Director of the Lundin Foundation is also invited to all SHECR Committee meetings to provide updates on activities related to community relations for which the Lundin Foundation has provided support to the Corporation during the year. 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.

## **ETHICAL BUSINESS CONDUCT**

The Corporation is committed to conducting its business in compliance with the law and the highest ethical standards. Accordingly, the Board has adopted a written Code of Business Conduct and Ethics (the "Code") for directors, officers and employees of the Corporation. On February 20, 2019, the Board approved certain amendments to the Code to further clarify the Corporation's expectations around human rights and a harassment free working environment (clause 4 of the Code). 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 2018, online training sessions on compliance with the Code were conducted through Everfi, Inc. to enhance understanding and ensure 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 of the Corporation's executive officers and employees also completed this training.

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

In addition to the Code, the Audit Committee has established a Policy and Procedures for the Receipt, Retention and Treatment of Complaints Regarding Accounting or Auditing Matters or "Whistleblower Policy" to encourage 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 to meet the Charter, the Corporation is participating in a sustainability reporting process. This process is being monitored by the Safety, Health, Environmental and Community Relations Committee utilizing the Global Reporting Initiatives 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 ensuring that its business is conducted to meet high ethical standards.

In 2016, Lucara became a member of the Responsible Jewellery Council (the "RJC"), a not-for-profit standards setting organization, which defines responsible ethical, human rights, social and environmental practices for businesses in the jewellery supply chain via a Code of Practices. 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](http://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](http://www.Unglobalcompact.org).

## **DIFFERENCES SWEDISH CORPORATE GOVERNANCE CODE**

The Nasdaq Stockholm exchange in Sweden has a set of rules of corporate governance as 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](http://www.lucaradiamond.com)).

## SHAREHOLDER COMMUNICATIONS

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

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

*Lucara Diamond Corp., 885 West Georgia Street, Suite 2000, Vancouver, B.C., Canada, V6C 3E8*

## SECTION 4 – EXECUTIVE COMPENSATION

### 2018 COMPENSATION DISCUSSION AND ANALYSIS

#### Objectives

The objectives of Lucara's executive compensation program are:

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

#### Elements of Compensation and Reward Structure

Executive compensation is comprised of three elements:

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

**Short Term Incentives.** Executives have no contractual right to bonuses or short term incentives and this form of compensation is clearly "at risk". Such payments are made solely in the discretion of the Board. Short term incentives are considered by the Board on the recommendation of the Compensation Committee. The decision by the Compensation Committee to recommend payment of short term incentives is based on executives meeting agreed and approved criteria. The Board has approved a framework for short term incentive payments (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 for the benefit of the Corporation.

**Long Term Incentives.** The Corporation's performance-based equity incentives include both stock options and share units which 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. 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 strong performance of the Corporation will result in executives receiving higher equity grants 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 has to be sufficient to attract and retain the right level of skill, expertise and talent in an increasingly competitive global market. The structure of the remuneration package must be well-balanced across the short, medium and longer term elements, so that it is both attractive to the individual and cost effective for the Corporation.

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

Compensation Benchmarking

Peer Group

In 2016, Lucara retained a consultant, Roger Gurr & Associates (“Gurr & Associates”) to assist in benchmarking compensation for executives and directors. A compensation peer comparator group of mining companies was developed by Gurr & Associates using the following criteria:

- Operating mines with positive cash flows
- Focus on diamonds and other precious metals
- Assets focused in Africa
- Annual Revenues in the range of CAD 200-800 million

Using these criteria as a guideline, a comparator group (the “Peer Group”) of 17 mining companies (including 6 diamond mining companies) was developed and is as follows:

Asanko Gold Inc.	Kirkland Lake Gold Inc.
Dominion Diamond Corporation*	Mountain Province Diamonds Inc.
Dundee Precious Metals Inc.	Nevsun Resources Ltd.
Endeavour Mining Corporation	Petra Diamonds Ltd.
Firestone Diamonds PLC	Primero Mining Corp.
Fortuna Silver Mines Inc.	SEMAFO Inc.
Gem Diamonds Limited	Stornoway Diamond Corporation
Gemfields Plc*	Teranga Gold Corporation
Guyana Goldfields Inc.	

\* Removed from the 2018 Peer Group analysis due to corporate transactions which were completed in the previous year.

In determining compensation levels for 2019 and performance based awards for 2018, the Compensation Committee used data from the Peer Group and other available information. The Compensation

Committee also considered the following objectives:

- Desired total direct compensation (“TDC”) to be within the 50<sup>th</sup> to 75<sup>th</sup> percentile of the Peer Group;
- Consider the benchmark allocation between Base Salary, STIP and LTIP recommended by Gurr & Associates, with a weighting towards “at-risk” compensation
- Consider past practice (adjusted for actual performance) for the size and value of proposed share unit and stock option grants, including key person retention incentives; and
- Recognize the value inherent in the “new hire” share unit and stock option grants, while still recognizing and awarding 2018 executive performance.

Benchmarking - Executive Salaries

The Compensation Committee reviewed the reported compensation for calendar 2017 (published in 2018) from the Peer Group identified in the 2016 Gurr & Associates benchmarking report (the “Benchmarking Report”) prior to making recommendations for 2019 base salary amounts.

Effective for January 1, 2019, no changes to the annual base salaries for Ms. Thomas, Ms. Boldt nor for Ms. Hira were recommended, as each executive had been in her role for less than a year. Dr. John Armstrong’s salary was increased by approximately 15%, from CAD\$286,110 to CAD\$330,000 as of January 1, 2019 following his promotion to Vice-President, Technical Services. The Compensation Committee recommended, and the Board of Directors approved this adjustment to Dr. Armstrong’s base salary to recognize the increased scope of his responsibilities beginning mid-2018, combined with his specific technical knowledge of diamond geology.

<b>Officers – January 1, 2019</b>	<b>2019 Salary</b>
Chief Executive Officer – Eira Thomas	CAD\$700,000
Chief Financial Officer & Corporate Secretary - Zara Boldt	CAD\$375,000
Vice President Technical Services - John Armstrong	CAD\$330,000
Vice President Corporate Development & Strategy – Ayesha Hira	£180,000 <sup>(1)</sup>

<sup>(1)</sup> Ms. Hira is paid in British Pounds Sterling. Her annual salary for 2019, if converted from Pounds Sterling to Canadian Dollars using the ending December 31, 2018 conversion rate of UKE=CAD1.74 would be approximately CAD\$312,000.

Benchmarking Incentive Awards and Targets- Executives

The Compensation Committee relied on the Benchmarking Report to assess:

- (i) the target awards for Short-term Incentives (see below under “Performance Goals”);
- (ii) the actual awards for Short-term Incentives; and
- (iii) the Long-term Incentive awards made to Lucara executives in February 2019 and for the initial grants to Ms. Thomas, Ms. Boldt and Ms. Hira at the date of hire (the “New Hire Grants”).

The Compensation Committee determined that the targets and awards for fiscal 2018 were within the range of appropriate awards according to the Benchmarking Report and when compared to the Peer Group compensation reported for fiscal 2017.

Benchmarking Director Compensation

Director compensation was reviewed against the Benchmarking Report and the 2017 Peer Group data. No changes to director compensation were recommended for 2019. No increases to director compensation were implemented in either 2017 or 2018.

