Lucara Diamond Corp.

NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR
ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD ON
THURSDAY, MAY 10, 2018
FOR
LUCARA DIAMOND CORP.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual Meeting (the "Meeting") of the shareholders of LUCARA DIAMOND CORP. (the "Corporation" or "Lucara") will be held at Blake, Cassels & Graydon LLP, Suite 2600, Pacific Boardroom, 595 Burrard Street, Vancouver, British Columbia, on Thursday, May 10, 2018 at 10:00 a.m. (Pacific Time) for the following purpose:

1. To receive the consolidated audited financial statements for the year ended December 31, 2017, together with the report of the auditors;
2. To reappoint the auditor for the upcoming year and to authorize the directors to fix their remuneration;
3. To elect directors for the upcoming year;
4. To adopt an advisory resolution on executive compensation; and
5. To transact such further or other business as may properly come before the Meeting.

Your vote is important. If you held Lucara shares on Tuesday, April 03, 2018, 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 consolidated audited financial statements of the Corporation for the year ended December 31, 2017, have been provided separately to those shareholders who requested a copy. They are also available on the Corporation's website at www.lucaradiamond.com and on SEDAR at www.sedar.com.

If you are not able to attend the Meeting, please vote by using the proxy form or voting instruction form and return it according to the instructions provided before 10:00 a.m. (Pacific Time) Tuesday, May 08, 2017.

BY ORDER OF THE BOARD

(signed) "*Eira Thomas*"

Chief Executive Officer
Dated April 03, 2018

Management Proxy Circular
Annual General Meeting of Shareholders
Thursday, May 10, 2018

Dated April 03, 2018

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SECTION 1 – VOTING INFORMATION

GENERAL

You have received this Management Proxy Circular (the "Circular") because you owned shares of **Lucara Diamond Corp.** ("Lucara" or the "Corporation") on April 03, 2018, the record date. As a shareholder, you have the right to attend the annual meeting of shareholders on **Thursday, May 10, 2018**, at the time and place in the accompanying notice (the "Meeting") or at any adjournment or postponement thereof.

Unless otherwise stated, the information contained in this Circular is given as at April 03, 2018 and all dollar amounts are expressed as United States dollars.

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

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

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

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

Registered Shareholder

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

Non-Registered (or Beneficial) Shareholder

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

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

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

MATTERS TO BE VOTED ON AT THE MEETING

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

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

Complete your voting instructions, sign and date your proxy form and return it so that it is received before **10:00 a.m. (Pacific Time) on May 08, 2018** or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the adjourned or postponed Meeting. When you sign the proxy form (unless you appoint someone else, see below), you are authorizing the appointees, who are officers of Lucara, to vote your Common Shares for you at the Meeting. The Common Shares represented by a proxy form will be voted in favour or withheld from voting or voted against, as applicable, in accordance with your instructions on any ballot that may be called for at the Meeting. If you return your proxy form and do not indicate how you want to vote your Common Shares, your vote will be cast:

- FOR the appointment of PricewaterhouseCoopers LLP as auditors and authorizing the directors to fix their remuneration;
- FOR the election of each of the persons nominated for election as directors in this Circular; and
- FOR the adoption of an advisory resolution on executive compensation as more fully described in this Circular.

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

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

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

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

How to Change or Revoke your Vote – if you are a Registered Shareholder with shares trading on the TSX:
If you wish to change a vote you made by proxy:

- complete a proxy form that is dated later than the proxy form you are changing and deposit it with Computershare so that it is received before 10:00 a.m. (Pacific Time) on May 08, 2018 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting; or
- vote again by telephone or on the internet before 10:00 a.m. (Pacific Time) on May 08, 2018 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, 2018 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 10:00 a.m. (Pacific Time) on May 08, 2018 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting. You should identify yourself to the representative from

Computershare before entering the Meeting to register your attendance at the Meeting.

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

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

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

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

WHO IS ENTITLED TO VOTE AND HOW THE VOTES ARE COUNTED

Each shareholder is entitled to one vote for each Common Share held as of the record date, April 03, 2018, on all matters at the Meeting. As of the record date, there are 395,719,334 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 April 03, 2018, Nemesia holds 70,372,200 Common Shares, which represents approximately 17.78% of the current outstanding Common Shares.

SECTION 2 - BUSINESS OF THE MEETING

1. FINANCIAL STATEMENT

The audited consolidated financial statements of the Corporation for the year ended December 31, 2017 have been provided to shareholders who requested them and are available on Lucara's website at www.lucaradiamond.com or at SEDAR at www.sedar.com. Management will discuss these consolidated financial results at the Meeting. No vote of shareholders is required with respect to this item of business.

2. APPOINTMENT AND REMUNERATION OF AUDITORS

The Board 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 2016 and 2017, please refer to page 23 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 April 03, 2018, is set out below. Further information on the proposed nominees is also found in this Circular, please see page 17 for Board attendance records, pages 43 and 44 for director compensation received, page 17 for memberships on other public boards and page 16 for independence status.

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as director since	Number of voting securities owned (directly or indirectly) or controlled
CLARK, Richard (1) British Columbia, Canada	Occupation: CEO of Orca Gold Inc. (resource company) Age: 60 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 18 years Mr. Clark has been a senior executive, serving in the role of President and CEO of various companies including Red Back Mining Inc. Mr. Clark was appointed as the CEO of Orca Gold Inc. in August 2016.	February 19, 2010	100,000
CONIBEAR, Paul (2) British Columbia, Canada	Occupation: President & CEO of Lundin Mining Corp. (resource company) Age: 60 Biography: Mr. Conibear has over 30 years of experience in the mining industry in Africa, North and South America and Europe. His background includes 23 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 18 years, he has held public company executive management and director's positions. Mr. Conibear has been serving as President and CEO of Lundin Mining Corp. for the past 7 years.	April 5, 2007	766,000

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as director since	Number of voting securities owned (directly or indirectly) or controlled
EDGAR, Brian British Columbia, Canada	Occupation: Chair of Silver Bull Resources Inc. (resource company) Age: 68 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.	April 5, 2007	300,000
INKSTER, Marie (3) Ontario, Canada	Occupation: Senior Vice-President and CFO of Lundin Mining Corp. (resource company) Age: 46 Biography: Ms. Inkster has more than 20 years of experience in public company financial management and reporting. She has held senior positions with Lundin Mining Corp. and was appointed CFO of the company in 2009. From June 2002 to July 2007, she served as Vice President and Corporate Controller of Lionore Mining International Ltd. She is a Chartered Accountant, a Chartered Professional Accountant and spent 5 years in public accounting with Deloitte Canada.	June 9, 2014	180,000
LUNDIN, Lukas (2) Geneva, Switzerland	Occupation: Chair of the Board of the Corporation and Chair of a number of resource companies. Age: 59 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	April 5, 2007	4,215,000

Name and Jurisdiction of Residence	Current Occupation/Age/Biography	Served as director since	Number of voting securities owned (directly or indirectly) or controlled
	of the New Mexico Institute of Mining and Technology. He currently sits on the Board of a number of publicly traded companies.		
MCLEOD-SELTZER, Catherine British Columbia, Canada	Occupation: Mining Executive Age: 58 Biography: Ms. McLeod-Seltzer has been directly involved in more than $4 billion in corporate transactions in the past 25 years and has been instrumental in helping build a number of successful mineral companies, including, Arequipa Resources, Francisco Gold, Miramar Mining, Bear Creek Mining, Stornoway Diamonds and Peru Copper Inc. Ms. McLeod-Seltzer is currently Chairman of Bear Creek Mining Corp and a director of Kinross Gold.	February 25, 2018	4,400,000 (direct) 100,000 (indirect)
THOMAS, Eira British Columbia, Canada	Occupation: CEO of the Corporation Age: 49 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 Resources, 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.	August 4, 2009	5,192,000

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. Messrs. Lundin and Conibear 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 are directors of an issuer within the period of 12 months preceding it filing for CCAA protection.