Performance Goals

Consistent with the Corporation’s approach used for short-term incentive compensation in recent years, a performance measurement scheme focused on Key Performance Indicators (“KPIs”) was used to assess and award



cash bonuses to Lucara’s executives for fiscal 2018. The framework is subject to the overriding discretion of the Board, based on recommendations from the Compensation Committee. The minimum short-term incentive (“STI”) is zero and the maximum STI is set out as a percentage of each executive’s annual base salary, as follows:

Position	Maximum Target STI
CEO	120%
CFO	90%
VPs	70-75%

The following categories, each with specific, measurable KPIs, were used to assess STI awards for fiscal 2018:

- i) Shareholder return
- ii) Safety, health, environment & community relations (“SHECR”)
- iii) Operational targets
- iv) Financial targets
- v) Projects
- vi) Other

Performance awards for fiscal 2018 were based 25% on individual accomplishments and 75% against the categories listed above. Awards were pro-rated for length of service in 2018 (applicable for Ms. Thomas and Ms. Boldt).

Alignment of Compensation Programs and Risk Management

Risk management is a primary consideration of the Board when implementing its compensation program. It has structured its compensation program to reduce a focus on short-term results or excessive risk taking, including 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 applicable 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 Stock Option Plan, a copy of which is included in Appendix B.
- With regard to stock options, the Corporation has a stock option plan with vesting provisions over time which reduces the risk of short term decision making. The Board sets standard vesting terms on stock option grants which align optionees’ interests with longer term growth of the Corporation, using a 4 year term and 36-month vesting provisions such that the first 1/3 of the options vest one year after grant, the second 1/3 two years after grant and the final 1/3 three years after grant.
- With regard to share units, pursuant to the terms of the Corporation’s share unit plan, share units awarded do not vest until three years after the date of the award which reduces the risk of short term decision making.
- 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 their annual director retainers. These shares must be acquired within four years of joining the Board. As of the date of this Circular, all directors 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. Under the guidelines, the ownership level should be achieved by an executive within four years of the implementation of the guidelines, or February 23, 2020, or if an officer is appointed after implementation, within four years of their appointment as an officer.

The Board has established the following minimum ownership levels of common shares that executive officers are expected to attain:

Position	# Shares Required	# of Shares Owned	# of Share Units Granted <sup>(1)</sup>	Assessment
Chief Executive Officer	350,000	5,192,000	313,704	Threshold met
Chief Financial Officer	200,000	92,000	183,126	Threshold met
Vice President, Technical Services	100,000	146,190	178,174	Threshold met
Vice-President, Corp. Development	100,000	Nil	81,457	In Compliance <sup>(2)</sup>

- (1) Unvested share units held by an executive will count towards the achievement of the applicable ownership guideline.
- (2) Ms. Hira, Vice-President of Corporate Development & Strategy, commenced full-time employment with the Corporation in June 2018. Under the executive share ownership guidelines, she has until June 2022 to achieve the target share ownership levels.

Consultant Work and Fees

In 2017 and 2018, no compensation consultants were retained. In 2016, the Compensation Committee retained Gurr & Associates to review and make recommendations regarding salaries, short term incentive targets, long term incentive compensation and director compensation. Gurr & Associates were paid a fee of CAD\$29,500 plus GST for these services rendered in 2016.

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the Compensation Committee; however, management has a key role in helping support the Compensation Committee in fulfilling its obligations. For example, the CEO will make specific recommendations to the Compensation Committee with respect to compensation for the other executive officers of the Corporation that are based on the Committee’s compensation philosophy and incentive programs approved by the Committee.

Composition of the Compensation Committee

The Compensation Committee, on behalf of the Board, monitors compensation for the executive officers of the Corporation. The Compensation Committee currently has three members, each of whom is an independent director. Messrs. Paul Conibear, Richard Clark and Brian Edgar meet as frequently as necessary in order to fulfill its responsibilities. In 2018, the Committee met three times with all members being present for each meeting.



Skills and Experience of Compensation Committee Members

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

Name	Independent <sup>(1)</sup>	Education and Experience Relevant to Performance of Compensation Committee Duties
Richard Clark	Yes	Mr. Clark is a mining executive who is a retired lawyer and has experience as a compensation committee member on several public boards.
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.
Brian Edgar	Yes	Mr. Edgar is currently the Chair of a publicly-traded, resource based company. He has served on numerous public company boards for over 30 years including membership on their compensation committees.

<sup>(1)</sup> 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 National Instrument 52-110.

Mandate and Responsibilities of Compensation Committee

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

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

The Compensation Committee reviews its mandate on an annual basis.

**COMPENSATION OF NAMED EXECUTIVE OFFICERS**

Lucara’s Named Executive Officers (“NEOs”) for 2018 include the Corporation’s current Chief Executive Officer, the current Chief Financial Officer, the past Chief Executive Officer, the past Chief Financial Officer, and the three other most highly compensated executives of the Corporation and its subsidiaries. Two of the NEOs hold positions with Lucara’s subsidiary, Lucara Botswana (Pty) Limited (“Lucara Botswana”), formerly Boteti Mining (Pty) Limited.



The list of NEOs is as follows:

Name	Title	Date of Resignation or Appointment
Eira Thomas	President and Chief Executive Officer, Lucara (“CEO”)	February 25, 2018
William Lamb	Past President and Chief Executive Officer, Lucara (“Past CEO”)	February 25, 2018
Zara Boldt	Chief Financial Officer and Corporate Secretary, Lucara (“CFO”)	April 1, 2018
Glenn Kondo	Past Chief Financial Officer, Lucara (“Past CFO”)	March 31, 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 <sup>(1)</sup>
Johane Mchive	General Manager, Karowe Mine (“Karowe Mine GM”)	June 12, 2017

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

#### 2018 Named Executive Officer Compensation Results

The Board reviewed Lucara’s 2018 performance and the analysis and recommendations of the Compensation Committee and approved all decisions on executive compensation for the three NEOs who were Lucara officers in 2018: the CEO, CFO and VP Technical Services (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 both the Managing Director and General Manager of Lucara Botswana (the “Lucara Botswana NEOs”). The CEO and CFO reviewed Lucara Botswana’s performance and the individual performance of the Lucara Botswana NEOs and made decisions with regard to: (i) their Base Salaries; and (ii) Short Term Incentive using a set of KPIs similar to the KPIs applicable to the assessment of performance for the Officer NEOs.

#### 2018 Changes in Management – Termination Payments

##### *Mr. William Lamb – Former CEO*

Mr. Lamb and the Corporation agreed to a mutual separation effective March 31, 2018 for a negotiated payment of CAD\$1,440,000 plus benefits for a 12 month period. Mr. Lamb’s options and share units did not vest at the time of his mutual separation of employment. Instead, it was agreed they would remain in effect provided he acts as a technical advisor to the Corporation for a one year period and thereafter the options and share units will vest according to current vesting dates or upon the conclusion of his technical advisor role, whichever is earlier. Mr. Lamb was also granted 115,000 share units and 150,000 stock options in 2018 as part of the mutual separation of his employment to incentivize his retention as a technical advisor to the Corporation.

##### *Mr. Glenn Kondo – Former CFO*

On March 21, 2018, Mr. Kondo and the Corporation entered into a mutual separation agreement whereby Mr. Kondo’s employment agreement was amended to: (i) end the appointment of Mr. Kondo as CFO on March 31, 2018; and (ii) include a termination of employment date of May 31, 2018. For the period between April 1, 2018 and May 31, 2018, Mr. Kondo was employed as an advisor to assist in the transition of his responsibilities to Ms. Boldt.

##### *(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 either the CEO or CFO for fiscal 2019. Following his promotion to Vice-President, Technical Services, Dr. John Armstrong’s annual salary was increased by approximately 15% to CAD\$330,000 effective January 1, 2019, as set out above under “Benchmarking – Executive Salaries”. All of the Officer NEOs are compensated in Canadian Dollars.

As noted above, the Lucara Botswana NEOs, Ms. Lahri and Mr. Mchive, are employees of the Corporation’s



subsidiary Lucara Botswana. As they are not officers of the Corporation, their salary is not reviewed by the Compensation Committee but is determined by the CEO and CFO. The Lucara Botswana NEOs are 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 calculated using a percentage of the annual base salaries for each of the Lucara Officers. The result was then multiplied by each executives’ achieved performance (see analysis below – range between 74% and 82%) and pro-rated for the CEO and CFO as both were appointed part way through 2018. 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 20% to stock options and 80% to share units. The Black-Scholes Option Pricing model was used to determine the number of stock options to be granted (based on the LTIP Award Amount times 20%) and a 5-day volume weighted average of the Corporation’s share price was applied against the LTIP Award Amount (times 80%) to determine the number of share units to be granted.

Stock Options

The NEOs each received the following stock option grants in February 2019 based on their 2018 performance, the Corporation’s 2018 performance, their level of responsibility and their ability to impact the Corporation’s results (the value of such option grants is set out below in the Summary Compensation Table).

Position	Executive	February 2019 Option Grants <sup>(1)</sup>
President and CEO	Eira Thomas	138,000
CFO & Corporate Secretary	Zara Boldt	69,000
VP Technical Services	John Armstrong	96,000
Lucara Botswana MD	Naseem Lahri	96,000
Karowe Mine GM	Johane Mchive	84,000

<sup>(1)</sup> Based on 2018 Performance

In addition to the stock options granted in February 2019, Ms. Thomas and Ms. Boldt each received a grant of stock options (the “New Hire Stock Option Grant”) in 2018 as part of her total compensation package. Ms. Thomas was granted 300,000 stock options with an exercise price of \$2.49 on February 27, 2018. Ms. Boldt was granted 125,000 stock options with an exercise price of \$2.05 on April 1, 2018. The New Hire Stock Option Grants are subject to vesting provisions consistent with other stock options granted by the Corporation. In determining the quantum of stock options to be granted to the CEO and CFO for 2018 performance, the Compensation Committee considered the value of the New Hire Stock Option Grants.

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. The NEOs received the following share unit awards in February 2019, based on their 2018 performance, the Corporation’s 2018 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 2019 Share Unit Awards <sup>(1)</sup>
President and CEO	Eira Thomas	103,000
CFO	Zara Boldt	53,000
VP Technical Services	John Armstrong	73,000
Lucara Botswana MD	Naseem Lahri	72,000
Karowe Mine GM	Johane Mchive	63,000

(1) Based on 2018 Performance

In addition to the share units granted in February 2019, Ms. Thomas and Ms. Boldt each received a grant of share units (the “New Hire Share Unit Grant”) in 2018 as part of her total compensation package. Ms. Thomas received 200,000 share units on February 27, 2018. Ms. Boldt received 125,000 share units on April 1, 2018. The New Hire Share Unit Grants will vest three years from the date of grant and were issued as a long-term incentive for both officers. In determining the quantum of share units to be granted to the CEO and CFO for 2018 performance, the Compensation Committee considered the value of the New Hire Share Unit Grants.

Ms. Lahri and Mr. Mchive each received an initial grant of 45,000 share units in June 2018 in recognition of the key operational roles each performs with Lucara Botswana.

(iii) Annual Short Term Incentives

The Officers NEOs are eligible for short term incentives following an assessment by the Compensation Committee in accordance with the Corporation’s Short Term Incentive Program Framework for executives. Short term incentives were paid in February 2019 (following the release of the Corporation’s audited consolidated financial statements) to these NEOs but were earned for 2018 performance results.

The short term incentive payments for the Lucara Botswana NEOs were determined by the 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 following describes for 2018, performance goals, performance metrics achieved, and the results considered as part of the assessment process for the Officer NEOs.

The weighting of the 2018 performance evaluation was 75% corporate KPIs and 25% individual performance for each of the Lucara Officers, resulting in a rating of 74% for Ms. Thomas, 78.1% for Ms. Boldt and 81.9% for Dr. Armstrong.

The achieved performance for the corporate KPIs (75% weighting for the Lucara Officers) was as follows:

KPI Category	Achieved Score
Shareholder Return	0%
SHECR	100%
Operations	90%
Financial Targets	84%
Projects	83%
Other KPIs	75%

**A. Shareholder Return – Threshold not met – 0%**

This KPI measured Lucara’s year-to-date share price performance (shareholder return) against that of its peer group (five other publicly traded diamond producers) using a share volume weighted average. The peer group includes: Firestone, Gem, Mountain Province, Petra and Stornoway. Until early December 2018, Lucara was second only to Gem in year-to-date share price performance. During December, Lucara’s share price declined from \$1.89 to \$1.48. Consequently, Lucara’s year-to-date share price performance fell below Gem, Petra and Mountain Province to end 4<sup>th</sup> out of the 6 companies at negative 47.3% year-to-date and more than 25% below the peer group average of negative 32.8%.

**B. SHECR - Stretch Achieved – 100%**

The health and safety of the Corporation’s employees and contractors is a core value and objective for the Corporation. During the year ended December 31, 2018 there were no lost-time injuries and the All Injury frequency rate (“AIFR”) achieved (per 200,000 man hours) was 1.06.

**C. Operations – All key operational targets met or exceeded 2018 guidance – 90%**

The following specific KPIs were used to measure operational achievements:

Operational KPIs	2018 Achievement
Ore mined	3.1 million
Waste mined	15.0 million
Ore processed	2.63 million
Carats recovered	366,086 carats
Plant availability	81%

**D. Financial Targets – All key financial targets met or exceeded 2018 guidance – 84%**

Financial KPIs	Fiscal 2018 Achievement
Revenue	US \$176.2 million
EBITDA	US \$60.5 million
EPS	US \$0.03
ROE	4.8%
Cost per tonne processed	US \$40.93
Cost per carat	US \$321.87

**E. Projects – Significant expenditures and deadlines met targets – 83%**

Three key projects were undertaken or completed in 2018:

- i) Completion of the XRT Audit Plant;
- ii) Work related to a feasibility study (originally planned as a pre-feasibility study) to examine the potential for an underground expansion at the Karowe Mine; and
- iii) Feasibility level drilling to identify and assess geotechnical and hydrogeological risks related to a potential underground development.

**F. Other KPIs – Sales and Exploration – 75%**

Four regular tenders and one exceptional stone tender were held during 2018, with good attendance and competitive bidding observed.

Other KPIs in this category related to exploration, specifically: BK11 sample processing and AK24 drilling and microdiamond analysis.

**G. Individual Performance – 100%**

Each of Ms. Thomas, Ms. Boldt and Dr. Armstrong achieved a rating of 100% for their individual contributions (25% weighting) during fiscal 2018.