(3) *Ms. Inkster served as Vice President, Finance of GBS Gold International Inc. ("GBS") from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory note holders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS were suspended from trading on the NEX board and it has effectively ceased business.*

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

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

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. ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

As part of Lucara's commitment to strong governance practices, last year the Board gave shareholders 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 90.72% of the shares voted. 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 2018 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:

- 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 and its director nominees are independent.

Assessing Independence of Directors

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

The Board has reviewed the nominated directors and decided that Eira Thomas and Lukas Lundin are not independent for the following reasons. Ms. Thomas is Lucara's current CEO. Mr. Lundin is Lucara's Chair of the Board, 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. In addition, the Audit Committee regularly holds sessions with the Corporation's external auditors without management present to discuss the audit and cooperation from management.

- *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

The Corporate Governance and Nominating Committee on an annual basis considers the size of the Board. If it believes changes are warranted it makes a recommendation to the Board. This year it has recommended to the Board, and the Board concurs, that the Board be composed of 7 directors with 5 directors being independent. It was agreed by the Board that this size 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 following table sets out the public company directorships held by the nominees for this year's election of directors:

Name	Public Company Board Membership
Richard Clark	Mag Silver Corp. (TSX/ NYSE American); Orca Gold Inc. (TSX-V)
Paul Conibear	Lundin Mining Corporation (TSX/Nasdaq Stockholm)
Brian Edgar	ShaMaran Petroleum Corp. (TSX-V/OMX); Denison Mines Corp. (TSX/NYSE MKT/NYSE American); Silver Bull Resources Inc. (TSX/OTCQB); Black Pearl Resources Inc. (TSX/OMX)
Lukas Lundin	Lundin Mining Corporation (TSX/Nasdaq Stockholm); NGEx Resources Inc. (TSX/Nasdaq Stockholm); Denison Mines Corp. (TSX/NYSE MKT/NYSE American); 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	Bear Creek Mining Corp. (TSX-V); Kinross Gold Corporation (TSX/NYSE); Grenville Strategic Royalty Corp. (TSX-V); Major Drilling Group International Inc. (TSX) (1)
Eira Thomas	Suncor Energy Inc. (TSX/NYSE MKT)

(1) Ms. McLeod-Seltzer will not be standing for re-election this year as a director of Major Drilling Group International Inc.

Legend:
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

MEETING ATTENDANCE

The Board held 10 meetings in 2017. 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 16 meetings in 2017. The following is the number of meetings and attendance record for all Board and Committee meetings held during 2017:

		2017 Committee Meetings			
Name	2017 Board Meetings - 10	Audit Committee Meetings - 5	Corporate Governance & Nominating Committee Meetings - 3	Compensation Committee Meetings - 4	Safety, Health, Environment and Community Relations Committee Meetings - 4
Richard Clark	10 of 10	N/A	N/A	4 of 4	4 of 4
Paul Conibear	10 of 10	N/A	3 of 3	4 of 4	N/A
Brian Edgar	10 of 10	5 of 5	3 of 3	4 of 4	N/A
Marie Inkster	10 of 10	5 of 5	N/A	N/A	N/A
Lukas Lundin	10 of 10	N/A	N/A	N/A	N/A
Catherine McLeod-Seltzer (1)	N/A	N/A	N/A	N/A	N/A
Eira Thomas	10 of 10	5 of 5	3 of 3	N/A	4 of 4

(1) Appointed to the Board in 2018

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 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 of 2018 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 workplan outline and completion by the Committees of their workplan outlines. Workplan outlines are created for the year which cover standard items to be dealt with at meetings and any additional items for that year.

ORIENTATION AND CONTINUING EDUCATION

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

With regard to continuing education for Board members, the Corporate Governance and Nominating Committee's mandate is to provide for such 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 quarterly 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 2018, an industry expert presentation is planned on security in the diamond mining sector.

NOMINATION OF DIRECTORS AND EXPERIENCE MATRIX

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

- Financial accreditation and/or financial literacy
- Sound business experience and expertise
- Corporate governance experience
- Industry specific experience and knowledge
    - Mining
    - Environment
    - Safety and Occupational Health
- Experience in corporate operations
- Financing, M&A experience
- Strong board skills, such as:
    - Integrity
    - Networking abilities
    - Interpersonal skills
    - Ability to think strategically and act independently

- Independent, as such term is defined by the Canadian Securities Administrators
- Not previously bankrupt
- Prior personal history that is acceptable to regulators

- Willing to devote sufficient time and effort to board duties

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

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

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.

Area of Experience	**Richard Clark**	**Paul Conibear**	**Brian Edgar**	**Marie Inkster**	**Lukas Lundin**	**Catherine McLeod-Seltzer**	**Eira Thomas**
Diamond Industry	✓					✓	✓
Diamond Sales and Marketing							✓
Environmental, Safety and Occupational Health	✓	✓	✓			✓	✓
Finance & Financial Reporting	✓	✓	✓	✓	✓	✓	✓
Human Resources & Compensation	✓	✓	✓	✓	✓	✓	✓
Legal and Corporate Governance	✓	✓	✓	✓		✓	✓
Mergers & Acquisitions (i.e. Project Assessment & Due Diligence)	✓	✓	✓	✓	✓	✓	✓
Mining Operations and Technical Skills	✓	✓			✓		✓
Risk Management	✓	✓	✓	✓		✓	✓
Strategic Planning	✓	✓	✓	✓	✓	✓	✓

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

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 ("CGN") Committee to actively seek out highly qualified women to include in the pool from which Board nominees are evaluated and chosen. This commitment is documented in the Guidelines for the Composition of Lucara's Board.

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.

At the current time, women make up 43% of Lucara's Board, 50% of Lucara's executive officers and 33% of its major subsidiary's executive officers. The CGN Committee tracks this 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**	**%**
2	4	50

Executive Officers* Major Subsidiary (Boteti Mining 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 CGN Committee is mandated to discuss targets for promoting diversity and make recommendations to the Board. At its February 2018 meeting, the CGN Committee discussed the setting of diversity targets and recommended that with regard to Board Diversity that a gender diversity target be adopted for the Board this year that at least 25% of the Board members should be women. This recommendation was adopted by the Board. Three of the nominees for election to the Board at the 2018 AGM will be women and therefore the objective will be exceeded if the shareholders elect the proposed nominees.