In making this assessment, the Compensation Committee considered that Ms. Eira Thomas, who assumed the role of CEO in March 2019, worked swiftly to establish a largely new senior leadership team to address key challenges that were negatively impacting operating performance at the Karowe Mine, including continued underperformance of the mining contractor, poor plant utilization and uncertainty over grade prediction related to the varying estimates of Mine Call Factor. As a result, the Corporation met or exceeded its 2018 guidance for a majority of the pre-established KPIs.

During 2018, Dr. John Armstrong assumed greater responsibility as Vice-President, Technical Services a role which included oversight of plant related projects and performance as well as oversight of the underground feasibility study. r. Armstrong also oversaw the calculation and publication of the 2018 Resource Update which successfully converted inferred resources to indicated resources for the underground study and recognized the increasing importance of the EMP/K(S) unit deeper in the south lobe. This work confirmed that the EMP/K(S) contributes up to a 50% increase in rock value at depth and is expected to be an important value driver on underground economics.

Ms. Zara Boldt assumed the combined roles of CFO & Corporate Secretary on April 1, 2018. Working closely with Ms. Thomas and the Lucara Botswana NEOs, Ms. Boldt contributed to the successful transition between mining contractors mid-year. This transition, completed within a three month period, resulted in the Corporation meeting or exceeding its 2018 guidance for a majority of the pre-established KPIs. Ms. Boldt also played an important leadership role in the re-organization of key roles and responsibilities within Lucara Diamond Corp. and Lucara Botswana early in the year.

Both Ms. Naseem Lahri, Managing Director, Lucara Botswana and Mr. Joe Mchive, General Manager, Karowe Mine were actively engaged in the identification and transition of the mining contractor in a timely manner, resulting in a material improvement in operational performance and safety at the Karowe Mine in the latter half of 2018. As a result, the Corporation met or exceeded its 2018 guidance for a majority of the pre-established KPIs. In addition, Ms. Lahri quickly and effectively assumed the role of Managing Director, which had been vacant for several years.

Ms. Lahri's target short-term incentive, based on various operational KPIs and individual performance for fiscal 2018 was 90% and she achieved this target. Mr. Mchive's target short-term incentive, measured on similar operational KPIs and individual performance for fiscal 2018 was 75% and he achieved this target. The Lucara CEO and CFO evaluated the performance of both Ms. Lahri and Mr. Mchive.

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

Position	Executive	% of STI Metrics Achieved	Maximum Target STI (%) <sup>(1)</sup>	STI Payment (%) <sup>(1)</sup>	STI Payment (CAD\$) <sup>(2)</sup>
CEO	Eira Thomas	74%	120%	88%	520,000
CFO	Zara Boldt	78%	90%	71%	200,000
VP Technical Services	John Armstrong	82%	75%	61%	175,000
Lucara Botswana MD	Naseem Lahri	100%	90%	86%	241,721
Karowe Mine GM	Johane Mchive	100%	75%	74%	195,705

(1) As a percentage of base salary

(2) The following conversion rates, being the Bank of Canada average rates for 2018, were used to convert the STI payments earned by the Lucara Botswana NEOs in 2018 from the Botswana Pula into Canadian Dollars: CAD\$1.00=BWP7.86.

**Performance Graph**

The following graph shows the total cumulative return on a CAD\$100 investment on December 31, 2013 in common shares 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 and Firestone Diamonds PLC, over the period ending December 31, 2018, assuming reinvestment of all dividends.



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

Following the trend in the Corporation’s stock price performance as noted in the graph, average total NEO compensation increased in 2014. Contrary to the increase in the Corporation’s stock price performance, average total NEO compensation decreased in 2015 and 2016 due to the influence of specific corporate factors. In 2016, certain operational targets at the Karowe mine were not achieved. In 2017, average total NEO compensation was largely on par with 2016 as the Corporation’s performance was varied, with strong delivery of projects and cost control, but negatively impacted by the performance of Karowe’s new mining contractor. In 2018, operational performance improved following a change in the mining contractor at Karowe and many of the KPIs described above, with the exception of share price performance, were achieved. Overall, total NEO compensation in 2018 increased as compared to 2017 due to the “New Hire Stock Option Grants” and “New Hire Share Unit Grants” awarded to the CEO and CFO, as well as initial share unit grants to the Lucara Botswana NEOs.

## SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary <sup>(1)</sup> (CAD\$)	Option- based Awards <sup>(2)</sup> (CAD\$)	Restricted Share Awards <sup>(3)</sup> (CAD\$)	Non-Equity Annual Incentive Plan <sup>(4)</sup> (CAD\$)	All Other Compensation <sup>(5)</sup> (CAD\$)	Total Compensation (CAD\$)
<b>Eira Thomas</b> CEO <sup>(6)</sup>	2018	592,083	190,590	640,920	520,000	5,544	1,949,137
<b>William Lamb</b> Past CEO <sup>(7)</sup>	2018	165,750	78,300	271,400	-	1,584,684	2,100,134
	2017	650,000	-	-	560,000	32,758	1,242,758
	2016	580,000	106,065	294,631	575,000	84,971	1,640,667
<b>Zara Boldt</b> CFO <sup>(8)</sup>	2018	281,250	72,720	343,170	200,000	2,280	899,420
<b>Glenn Kondo</b> Past CFO <sup>(9)</sup>	2018	183,771	-	-	-	1,058,638	1,242,409
	2017	417,878	-	-	309,230	1,915	729,023
	2016	403,465	70,710	205,349	318,998	56,242	1,054,764
<b>John Armstrong</b> VP Technical Services	2018	286,110	23,645	119,720	175,000	2,026	606,502
	2017	280,500	31,322	122,010	125,000	9,966	568,798
	2016	275,000	42,426	124,995	190,000	16,112	648,533
<b>Naseem Lahri</b> Lucara Botswana MD	2018	264,790	23,645	213,030	241,721	89,965	833,152
	2017	227,434	26,102	-	170,576	100,469	524,580
	2016	195,381	34,343	-	146,536	57,390	433,650
<b>Johane Mchive</b> Karowe Mine GM <sup>(10)</sup>	2018	257,258	20,690	198,270	195,705	99,689	771,611
	2017	136,021	-	-	71,528	51,838	259,387

(1) Mr. Kondo is paid in British Pounds Sterling. Ms. Lahri and Mr. Mchive are paid in Botswana Pula. The following conversion rates were used to convert salary payments for presentation in Canadian Dollars:

- Financial year ended December 31, 2018 average exchange rate of CAD\$1.00=US\$0.77, CAD\$1.00=UK£0.58, Botswana Pula 1=CAD\$0.127.
- Financial year ended December 31, 2017 average exchange rate of CAD\$1.00=US\$0.77, CAD\$1.00=UK£0.60, Botswana Pula 1=CAD\$0.125; and
- Financial year ended December 31, 2016 average exchange rate of CAD\$1.00=US\$0.75, CAD\$1.00=UK£0.56, Botswana Pula 1=CAD\$0.122.

(2) This column represents stock option awards earned in respect of the corresponding year’s performance. Awards for 2018

performance were made in 2019, awards for 2017 performance were made in 2018, and awards for 2016 performance were made in 2017. The amounts represent the fair value, on the date of grant, of awards made under Lucara's stock option plan. The value has been determined using the Black-Scholes model. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options 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.