With regard to a gender diversity objective for executive officer positions, the CGN Committee did not recommend a specific target be set for 2018 given the infrequent turnover of executive level positions. The CGN Committee recommended, and the Board agreed, that any executive officer appointments 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. In 2018, the Board appointed two women as executive officers of the Corporation.

Pursuant to the terms of the Diversity Policy, the CGN 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 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 Committee is also cognizant that the recommended compensation for directors must not compromise their independence. The Committee retains expert advice to assist in making recommendations on director's compensation. In 2016, an external consultant, Gurr & Associates was engaged by the Committee to assess the market competitiveness of director's compensation through a benchmarking exercise that considered 17 similar sized mining and development companies. The Board after taking into account the Committee's recommendations determines the amount and form of compensation, which is disclosed in this Circular at 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:

Number of Directors	Tenure (Years)
3	Eleven
2	Eight
1	Four
1	Zero

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 sixth 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 Lucara or its shareholders. In addition, the Board believes that its robust assessment process which includes regular evaluations of the Board, committees and directors provides a mechanism to promote Board renewal and regularly assess Board members' effectiveness. If a negative assessment of a director was received this could contribute to board renewal by creating a board vacancy.

COMMITTEES OF THE BOARD

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

Audit Committee

The Audit Committee consists of three independent directors. The current members are Marie Inkster (Chair), Brian Edgar, and 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 page 24 and 25 of this Circular).

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

The Audit Committee plays a key role in relation to the Corporation's external auditors. It initiates and approves their engagement or termination, subject to shareholder approval, and monitors and reviews their independence, effectiveness, performance and quality control processes and procedures. PricewaterhouseCoopers LLP ("PwC") have been Lucara's auditors since 2010. The Audit Committee pre-approves all services provided by PwC. The fees paid to PwC during 2016 and 2017 were as follows:

Fiscal Year Ending	Audit Fees CDN$(1)	Audit-Related Fees CDN$(2)	Tax Fees CDN$(3)	All other Fees(4)
December 31, 2017	252,330	64,400	Nil	Nil
December 31, 2016	199,481	52,500	72,880	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 21, 2018, which is available on the Corporation's website or on SEDAR at www.sedar.com.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee consists of three independent directors: Brian Edgar (Chair), Paul Conibear and 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 page 20 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 30 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 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' 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. The 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. 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 Q2 2017, online training sessions on compliance with the Code of Conduct were conducted through Workplace Answers LLP to enhance understanding and ensure compliance with the Code with employees and contractors at the Corporation's Karowe mine in Botswana, as well as at the head office of its subsidiary, Boteti Mining (Pty) Limited.

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.

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.

As recognition of its Corporate Social Responsibility activities, the Corporation was awarded the Prospectors & Developers Association of Canada (PDAC)'s 2016 Environmental & Social Responsibility Award for its stakeholder initiatives, community engagement and its focus on sustainable practices.

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).

SHAREHOLDER COMMUNICATIONS

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

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

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

SECTION 4 – EXECUTIVE COMPENSATION

2017 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 28). The Board uses the payment of short term incentives to motivate executives to meet short term performance goals for the benefit of the Corporation.

<u>Long Term Incentives</u>. The Corporation 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 over the long-term higher equity grants. This form of compensation aligns the interests of executive officers with the longer term interests of shareholders as the exercise price of options is set at the market value of the Corporation's shares at the time of the grant. As options 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 meeting 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.

<u>Compensation Benchmarking</u>

<u>Peer Group</u>

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 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.	

Benchmarking - Executive Salaries

The 2016 Gurr & Associates benchmarking report, which was prepared from a review of the compensation practices of the comparator group (the "Benchmarking Report"), was relied on by the Compensation Committee to make a recommendation to the Board, which it accepted, that effective January 1, 2018, that no adjustments would be made to the base annual salaries of officers except for a 2% cost of living increase. With this 2% adjustment salaries were increased for the following officers:

Officers – January 1, 2018	2018 Salary	Salary in USD(1)
Chief Executive Officer - William Lamb	CAD$663,000	US$528,201
Chief Financial Officer - Glenn Kondo	£255,000	US$344,037
Vice President Mineral Resource - John Armstrong	CAD$286,110	US$227,939
Vice President Legal & Corp. Secretary – Jennifer Lecour	CAD$234,600	US$186,902

(1) The salaries have been converted from Canadian to United States dollars and Sterling Pounds to United States dollars using the ending December 31, 2017 conversion rate of CAD$1.00=US$0.80, UK£=USD1.35.

Benchmarking Incentive Awards and Targets- Executives

The Compensation Committee relied on the Benchmarking Report to assess: (i) the targets awards for Short Term Incentives (see below under Performance Goals); (ii) the Short Term Incentive awards; and (iii) the Long Term Incentive awards made to Lucara executives in February 2018 (applicable to 2017 performance). The Committee determined that such targets and awards fell within the range of appropriate awards according to the report.

Benchmarking Director Compensation

Director compensation was reviewed against the Benchmarking Report by the Compensation Committee and it was agreed that as in 2017, no changes to director compensation were recommended for 2018.

Performance Goals

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

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

The factors used when assessing short term incentives are:

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

- legal (for certain executives)
- discretionary

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

Alignment 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. In addition, the Board implemented a clawback of compensation that applicable to all annual short term incentive payments awarded on or after January 1, 2017. The clawback 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.

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

Position	# Shares
Chief Executive Officer	350,000
Chief Financial Officer	200,000
Other Vice Presidents	100,000

Under the guidelines, the ownership level should be achieved by an executive within four years of the implementation of the guidelines, (implementation date was February 23, 2016), or if an officer is appointed after that date, within four years of their appointment as an officer. Unvested share units held by an executive will count towards the achievement of the applicable ownership guideline. As of the date of this Circular, all executives meet the guidelines.

Consultant Work and Fees

In 2017, 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. No other consulting services were provided by a compensation consultant to Lucara, the Board or a committee of the Board in 2016 or 2017.

Year	Executive Compensation-Related Fees (CAD $)	All Other Fees (CAD$)
2017	Nil	Nil
2016	CAD$29,500	Nil

Role of Management in Determining Compensation

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

Composition of the Compensation Committee

The Compensation Committee, on behalf of the Board, monitors compensation for the executive officers of the Corporation. The Compensation Committee currently has three members: Messrs. Paul Conibear, Richard Clark and Brian Edgar and meets as frequently as necessary in order to fulfill its responsibilities. In 2017, the Committee met four 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[1]	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 a number of public boards.

Paul Conibear (Chair)	Yes	Mr. Conibear, an engineer, currently holds the position of President and CEO of a public resource company. He has been in a senior executive role in the resource sector for over 17 years and has extensive experience in serving as a compensation committee member with other public company boards.
Brian Edgar	Yes	Mr. Edgar is currently the Chair of a public resource based company. He has served on numerous public company boards for over 30 years including membership on their compensation committees.

(1) A member is independent if he/she has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship under 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 2017 include the Corporation's Chief Executive Officer, the 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, Boteti Mining (Pty) Limited ("Boteti"). The list of NEOs is as follows:

Name	Title
William Lamb	President and Chief Executive Officer, Lucara ("CEO")
Glenn Kondo	Chief Financial Officer, Lucara ("CFO")
John Armstrong	Vice President, Mineral Resources, Lucara ("VP Mineral Resources")
Johannes Langenhoven	Technical Director, Boteti ("Boteti Technical Director")
Naseem Lahri	Chief Financial Officer, Boteti ("Boteti CFO")

2017 Named Executive Officer Compensation Results

The Board reviewed Lucara's 2017 performance and the analysis and recommendations of the Compensation Committee and approved all decisions on executive compensation for the three NEOs that were Lucara officers in 2017: the CEO, CFO and VP Mineral Resources (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 Boteti CFO and Boteti Technical Director (the "Boteti NEOs") and also for the Boteti Technical Director's Short Term Incentive. The CEO reviewed Lucara's performance and the individual performance of the Boteti NEOs and made decisions with regard to: (i) their Base Salaries; and (ii) the Boteti CFO's Short Term Incentive.

Overview 2018 Changes in Management

Certain changes in management in 2018 have impacted the 2017 compensation of the following two Officer NEOs, Mr. Lamb and Mr. Kondo. On February 25, 2018, Mr. Lamb and the Corporation entered into a mutual separation agreement and Ms. Eira Thomas was appointed as CEO of the Corporation. 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. Ms. Zara Boldt was appointed as CFO of the Corporation effective April 1, 2018. For the period between April 1, 2018 and May 31, 2018, Mr. Kondo will be employed as an advisor to assist in the transition of his responsibilities to Ms. Boldt. The impact of such changes on Mr. Lamb's and Mr. Kondo's 2017 compensation is explained below.

(i) Base Salaries

As discussed above under *Benchmarking - Executive Salaries*, the Compensation Committee considered bench marking data for the Officer NEOs and adjusted base salaries by a 2% cost of living adjustment effective January 1, 2018, as set out above under "Benchmarking – Executive Salaries".

As noted above, the Boteti NEOs, Mr. Langenhoven and Ms. Lahri are employees of the Corporation's subsidiary Boteti. As they are not officers of the Corporation, their salary is not reviewed by the Compensation Committee but is determined by the CEO.

(ii) Long Term Incentives

Stock Options

The VP Mineral Resources, the Boteti Technical Director and the Boteti CFO each received the following stock option grants in February 2018 based on their 2017 performance, the Corporation's 2017 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).

Mr. Lamb did not receive stock options as part of his 2017 compensation as CEO due to his mutual employment separation in 2018. He received 150,000 stock options in 2018 as part of this mutual employment separation to incentivize his retention by Lucara as a technical advisor. For further details on his employment separation, please see below the paragraph "Mutual Employment Separation – Mr. Lamb". Mr. Kondo did not receive stock options as part of his 2017 compensation due to his mutual employment separation in 2018

Position	Executive	February 2018 Option Grants[1]
VP Mineral Resources	John Armstrong	60,000
Boteti Technical Director	Johannes Langenhoven	60,000
Boteti CFO	Naseem Lahri	50,000

(1) Based on 2017 Performance

Share Units

The Compensation Committee views the granting of share units as an important method, when combined with the minimum share ownership levels for officers, to align senior management's interests with shareholders. The VP Mineral Resources and the Boteti Technical Director received the following share unit awards in March 2018, based on their 2017 performance, the Corporation's 2017 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).

Mr. Lamb did not receive Restricted Share Awards as part of his 2017 compensation as CEO due to his mutual separation of employment in 2018. He received 115,000 restricted share awards as part of the mutual separation of his employment to incentivize his retention by Lucara as a technical advisor. For further details on his mutual separation of employment, please see below the paragraph “Mutual Employment Separation – Mr. Lamb”. Mr. Kondo did not receive Restricted Share Awards as part of his 2017 compensation due his mutual employment separation in 2018.

Position	Executive	February 2018 Share Unit Awards (1)
VP Mineral Resources	John Armstrong	45,000
Boteti Technical Director	Johannes Langenhoven	45,000

(1) Based on 2017 Performance

(iii) *Annual Short Term Incentives*

The Officers NEOs and the Boteti Technical Director are eligible for short term incentives following an assessment by the Compensation Committee in accordance with Corporation’s Short Term Incentive Program Framework for executives. Short term incentives were paid in February 2018 to these NEOs but were earned for 2017 performance results. A Short term incentive for the Boteti CFO was determined by the CEO. The following describes for 2017, performance goals, performance metrics achieved, and the results considered as part of the assessment process.

CEO 2017 Goals:

The individual performance of the CEO is measured against the goals, objectives and standards set annually by the Corporation’s Compensation Committee, which are used as metrics in establishing the amount of short term incentive (“STI”) payment awarded at the end of each financial year. The metrics used for the CEO in fiscal 2017 were based on (1) group cash flow and return on equity (2) operational performance (3) sales and marketing objectives and (4) individual objectives. The following table sets out the weighting for each of the overall KPI group. The components are summed to determine the STI award.

Position	Executive	Maximum Target STI % (1)	Key Performance Indicator Achievement				
			Financial Result		Operational Performance(2)	Sales and Marketing	Individual
			Cash Flow	Return on Equity			
CEO	William Lamb	120%	20%	20%	20%	15%	25%

(1) As a percentage of base salary

(2) The specific KPIs under Operational Performance for the CEO are more expansive than other officer positions and include KPIs for safety and environment, production, employee local community and government relations, resource replacement, cost control, projects and cashflow management.

CFO, VP Mineral Resources, Boteti Technical Director and Boteti CFO 2017 Goals:

The maximum STI award which could be achieved ranged from 90% of base salary for the CFO, to 75% for the VP Mineral Resources, and 70% for the Boteti Technical Director and the Boteti CFO. Actual STI compensation is based on the degree to which the Corporation achieves its objectives as well as personal metrics. The personal metrics were selected based on those parts of the business over which the executive had influence. The components are summed to determine the STI award.