- (3) This column represents share unit awards earned in respect of the corresponding year's performance as well as the value of the initial share unit awards to the CEO, CFO and the Lucara Botswana NEOs. Awards for 2018 performance were made in 2019, awards for 2017 performance were made in 2018, and awards for 2016 performance were made in 2017. 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 share units vest three years from the date of grant.
- (4) This column represents STI awards earned in respect of the corresponding year's performance. Payment of the 2018 STI award was made following the year of performance in February 2019. Payment of the 2017 STI award was made following the year of performance in February 2018. Payment of the 2016 STI award was made following the year of performance in February 2017. 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 such as separation payments, life insurance premiums, parking benefits and medical/dental plans. The amount also includes for Mr. Lamb, Mr. Kondo and Mr. Armstrong accrued holidays paid out for the years ended 2017 and 2018. Ms. Lahri and Mr. Mchive, as employees of Lucara Botswana, receive a gratuity in lieu of a pension, calculated at 20% of base salary. The gratuity is payable every three years.
- (6) Ms. Thomas was appointed President and CEO effective February 25, 2018. As part of Ms. Thomas' appointment, she received 200,000 share units and 300,000 stock options, the estimated value of which is included with the 2018 performance awards in the columns "Option-based awards" and "Restricted Share Awards" in the table above.
- (7) Mr. Lamb and the Corporation agreed to a mutual separation effective March 31, 2018 for a negotiated payment of CAD\$1,440,000 plus benefits for a 12 month period. These amounts are reported under "Other Compensation" for 2018. Mr. Lamb's options and share units did not vest at the time of his mutual separation of employment. Instead it was agreed they would remain in effect provided he acts as a technical advisor to the Corporation for a one year period and thereafter the options and share units will vest according to current vesting dates or upon the conclusion of his technical advisor role, whichever is earlier. Mr. Lamb was also granted 115,000 share units and 150,000 stock options in 2018 pursuant to the terms of the mutual separation agreement to incentivize his retention as a technical advisor to the Corporation, the estimated value of which is included with the 2018 performance awards in the columns "Option-based awards" and "Restricted Share Awards" in the table above.
- (8) Ms. Boldt was appointed CFO and Corporate Secretary effective April 1, 2018. As part of Ms. Boldt's appointment, she received 125,000 share units and 125,000 stock options, the estimated value of which is included with the 2018 performance awards in the columns "Option-based awards" and "Restricted Share Awards" in the table above.
- (9) On March 21, 2018, Mr. Kondo and the Corporation entered into a mutual separation agreement whereby Mr. Kondo's employment agreement was amended to: (i) end the appointment of Mr. Kondo as CFO on March 31, 2018; and (ii) include a termination of employment date of May 31, 2018. Included in "Other Compensation" in 2018 is a separation payment of £567,000 in accordance with the terms of Mr. Kondo's termination without cause provision. This separation payment was made in British Pounds Sterling and translated to Canadian Dollars at the rates disclosed in note (1) to the table.
- (10) Mr. Mchive was appointed General Manager of the Karowe Mine in June 2017.

#### 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.

#### Liability Insurance

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



### Termination and Change of Control Benefits- NEOs

Except as disclosed below, all of the Officer NEOs have effective written employment agreements with Lucara. Ms. Lahri and Mr. Mchive have written employment agreements with Lucara Botswana.

#### Ms. Thomas

##### Employment Agreement in effect on December 31, 2018 – Ms. Thomas

Pursuant to the employment agreement in effect on December 31, 2018:

- 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, 2018, it is estimated the total value of Ms. Thomas' severance package would have been CAD\$2,242,296.

#### 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, 2018, it is estimated the total value of Ms. Boldt's severance package would have been CAD\$765,540.

#### 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 (providing 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, 2018 it is estimated the total value of Dr. Armstrong's severance package would have been CAD\$507,026.

#### 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\$84,265 if a termination of her employment had occurred on December 31, 2018.

Mr. Mchive

Pursuant to the employment agreement between Lucara Botswana and Mr. Mchive, if Mr. Mchive's employment is terminated without cause, he will be entitled to receive a payment equal to 2 months' salary and a payment with respect to an accrued 20% gratuity in lieu of a pension. If such a termination of his employment had occurred on December 31, 2018, it is estimated the total value of Mr. Mchive's severance package would have been CAD\$52,982.

Outstanding Option and Share based Awards

The following table sets forth for each Named Executive Officer all awards outstanding at the end of 2018.

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 26, 2016	200,000	2.45 <sup>(5)</sup>	February 26, 2020	-	-	-	-
	February 27, 2018	300,000	2.49 <sup>(9)</sup>	February 27, 2022	-	200,000	310,800	-
	Various (dividend SUs)	-	-	-	-	10,704	1,042	-
William Lamb Past CEO	May 14, 2015	200,000	2.15 <sup>(4)</sup>	May 14, 2019	-	-	-	-
	February 26, 2016	150,000	2.45 <sup>(5)</sup>	February 26, 2020	-	290,000	429,200	-
	March 8, 2017	150,000	2.80 <sup>(6)</sup>	March 8, 2021	-	115,500	170,940	-
	February 27, 2018	150,000	2.49 <sup>(9)</sup>	February 27, 2022	-	115,000	170,200	-
	Various (dividend SUs)	-	-	-	-	85,826	127,022	-
Zara Boldt CFO	April 1, 2018	125,000	2.05 <sup>(8)</sup>	April 2, 2022	-	125,000	185,000	-
	Various (dividend SUs)	-	-	-	-	5,126	7,586	-
John Armstrong VP, Technical Services	May 14, 2015	120,000	2.15 <sup>(3)</sup>	May 14, 2019	-	-	-	-
	February 26, 2016	60,000	2.45 <sup>(5)</sup>	February 26, 2020	-	70,000	103,600	-
	March 8, 2017	60,000	2.80 <sup>(6)</sup>	March 8, 2021	-	49,000	72,520	-
	February 27, 2018	60,000	2.49 <sup>(9)</sup>	February 27, 2022	-	49,000	72,520	-
	Various (dividend SUs)	-	-	-	-	23,808	35,236	-
Naseem Lahri Lucara Botswana MD	May 14, 2015	60,000	2.15 <sup>(3)</sup>	May 14, 2019	-	-	-	-
	February 26, 2016	40,000	2.45 <sup>(7)</sup>	February 26, 2020	-	-	-	-
	March 8, 2017	50,000	2.80 <sup>(6)</sup>	March 8, 2021	-	-	-	-
	February 27, 2018	50,000	2.49 <sup>(9)</sup>	February 27, 2022	-	45,000	66,600	-
	Various (dividend SUs)	-	-	-	-	1,312	1,942	-
Johane Mchive Karowe Mine GM	September 12, 2017	50,000	2.51 <sup>(10)</sup>	September 12, 2021	-	-	-	-
	February 27, 2018	50,000	2.49 <sup>(9)</sup>	February 27, 2022	-	45,000	66,600	-
	Various (dividend SUs)	-	-	-	-	1,312	1,942	-

(1) Based on the closing price of the Common Shares on the TSX on December 31, 2018 of CAD\$1.48 per Common Share, less the exercise price of the in-the-money stock options. These 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, 2018 of CAD\$1.48.

(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.