Position	Executive	Maximum Target STI %(1)	Financial Result		Operational Performance	Individual
CFO	Glenn Kondo	90%	15%	15%	45%(2)	25%
VP Mineral Resources	John Armstrong	75%	12.5%	12.5%	50%(3)	25%
Boteti Technical Director	Hans Langenhoven	70%	10%	10%	60%	20%
Boteti CFO	Naseem Lahri	70%	15%	15%	45%(2)	25%

(1) As a percentage of 2017 base salary

(2) The specific KPIs under Operational Performance for the CFO and Boteti CFO are safety & environment, production, cost control

and projects

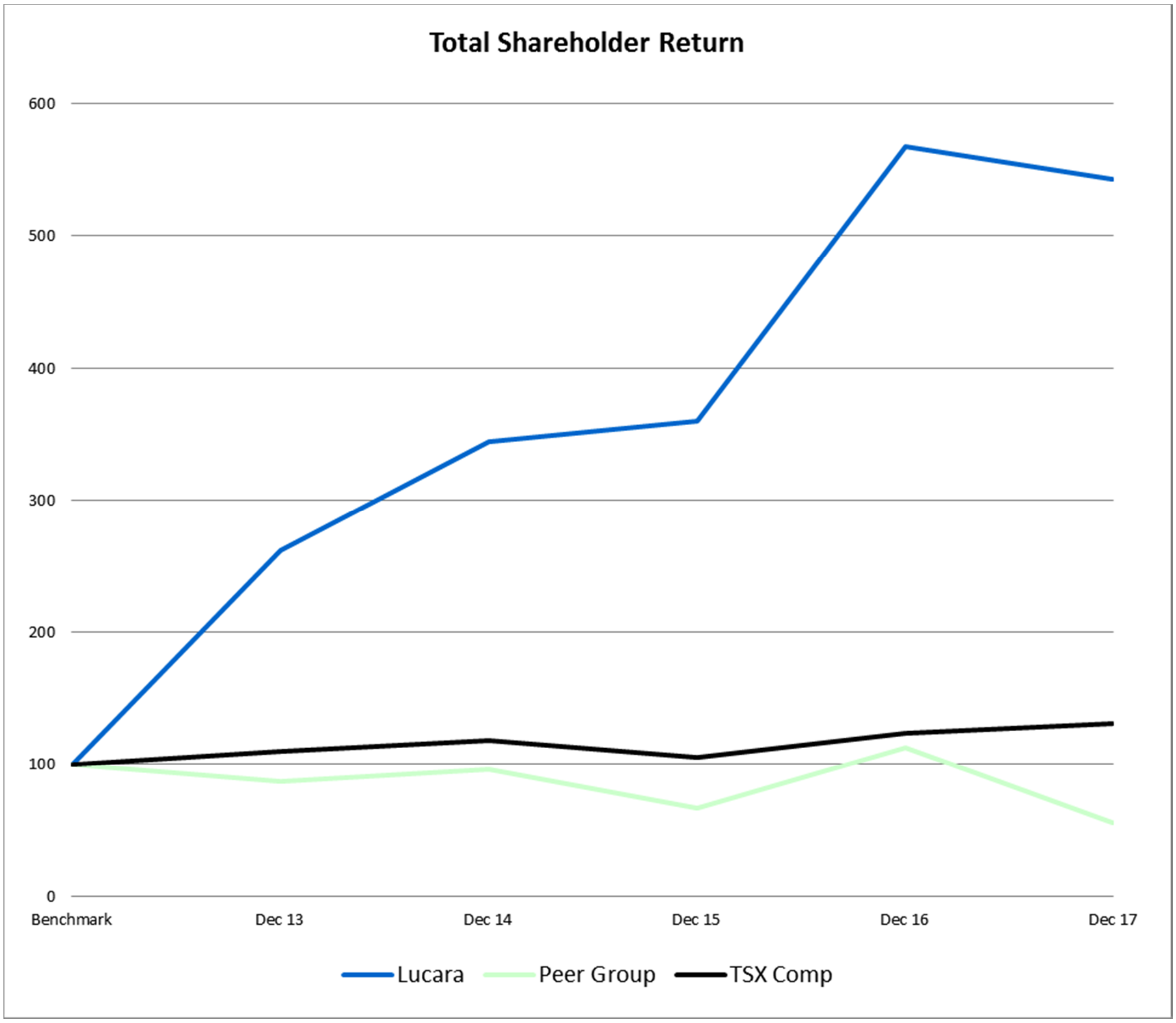
(3) *The specific KPIs under Operational Performance for the VP Mineral Resources are safety & environment, production, life of mine and resource replacement*

2017 Assessment – Corporate Results Considered and Corporate KPIs Achieved

The following 2017 corporate results were assessed:

- Safety and Environment: Lucara's lost time injury frequency rate (LTIFR) was 0.64 (measured per 1,000,000 man hours) with no material environmental events.
- Cash Flow: The Corporation achieved EBITDA of $114 million from sales of $220 million. This included the sale of the Lesedi La Rona for $53 million.
- Costs were well controlled with full year cost per tonne ore processed at $34.5 compared to guidance of $36-$40 per tonne ore processed.
- The Corporation's major recovery projects, the sub-middles and MDR were completed on time and on budget.
- Share price performance: Lucara's share price decreased by 8% from January 1, 2016 as compared to an average 46% decrease in share price for its 7 main diamond producer competitors.
- Production: The Corporation experienced equipment availability issues with its mining contractor, Aveng Moolmans during the year resulting in lower tonnes ore mined of 1.6 million tonnes vs forecast of between 2.4-2.7 million tonnes, lower waste mined at 16 million tonnes vs forecast of between 17-20 million tonnes and carats recovered of 247,767 compared to forecast of between 290,000-310,000.

Performance Graph
The following graph shows the total cumulative return on a CAD$100 investment on December 31, 2012 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, 2017, 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 2013 and 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 is 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.

2017 Assessment –Individual Results

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

Position	Executive	% of STI Metrics Achieved	Maximum Target STI (%)(1)	STI Payment (%)(1)	STI Payment (US$)(2)
CEO	William Lamb	72%	120%	87%	437,193
CFO	Glenn Kondo	82%	90%	79%	255,164
VP Mineral Resources	John Armstrong	60%	75%	45%	97,588
Boteti Technical Director	Hans Langenhoven	70%	70%	49%	114,000
Boteti CFO	Naseem Lahri	107%	70%	75%	131,468

(1) As a percentage of base salary

(2) The following conversion rates, being the Bank of Canada month end February rates for 2017 were used to convert the 2017 STI payments made on February 28, 2018: CAD$1.00=US$0.78, UK£ US$1.38.

The following is a description of the individual's performance results.

William Lamb, CEO

With regard to Mr. Lamb, the Committee determined that a 72% assessment of Metrics Achieved was appropriate based on the following. The Corporation's share price performed well compared to its peers with an 8% decrease from the beginning of 2017 as compared to an average decrease of 46% by its peer group. Capital projects were delivered on time and on budget. The projects at the Karowe mine to increase the size of diamonds recoverable and to increase the recovery of diamonds between 4mm and 8mm using XRT technology were competed on target and within budget. In terms of operating performance, the Corporation achieved strong margins through the effective sale of its diamonds, the sale of the Lesedi La Rona for $53 million as well as strong operating cost control. The Corporation's new mining contractor, Aveng Moolmans had equipment availability issues during the year and as a result tonnes mined and carats recovered were lower than forecast, resulting in lower than forecast revenue as the mine processed lower grade stockpile ore. In terms of resource extension, the Corporation completed a preliminary economic assessment of the underground potential at the Karowe mine and based on the positive results of the study the Corporation is advancing a preliminary economic assessment due by the end of 2018.

Glenn Kondo, CFO

When reviewing Mr. Kondo's, the CFO, performance, the Committee determined that an 82% assessment of Metrics Achieved was appropriate. The finance strategy under his purview resulted in a continued strong balance through very strong operating cost control as well as capital project discipline with the sub-middles and MDR projects being delivered within budget. The Corporation's balance sheet remained strong supporting a CAD 10c per share dividend to shareholders with no debt compared to the Corporation's peer group where higher debt levels is more the norm. In addition, Mr. Kondo has metrics related to security and a project resulting in security improvements was successfully implemented under his guidance in 2017.

John Armstrong, VP Mineral Resources

The Committee also considered Mr. Armstrong's, the VP Mineral Resource, performance against his objectives and it was determined that 60% of the set metrics had been achieved. Mr. Armstrong completed work on the exploration programs which were within budget for the year. A measured objective of the metrics related to the completion date of the resource statement which was delayed from 2017 to H2 2018.

Hans Langenhoven, Boteti Technical Director

Mr. Langenhoven's performance during the year was assessed by the Committee as meeting 70% of objectives set for the year. It was determined that his areas of responsibility had delivered results generally in line with expectation.

Mr. Langenhoven led the delivery of the Corporation’s two main capital projects, the sub-middles and MDR comminution circuits which were delivered on time and on budget. Mr. Langenhoven also worked on the Karowe PEA and is leading the Underground PFS due to be completed by the end of 2018. The Corporation’s new mining contractor, Aveng Moolmans had equipment availability issues during the year and as a result tonnes mined and carats recovered were lower than forecast, resulting in lower than forecast revenue as the mine processed lower grade stockpile ore.

Naseem Lahri, Boteti CFO

Ms. Lahri’s performance during the year was assessed by the CEO. It was determined that her performance exceeded expectations, which was reflected in the STI award for 2017 based on 107% of metrics achieved. Ms. Lahri was instrumental in managing Karowe cash flows, cost control and corporate governance. Under her leadership operating and capital project costs were within budget. Ms. Lahri is also directly responsible for security where improvements were made during the year.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary[1] (US$)	Option- based Awards[2] [6] [7] (US$)	Restricted Share Awards (US$)[3] [6] [7]	Non-Equity Annual Incentive Plan[4] (US$)	All Other Compensation[5] (US$)	Total Compensation (US$)
William Lamb CEO	2017	501,280	-	-	437,193	25,263	963,736
	2016	438,016	78,679	218,557	435,484	76,381	1,247,118
	2015	391,144	74,492	485,798	422,248	35,365	1,409,048
Glenn Kondo CFO	2017	322,123	-	-	255,164	8,984	586,272
	2016	304,366	78,679	152,328	220,638	42,428	798,438
	2015	343,014	49,661	192,644	253,879	8,272	847,471
John Armstrong VP Mineral Resources	2017	216,322	24,636	95,965	97,588	7,686	442,196
	2016	207,680	31,472	92,721	143,899	12,168	487,940
	2015	195,572	29,797	117,262	116,482	4,129	463,242
Johannes Langenhoven Boteti Technical Director	2017	226,354	24,636	88,131	114,000	55,267	508,388
	2016	200,000	154,981	-	120,000	36,200	511,181
	2015	-	-	-	-	-	-
Naseem Lahri Boteti CFO	2017	175,291	20,530	-	131,468	60,652	387,941
	2016	147,431	25,375	-	110,573	43,306	326,685
	2015	135,002	39,556	-	53,041	35,366	262,965

(1) *Mr. Langenhoven is paid in United States dollars. Mr. Kondo is paid in British pounds. Mr. Lamb and Mr. Armstrong are paid in Canadian dollars. Ms. Lahri is paid in Botswana pula. The following conversion rates were used to convert salary payments:*

- *Financial year ended December 31, 2017 average exchange rate of CAD$1.00=US$0.77, UK£1=USD1.29. Botswana Pula 1=USD 0.097;*
- *Financial year ended December 31, 2016 average exchange rate of CAD$1.00=US$0.91, UK£1=USD1.64, Botswana Pula 1=USD 0.092; and*
- *Financial year ended December 31, 2015 average exchange rate of CAD$1.00=US$0.74, UK£1=USD1.23, Botswana Pula 1=USD 0.099.*

(2) *This column represents stock option awards earned in respect of the corresponding year’s performance. Awards for 2017 performance were made in 2018, awards for 2016 performance were made in 2017 and awards made for 2015 performance were made in 2016. 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 were calculated in Canadian dollars and translated into United States dollars using the following exchange rates for the following option grants awarded to the NEOs: CAD$1.00=US$0.74 for*

March 8, 2017 grants, CAD$1.00=US$0.73 for February 26, 2016 grants and CAD$1.00=US$0.84 for May 14, 2015 grants. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized. The Black-Scholes option pricing model incorporates key assumptions dealing with risk free interest rate, expected stock price volatility, expected life and expected dividend yield.

(3) *This column represents share unit awards earned in respect of the corresponding year's performance. Awards for 2017 performance were made in 2018, Awards for 2016 performance were made in 2017, awards for 2015 performance were made in 2016. Share units' values were calculated in Canadian dollars based on the fair value of Common Shares on: (i) the grant date of March 8, 2017 of CAD$2.75; (ii) the grant date of Feb 26, 2016 of CAD$2.45; and (iii) the grant date of May 14, 2015 of CAD$2.15 and translated into United States dollars using the following exchange rates for the following share unit grants awarded to the NEOs: CAD$1.00=US$0.74 for March 8, 2017 grants, CAD$1.00=US$0.73 for February 26, 2016 grants and CAD$1.00=US$0.84 for May 14, 2015 grants.*

(4) *This column represents STI awards earned in respect of the corresponding year's performance. 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. Payment for the 2015 STI award was made the following year in February 2016. The following conversion rates were used to convert the STI payments:*

- *February 28, 2018 rate CAD$1.00=US$0.78, UK£1=USD1.38;*
- *February 28, 2017 rate CAD$1.00=US$0.76, UK£1=USD1.24; and*
- *February 23, 2016 rate CAD$1.00=US$0.72, UK£1=USD1.48.*

(5) *Amounts in this column typically consist of benefits such as life insurance premiums, parking benefits and medical/dental plans. The amount also includes for Mr. Lamb, Mr. Kondo and Mr. Armstrong accrued holidays paid out for the year ended 2017. Mr. Langenhoven and Ms. Lahri as employees of Boteti, receive a gratuity in lieu of a pension, calculated at 15% and 20% of base salary respectively.*

(6) *The following conversion rates were used to convert these other compensation payments:*

- *Financial year ended December 31, 2017 average exchange rate of CAD$1.00=US$0.77, UK£1=USD1.29*
- *Financial year ended December 31, 2016 average exchange rate of CAD$1.00=US$0.74, UK£1=USD1.23*
- *Financial year ended December 31, 2015 average exchange rate of CAD$1.00=US$0.78, UK£1=USD1.53;*

(7) *Mr. Lamb did not receive Option based or Restricted Share Awards that formed part of his 2017 CEO compensation due to his mutual separation of employment in 2018. He received 115,000 share units and 150,000 stock options in 2018 as part of the mutual separation of his employment to incentivize his retention by the Corporation as a technical advisor. For further details on his separation of employment, please see below the paragraph "Mutual Employment Separation– Mr. Lamb." Mr. Kondo did not receive Option based or Restricted Share Awards that formed part of his 2017 CEO compensation due to his mutual employment separation in 2018.*

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plan for Lucara employees. Boteti 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. Mr. Langenhoven and Ms. Lahri have written employment agreements with Boteti.