(4) These values represented all vested options.

(5) These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being February 26, 2017, February 26, 2018 and February 26, 2019, respectively.

(6) These values represent all unvested options. 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.

(7) These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being May 12, 2017, May 12, 2018 and May 12, 2019, respectively.

(8) These values represent all unvested options. 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.

(9) These values represent all unvested options. 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.

#### 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 2018 by each Named Executive Officer.

Name	Option-based awards – Value vested during the year <sup>(1)</sup> (CAD\$)	Share-based awards – Value vested during the year <sup>(2)</sup> (CAD\$)	Non-equity incentive plan compensation-value earned during the year <sup>(3)</sup> (CAD\$)
Eira Thomas	2,667	-	520,000
William Lamb	2,000	415,794	-
Zara Boldt	-	-	200,000
Glenn Kondo	1,333	743,338	-
John Armstrong	800	176,394	175,000
Naseem Lahri	533	-	241,721
Johane Mchive	-	-	195,705

(1) Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2018, or if the TSX is not open on such date, the closing price of the common shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in-the-money stock options.

(2) Calculated using the closing price of the common shares on the TSX on the dates on which share units vested during 2018, 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.

(3) This column represents short term incentive plan payments referred to earlier in the circular, the incentive payment is paid in 2019 for 2018 performance. Ms. Lahri and Mr. Mchive were 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 2018 short term incentive plan payments Botswana Pula 1=CAD\$0.127.

## SECTION 5 – COMPENSATION OF DIRECTORS

The following table sets forth the details of compensation provided to directors in 2018, other than Eira Thomas and William Lamb. Ms. Thomas, CEO, and Mr. Lamb, the former CEO, did not receive compensation for their services as a director.

Directors - 2018	Fees Earned (CAD\$)	Option-based (CAD\$)	Total (CAD\$)
Richard Clark	100,000	-	100,000
Paul Conibear	120,000	-	120,000
Brian Edgar	110,000	-	110,000
Marie Inkster	115,000	-	115,000
Lukas Lundin	115,000	-	115,000
Catherine McLeod-Seltzer	102,500	-	102,500

In 2016, the Compensation Committee retained Gurr & Associates to perform benchmarking for director compensation. The benchmarking data showed that the directors' fees at that time were in line with the director compensation of the Corporation's peers. In determining director compensation for 2019, the Compensation Committee reviewed publicly available data for the Peer Group. This informal review indicated that while the retainer paid to the non-executives directors is generally in line with the cash compensation paid to directors by the companies in the Peer Group, 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. The Compensation Committee recommended and the Board approved no changes to the cash compensation for non-

executive directors in 2019 and determined that the practice of not providing share-based compensation, consistent with 2017 and 2018, should continue.

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 Committee and the Chair of Compensation Committee receive an additional CAD\$10,000 per annum; and
- the Chair of the Board and the Chair of the Audit Committee receive an additional CAD\$15,000 per annum.

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

The following table sets forth the outstanding option-based awards held by the directors of the Corporation at the end of 2018, other than Eira Thomas who is a Named Executive Officer and disclosed previously.

Directors - 2018	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (CAD\$) <sup>(1)</sup>
Richard Clark	200,000	2.45	February 26, 2020	-
Paul Conibear	200,000	2.45	February 26, 2020	-
Brian Edgar	200,000	2.45	February 26, 2020	-
Lukas Lundin	200,000	2.45	February 26, 2020	-
Marie Inkster	200,000	2.45	February 26, 2020	-

<sup>(1)</sup> Calculated using the closing price of the common shares on the TSX December 31, 2018 of CAD\$1.48 and subtracting the exercise price of in-the-money stock options.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during 2018 by each director, other than Eira Thomas who is a Named Executive Officer and disclosed previously.

Directors - 2018	Option-based awards – Value vested during the year (CAD\$) <sup>(1)</sup>
Richard Clark	-
Paul Conibear	-
Brian Edgar	-
Lukas Lundin	-
Marie Inkster	-

<sup>(1)</sup> Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2018, 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**

**EQUITY COMPENSATION PLAN INFORMATION**

The Corporation has two compensation plans under which equity securities of the Corporation are authorized for

issuance. A Share Unit Plan was approved on May 13, 2015 by the shareholders and a Stock Option Plan was also approved by shareholders on the same date. On March 20, 2019, the Board approved certain amendments to the Stock Option Plan to clarify that the Compensation Committee will make annual recommendations to the Board for option grants and to allow for the claw-back of subsequently granted options in the instances described in the summary of the Stock Option Plan below.

**Equity Compensation Plan Information (as at fiscal year end December 31, 2018)**

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))
<b>Equity Compensation Plans approved by security holders:</b>			
Stock Option Plan	4,278,336	2.40	15,721,664
Share Unit Plan	1,283,045	N/A (share units)	1,637,656
Equity Compensation Plans not approved by security holders	N/A	N/A	N/A
<b>Total</b>	<b>5,561,381</b>	<b>N/A</b>	<b>17,359,320</b>

**Percentage of issued and outstanding shares**

**Stock Option Plan**

A maximum of 20.0 million shares are issuable under the Stock Option Plan, representing 5.0% of the Corporation’s issued and outstanding shares as at the end of December 31, 2018. As at the end of December 31, 2018, there were 4.3 million stock options outstanding under the Stock Option Plan, representing 1.1% of shares then issued and outstanding, and 15.7 million stock options remained available for grant, representing 4.0% of shares then issued and outstanding.

**Share Unit Plan**

A maximum of 2.9 million shares are issuable under the share unit plan, representing 0.7% of the Corporation’s issued and outstanding shares as at the end of December 31, 2018. As at the end of December 31, 2018, there were 1.3 million share units outstanding under the share unit plan, representing 0.3% of shares then issued and outstanding, and 1.6 million share units remained available for grant, representing 0.4% of shares then issued and outstanding.

**Burn Rate <sup>(1)</sup>**

Year	Stock Options Granted	Burn Rate	Share Units Granted	Burn Rate
2018	1,490,000	0.4%	699,165	0.2%
2017	910,000	0.2%	334,097	0.1%
2016	2,160,000	0.6%	799,193	0.2%
<b>3 year total</b>	<b>4,560,000</b>	<b>1.2%</b>	<b>1,832,455</b>	<b>0.5%</b>

<sup>(1)</sup>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 “SU Plan”)**

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

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

- In the event of death, all unvested SUs will vest and the Common Shares will be issued to the participant's estate as soon as reasonably practical.
- In the event of the total disability of a participant, all unvested SUs will vest on the date the participant is determined to be totally disabled and the Common Shares will be issued as soon as reasonably practical.
- In the event of a change of control, all SUs outstanding will vest on the date of such change of control.
- All of the termination provisions in the SU plan shall be subject to the terms of any employment/severance agreement between the participant and the Corporation.
- SUs are not transferable other than by will or the laws of dissent and distribution.
- The specific amendment provisions for the SU Plan provide the Committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
  - amendments of a housekeeping nature;
  - the addition or a change to any vesting provisions of an SU;
  - changes to the termination provisions of an SU or the SU Plan; and
  - amendments to reflect changes to applicable securities or tax laws.
- Any of the following amendments require shareholder approval:
  - materially increasing the benefits to a holder of SUs who is an insider to the material detriment of the Corporation and its shareholders;
  - increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the SU Plan (other than by virtue of adjustments permitted under the SU Plan);
  - permitting SUs to be transferred other than for normal estate settlement purposes;
  - removing or exceeding the insider participation limits of the SU Plan;
  - materially modifying the eligibility requirements for participation in the SU Plan; or
  - modifying the amending provisions of the SU Plan.