Mr. Lamb

Employment Agreement in effect on December 31, 2017 - Mr. Lamb

Pursuant to the employment agreement in effect on December 31, 2017 with Mr. Lamb:

- if Mr. Lamb's employment had been terminated without cause; or
- if there was a change of control of the Corporation to a non-affiliated entity, and his employment had been terminated, or he elected to terminate his employment,

he would have been entitled to receive a payment equal to his salary for 24 months, a payment equal to the STI award he earned in the year prior to his termination (providing it was not greater than his annual base salary) and benefits for a 12 month period. Also, Mr. Lamb's options and share units would have become fully vested. If such a termination of his employment had occurred on December 31, 2017, it is estimated the total value of Mr. Lamb's severance package would have been US$2,803,058. Payment has been converted from Canadian to United States dollars using the December 31, 2017 conversion rate of CAD$1.00=US$0.80.

Mutual Employment Separation - Mr. Lamb
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. Kondo
Pursuant to the employment agreement with Mr. Kondo:

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

he will be entitled to receive a payment equal to his salary for 18 months, a payment equal to the STI award he earned in the year prior to his termination (providing it is not greater than his annual base salary) and benefits for a 12 month period. Also, Mr. Kondo's options and share units will become fully vested. If such a termination of his employment had occurred on December 31, 2016, it is estimated the total value of Mr. Kondo's severance package would have been US$1,444,593. Payment has been converted to United States dollars using the December 31, 2017 exchange rate of UK£1=US$1.35.

As referenced above in the section, *Overview 2018 Changes in Management,* Mr. Kondo and the Corporation entered into a mutual separation agreement on March 21, 2018. As part of this agreement, Mr. Kondo will receive a payment and vesting of his share units and options in accordance with the terms of his employment agreement for a termination without cause event.

Mr. Armstrong
Pursuant to the employment agreement with Mr. Armstrong:

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

he will be entitled to receive a payment equal to his salary for 12 months and a payment equal to the STI award he earned in the year prior to his termination (providing it is not greater than his annual base salary). Also, Mr. Armstrong's options and share units will become fully vested. If such a termination of his employment had occurred on December 31, 2017 it is estimated the total value of Mr. Armstrong's severance package would have been US$761,637. Payment has been converted from Canadian to United States dollars using the December 31, 2017 conversion rate of CAD$1.00=US$0.80.

Mr. Langenhoven
Pursuant to the employment agreement between Boteti and Mr. Langenhoven, if Mr. Langenhoven's employment is terminated without cause, he will be entitled to receive a payment equal to his annual

salary. If such a termination of his employment had occurred on December 31, 2017, it is estimated the total value of Mr. Langenhoven's severance package would have been US$236,000.

Ms. Lahri

Pursuant to the employment agreement between Boteti and Ms. Lahri. If Ms. Lahri's employment is terminated without cause she 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. In addition, as her employment with Boteti is longer than two years, under the terms of the Corporation's Option Plan, her share options will become fully vested in the event of her employment is terminated without cause. It is estimated the total value of Ms. Lahri's severance package would have been US$157,581 if a termination of her employment had occurred on December 31, 2017.

Termination Benefits- Current CEO and CFO

Ms. Thomas – Current CEO

Pursuant to the employment agreement with Ms. Thomas:

- if Ms. Thomas' employment is 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 will be entitled to receive a payment equal to her salary for 24 months, a payment equal to the average of the annual STI award she earned in the two years prior to her termination (if termination occurs before such two year period, the product of her STI target and base salary in the year of termination), benefits for a 12 month period and the vesting of her outstanding stock options and share units.

Ms. Boldt– Current CFO

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, benefits for a 12 month period and the vesting of her outstanding stock options and share units.

Outstanding Option and Share based Awards

The following table sets forth for each Named Executive Officer all awards outstanding at the end of 2017.

NEO	Grant Date	Option-based Awards: Number of securities underlying unexercised options (#)	Option-based Awards: Option exercise price (CAD$)	Option-based Awards: Option expiration date	Option-based Awards: Value of unexercised in-the-money options (CAD$)(1)	Share-based Awards: Number of shares or units of shares that have not vested (#)	Share-based Awards: Market payout value of share-based awards that have not vested (CAD$)(2)	Share-based Awards: Market payout value of share-based awards not paid out or distributed (CAD$)
William Lamb President & CEO	May 14, 2015	200,000	2.15(3)	May 14, 2019	132,000	165,000	463,650	-
	July 8, 2015	-	-	-	-	1,683	4,729(6)	-
	December 17, 2015	-	-	-	-	1,455	4,089(6)	-
	February 26, 2016	150,000	2.45(4)	February 26, 2020	54,000	290,000	814,900	-
	March 31, 2016	-	-	-	-	2,489	6,994(6)	-
	June 18, 2016	-	-	-	-	1,775	4,988(6)	-
	September 15, 2016	-	-	-	-	53,753	151,046(6)	-
	December 15, 2016	-	-	-	-	2,632	7,398(6)	-
	March 8, 2017	150,000	2.80(5)	March 8, 2021	1,000	115,500	324,555	-
	March 30, 2017	-	-	-	-	5,130	14,415(6)	-
	June 15, 2017	-	-	-	-	5,687	15,980(6)	-
	September 14, 2017	-	-	-	-	6,581	18,493(6)	-
	December 14, 2017	-	-	-	-	6,362	17,877(6)	-
Glenn Kondo CFO	May 14, 2015	133,334	2.15(3)	May 14, 2019	88,000	115,000	323,150	-
	July 8, 2015	-	-	-	-	1,173	3,296(6)	-
	December 17, 2015	-	-	-	-	1,014	2,849(6)	-
	February 26, 2016	100,000	2.45(4)	February 26, 2020	36,000	115,000	323,150	-
	March 31, 2016	-	-	-	-	1,261	3,543(6)	-
	June 18, 2016	-	-	-	-	899	2,526(6)	-
	September 15, 2016	-	-	-	-	27,242	76,550(6)	-
	December 15, 2016	-	-	-	-	1,334	3,749(6)	-
	March 8, 2017	150,000	2.80(5)	March 8, 2021	1,000	80,000	224,800	-
	March 30, 2017	-	-	-	-	2,777	7,803(6)	-
	June 15, 2017	-	-	-	-	3,078	8,649(6)	-
	September 14, 2017	-	-	-	-	3,563	10,012(6)	-
	December 14, 2017	-	-	-	-	3,444	9,678(6)	-
John Armstrong VP, Mineral Resources	May 14, 2015	120,000	2.15(3)	May 14, 2019	79,200	70,000	196,700	-
	July 8, 2015	-	-	-	-	714	2,006(6)	-
	December 17, 2015	-	-	-	-	617	1,734(6)	-
	February 26, 2016	60,000	2.45(4)	February 26, 2020	21,600	70,000	196,700	-
	March 31, 2016	-	-	-	-	767	2,155(6)	-
	June 18, 2016	-	-	-	-	547	1,537(6)	-
	September 15, 2016	-	-	-	-	16,582	46,595(6)	-
	December 15, 2016	-	-	-	-	812	2,282(6)	-
	March 8, 2017	60,000	2.80(5)	March 8, 2021	600	49,000	137,690	-
	March 30, 2017	-	-	-	-	1,690	4,749(6)	-
	June 15, 2017	-	-	-	-	1,873	5,263(6)	-
	September 14, 2017	-	-	-	-	2,168	6,092(6)	-