### **The Stock Option Plan**

The material terms of the Stock 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 Stock Option Plan.
- The aggregate number of Common Shares available at all times for issuance under the Stock Option Plan will be 20,000,000, which would represent approximately 5.0% 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 Stock 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 Stock Option Plan does not provide for the transformation of options granted under the Stock 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 Stock Option Plan is a maximum of five years.
- Options granted pursuant to the Stock Option Plan shall vest and become exercisable by an optionee at such time or times as may be determined by the Board at the date of grant and as indicated in the option commitment. Subject to the 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 Stock Option Plan shall be:
  - An optionee will have, in all cases subject to the original option expiry date (i) 90 days to exercise his/her options, which will automatically vest for optionees who have been continuously employed by the Corporation or by a 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 Stock Option Plan is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the Stock Option Plan, or when combined with all of the Corporation's other security based compensation arrangements, not exceeding 10% of the Corporation's total issued and outstanding Common Shares, respectively.
- The aggregate number of options granted pursuant to the Stock 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 Stock 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 Stock Option Plan, or when combined with all of the Corporation's other security based compensation arrangements, to any one Participant within a one-year period shall not exceed 10% of the Shares outstanding at the time of the grant
- The Board means the board of directors or any committee of the board to which the duties under the Stock 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 Company 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 Stock Option Plan provide the Board with the power to make the following amendments without shareholder approval:
  - minor or technical modifications;
  - correct ambiguity, defective provisions, error or omissions or reflect changes to applicable securities or taxation laws;
  - change any vesting provisions of an option;





- change the termination provisions or extend the expiration date provided the extension is not beyond 5 years from the date the option is granted;
- add or change provisions relating to financial assistance to facilitate the purchase of securities; and
- add a cashless exercise feature.

Such amendment must be in accordance with applicable laws and stock exchange rules and cannot materially adversely affect existing rights of options.

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

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

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

## **MANAGEMENT CONTRACTS**

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

## **INTEREST OF 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.

## **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 is effective from the date of the share purchase agreement in February 2018 through to December 31, 2020.

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

## **ADDITIONAL INFORMATION**

The Corporation's Annual Information Form ("AIF"), annual audited, consolidated financial statements for the year ended December 31, 2018 ("Annual Financial Statements" and management's discussion and analysis ("Annual MD&A") as well as the interim financial statements from fiscal 2018 ("2018 Interims") are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) and on the Corporation's website at [www.lucaradiamond.com](http://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 2018 Interims and interim financial statements and management's discussion and analysis for subsequent periods upon request by contacting:



- (i) e-mail: [info@lucaradiamond.com](mailto:info@lucaradiamond.com)
- (ii) telephone: 604-689-7842
- (iii) mail: Lucara Diamond Corp.  
Suite 2000 - 885 West Georgia Street  
Vancouver, B.C., V6C 3E8  
Attn: Investor Relations

## **DIRECTORS' APPROVAL**

The contents and the distribution of this Circular have been approved by the Board.  
DATED the 27<sup>th</sup> day of March 2019.

(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.

## APPENDIX B – STOCK OPTION PLAN (2019)

*Changes from previously approved plan are highlighted below.*

As amended by the Board of Directors on March 20, 2019 and approved by the Company's shareholders on [●], 2019.

### ARTICLE I INTRODUCTION

#### 1.1 Purpose of Plan

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

#### 1.2 Definitions

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



acquisition involving the Company or any of its Affiliates and another corporation or other entity (a “**Transaction**”), fewer than 50% of the Directors are persons who were Directors of the Company immediately prior to such Transaction; or

- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

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

- (e) “**Board**” means the board of directors of the Company, or any committee of the board of directors to which the duties of the board of directors hereunder are delegated.

- (f) “**Company**” means Lucara Diamond Corp., a company duly continued under the laws of British Columbia.

- (g) “**Compensation Committee**” means the Company’s compensation committee.

- (h) “**Consultant**” means, in relation to the Company, any individual, corporation or, other person engaged to provide ongoing valuable services to the Company or any Affiliate.

- (i) “**Director**” means a director of the Company or any of its Subsidiaries.

- (j) “**Disinterested Shareholder Approval**” means approval by a majority of the votes cast by all the Company’s shareholders at a duly constituted shareholders’ meeting, excluding votes attached to shares of the Company beneficially owned by Insiders or their Associates.

- (k) “**Eligible Person**” means an Employee, Director (including an Outside Director), or Officer of the Company or any of its Subsidiaries and, except in relation to a Consultant company, includes a company that is wholly-owned by such persons.

- (l) “**Employee**” means an individual who is a bona fide employee of the Company or of any Subsidiary of the Company and includes:

- (i) an individual who is considered an employee of the Company or its Subsidiary under the Income Tax Act (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source),

- (ii) an individual who works full-time for the Company or its Subsidiary providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work, as an employee of the Company, but for whom income tax deductions are not made at source,

- (iii) an individual who works for the Company or its subsidiary on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Company over the details and methods of work as an employee of the Company, but for whom income tax deductions are not made at source, and

- (iv) a bona fide Consultant of the Company or of a Subsidiary of the Company who is approved for participation in this Plan by the Board and in respect of whom the Company has qualified by way of an exemption, or has obtained an order from any securities commission or other



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

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

(dd) “Subsidiary” has the meaning ascribed thereto in the Securities Act.

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

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

### 1.3 Agreement

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

### 1.4 Interpretation

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

### 1.5 Headings

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

## **ARTICLE II STOCK OPTION PLAN**

### 2.1 Participation

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

### 2.2 Determination of Option Recipients

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

### 2.3 Exercise Price

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

### 2.4 Grant of Options

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



## 2.5 Option Commitment

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

## 2.6 Terms of Options

Subject to the early expiry provisions contained elsewhere in this Plan, the expiry date (the “**Expiry Date**”) of an Option shall be the date so fixed by the Board at the time the particular Options is awarded, provided, however, that the Option Period shall not be longer than 5 years. Notwithstanding the foregoing, in the event that any Option expires during, or within 48 hours after, a self imposed blackout period on trading due to the applicable policies of the Company in respect of insider trading, such Expiry Date will be automatically extended to and will become the tenth day following the end of the blackout period. Any Option or any part thereof not exercised within the Option Period shall terminate and become null, void and of no effect as of 5:00 p.m. local time in Vancouver, British Columbia on the Expiry Date, as extended if applicable.

## 2.7 Exercise of Option

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

## 2.8 Vesting

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

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

## 2.9 Death or Disability of Optionee

In the event of:

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

## 2.10 Termination Without Cause

In the event of Termination Without Cause of a Participant who has been continuously employed by the Company or any of its Subsidiaries, or retained as a Consultant to the Company or any of its Subsidiaries, for at least two (2)



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

#### 2.11 Resignation

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

#### 2.12 Termination With Cause

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

#### 2.13 Subject to Employment/Severance Agreements

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

#### 2.14 Effect of Take-Over Bid

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

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

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



apply to the Option. If any Optioned Shares are returned to the Company under this Section, the Company shall refund the exercise price to the Optionee for such Optioned Shares.

#### 2.15 Effect of Reorganization, Amalgamation or Merger

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

#### 2.16 Effect of Change of Control

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

#### 2.17 Adjustment in Shares Subject to the Plan

If prior to the exercise of any Option, the Shares are consolidated, subdivided, converted, exchanged or reclassified or are in any way substituted for (collectively, the “Event”), an Option, to the extent it has or has not been exercised shall be adjusted by the Board in accordance with such Event in the manner the Board determines appropriate. The Company will not be required to issue fractional shares in satisfaction of its obligations hereunder. Any fractional interest in a Share that would, except for this provision, be deliverable upon the exercise of an Option will be cancelled. If any questions arise at any time with respect to the exercise price or number of Shares deliverable upon exercise of an Option as a result of an Event, such questions will be conclusively determined by the Company’s auditors, or, if they decline to so act, any other firm of Chartered Accountants that the Company may designate and who will have access to all appropriate records and such determination will be binding upon the Company and all Optionees.

#### 2.18 Clawback

It is a condition of each grant of Options that in the event of:

Termination With Cause of a Participant, or the Board reasonably determines after termination of a Participant’s employment that the termination could have been Termination With Cause;

the Board reasonably determining that a Participant engaged in conduct that causes material financial or reputational harm to the Company or its Affiliates, or engaged in gross negligence, willful misconduct or fraud in respect of the performance of the Participant’s duties for the Company or an Affiliate of the Company; or

- (a) the Company’s financial statements (the “**Original Statements**”) being required to be restated (other than solely as a result of a change in accounting policy by the Company or under International Financial Reporting Standards applicable to the Company) and such restated financial statements (the “**Restated Statements**”) disclose, in the opinion of the Board acting reasonably, materially worse financial results than those contained in the Original Statements,
- (b) then the Board may, in its sole discretion, to the full extent permitted by governing law and to the extent it determines that such action is in the best interest of the Company, and in addition to any other rights that the Company or an Affiliate may have at law or under any agreement, take any or all of the following actions, as applicable:

- (i) reduce the number of, or cancel and terminate, any one or more unvested grants of Options, or cancel or terminate any outstanding grants of Options which have vested in the twelve (12) months prior to: (y) the date of Termination With Cause of a Participant or the date the Board makes a determination under paragraph (a) or (b) above; or (z) the date on which the Board determines that the Company's Original Statements are required to be restated, in the event paragraph (c) above applies (each such date provided for in clause (y) and (z) of this paragraph (i) being a "**Relevant Equity Recoupment Date**"); and/or
- (ii) require payment to the Company of the value of any Shares acquired by the Participant pursuant to a grant of Options in the twelve (12) months prior to a Relevant Equity Recoupment Date (less any amount paid by the Participant to acquire such Shares and less the amount of tax withheld pursuant to the Income Tax Act (Canada) or other relevant taxing authority in respect of such Shares).

### 2.19 Other Recoupment

Notwithstanding anything in this Plan to the contrary, any Option Commitment may also provide for the cancellation or forfeiture of a grant of Options or the forfeiture and repayment to the Company of any gain related to a grant of Options, or other provisions intended to have a similar effect, upon such terms and conditions as may be required by the Board or by applicable law.

## ARTICLE III GENERAL

### 3.1 Maximum Number of Shares

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

### 3.2 Transferability

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

### 3.3 Employment

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

### 3.4 No Shareholder Rights

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

### 3.5 Record Keeping

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

### 3.6 Necessary Approvals

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

### 3.7 Administration of the Plan

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

### 3.8 Withholding

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

### 3.9 Amendments to the Plan

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



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

provided however that:

- (g) such amendment, suspension or termination is in accordance with applicable laws and the rules of any stock exchange on which the Shares are listed;
- (h) no such amendment, suspension or termination shall be made at any time to the extent such action would materially adversely affect the existing rights of an optionee with respect to any then outstanding Option, as determined by the Board acting in good faith, without his or her consent in writing; and
- (i) the Board shall obtain shareholder approval of the following:
  - i) any amendment to increase the maximum number of Shares issuable upon the exercise of all Options granted under the Plan specified in Section 3.1(a) (other than pursuant to Section 2.17);
  - (i) any amendment that would reduce the exercise price of an outstanding Option (other than pursuant to Section 2.17);
  - ii) any amendment that would extend the term of any Option;
  - (ii) any amendment that would remove or exceed the participation limits set out in Sections 3.1(d), (e) and (f);
  - iii) any amendment to Section 3.2 with respect to assignment or transferability of the Options;
  - (iii) any amendment that would materially modify the eligibility requirements for participation in this Plan;
  - iv) any amendment that would materially increase the benefits to a holder of Options who is an Insider to the material detriment of the Company and its shareholders; and
  - (iv) a change to this Section 3.9 of this Plan.



3.10 No Representation or Warranty

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

3.11 Compliance with Applicable Law

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

**OPTION COMMITMENT**

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

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

The Shares may be acquired as follows:

***[Enter vesting provisions, as applicable]***

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

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

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

**LUCARA DIAMOND CORP.**

\_\_\_\_\_  
*Authorized Signatory*

**Election to Accept Option**

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

Signature: \_\_\_\_\_

Address: \_\_\_\_\_

Witness: \_\_\_\_\_

Witness Name: \_\_\_\_\_  
(Printed)



**NOTICE OF STOCK OPTION EXERCISE**

TO: Lucara Diamond Corp. (the "Company")  
Suite 2000 – 885 W. Georgia Street  
Vancouver, BC V6C 3E8  
Attn: Corporate Secretary

Dear Sirs:

Re: Stock Option Exercise

The undersigned hereby irrevocably gives notice, pursuant to the Company's Incentive Stock Option Plan (the "Plan"), of the exercise of the Option to purchase \_\_\_\_\_ Shares) at Cdn\$\_\_\_\_\_ per Share, pursuant to an Option Commitment from the Company dated effective \_\_\_\_\_. Upon exercise hereof, there will be \_\_\_\_\_ Shares remaining available for exercise in my aforementioned Option.

**Exercise Price of the Shares:**

\_\_\_\_\_ (*Insert Name of Optionee or Broker*) has provided a certified cheque/bank draft (*circle one*) made payable to the Company in the amount of Cdn\$\_\_\_\_\_, representing payment of the Exercise Price of the Shares.

**Statutory Withholdings:**

\_\_\_\_\_ (*Insert Name of Optionee or Broker*) has provided a certified cheque/bank draft (*circle one*) made payable to the Company in the amount of Cdn\$\_\_\_\_\_, representing payment of all statutory withholdings, as applicable.

The undersigned hereby requests that the Shares issuable upon the exercise noted hereon be registered and delivered as follows, and confirms that such registration does not constitute a change in beneficial interest:

<b>Registration Instructions</b>	<b>Delivery Instructions</b>
Name: _____	Name: _____
Account reference, if applicable: _____	Account reference, if applicable: _____
Address: _____	Address: _____
_____	_____
_____	Contact Name: _____
_____	Contact Telephone Number: _____

Dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Yours truly,

\_\_\_\_\_

(Signature)

\_\_\_\_\_

(Name - please print)

\_\_\_\_\_

Social Insurance No. (for tax purposes only)

***Please remember to keep a copy of this form for your records***