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 (#)	Market payout value of share-based awards that have not vested (CAD$)(2)	Market payout value of share-based awards not paid out or distributed (CAD$)
	December 14, 2017	-	-	-	-	2,096	5,890(6)	-
Johannes Langenhoven Boteti Technical Director	May 12, 2016 March 8, 2017	120,000 50,000	3.94(7) 2.80(5)	May 12, 2020 March 8, 2021	- 500	- -	- -	- -
Naseem Lahri Boteti CFO	May 14, 2015	60,000	2.15(3)	May 14, 2019	39,600	-	-	-
	May 12, 2016	40,000	2.45(4)	February 26, 2020	14,400	-	-	-
	March 8, 2017	50,000	2.80(5)	March 8, 2021	500	-	-	-

(1) *Based on the closing price of the Common Shares on the TSX on December 31, 2017 of C$2.81 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, 2017 of C$2.81.*

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

(4) *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.*

(5) *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.*

(6) *These share units were issued in lieu of cash dividends applicable to outstanding share units held when a dividend was paid by the Corporation.*

(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.*

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 2016 by each Named Executive Officer.

Name	Option-based awards – Value vested during the year (1) (CAD$)	Share-based awards – Value vested during the year	Non-equity incentive plan compensation-value earned during the year (US$) (2)
William Lamb	84,000	None	437,193
Glenn Kondo	62,000	"	256,164
John Armstrong	33,600	"	97,588
Johannes Langenhoven	-	"	114,000
Naseem Lahri	27,000	"	131,468

(1) *Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2017, or if the TSX is not open on such date, the closing price of the common shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in the-money stock options.*

(2) *This column represents short term incentive plan payments referred to earlier in the circular, the incentive payment is paid in 2018 for 2017 performance. For Messrs. Lamb, Kondo, and Armstrong compensation was paid in Canadian dollars, or British pounds and converted to United States dollars. Mr. Langenhoven was paid in United States dollars and Ms. Lahri was paid in Botswana Pula and converted to United States dollars. The following conversion rates used to convert the 2017 short term incentive plan payments made on February 28, 2018: CAD$1.00=US$0.78, UK£1=US$1.38, Pula 1=US$0.097.*

SECTION 5 – COMPENSATION OF DIRECTORS

The following table sets forth the details of compensation provided to directors in 2017, other than William Lamb. Mr. Lamb, the former CEO, did not receive compensation for his services as a director.

2017 Directors	Fees Earned (US$) (1)	Option-based (US$)	Total (US$)
Richard Clark	79,097	None	79,097
Paul Conibear	94,521	"	94,521
Brian Edgar	84,832	"	84,832
Marie Inkster	90,665	"	90,665
Lukas Lundin	90,665	"	90,665
Eira Thomas	86,809	"	86,809

(1) *Payments have been converted from Canadian to United States dollars using the following average annual conversion rate for 2017 CAD$1.00 = US$0.77*

In 2016, the Compensation committee retained Gurr & Associates to perform benchmarking for director compensation. The benchmarking data showed that the directors' fees were in line with the director compensation with of the Corporation's peers. 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 of the 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 2017, other than William Lamb who is a Named Executive Officer:

	Option-based Awards			
2017 Directors	**Number of securities underlying unexercised options (#)**	**Option exercise price (CAD$)**	**Option expiration date**	**Value of unexercised in-the- money options (CAD$) (1)**
Richard Clark	200,000	2.45	February 26, 2020	72,000
Paul Conibear	200,000	2.45	February 26, 2020	72,000
Brian Edgar	200,000	2.45	February 26, 2020	72,000
Lukas Lundin	200,000	2.45	February 26, 2020	72,000
Marie Inkster	200,000	2.45	February 26, 2020	72,000
Eira Thomas	200,000	2.45	February 26, 2020	72,000

(1) Calculated using the closing price of the common shares on the TSX December 31, 2017 of CAD$2.81 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 2017 by each director, other than William Lamb who is a Named Executive Officer.

2017 Directors	Option-based awards –Value vested during the year (CAD$) (1)
Richard Clark	24,000
Paul Conibear	24,000
Brian Edgar	24,000
Lukas Lundin	24,000
Marie Inkster	24,000
Eira Thomas	24,000

(1) Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2017, 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. The Stock Option Plan replaced the Corporation's 2013 Stock Option Plan.

Equity Compensation Plan Information (as at fiscal year end December 31, 2017)

Plan Category	**Number of securities to be issued upon exercise of outstanding options/share units**	**Weighted-average exercise price of outstanding options (CAD$)**	**Number of securities remaining available for future issuance under the Plan (excluding securities reflected in column (a))**
Equity Compensation Plans approved by security holders:			
Stock Option Plan	3,738,411	$ 2.48	15,160,000
Share Unit Plan	1,401,590	N/A (share units)	2,336,821
Equity Compensation Plans not approved by security holders	N/A	N/A	N/A

Percentage of issued and outstanding shares

Stock Option Plan
There are a maximum of 18,898,337 shares issuable under the stock option plan, representing 4.9% of the Corporation's issued and outstanding shares as at the end of December 31, 2017. As at the end of December 31, 2017, there were 3.7 million stock options outstanding under the stock option plan, representing 1.0% of shares then issued and outstanding, and 15.2 million stock options remained available for grant, representing 4.0% of shares then issued and outstanding.

Share Unit Plan
There are a maximum of 3.7 million shares issuable under the share unit plan, representing 1.0% of the Corporation's issued and outstanding shares as at the end of December 31, 2017. As at the end of December 31, 2017, there were 1.4 million share units outstanding under the stock option plan, representing 0.4% of shares then issued and outstanding, and 2.3 million share units remained available for grant, representing 0.6% of shares then issued and outstanding.

Burn Rate *(1)*

Stock Option Plan
In 2017, there were 910,000 stock options granted which resulted in a burn rate of 0.2%. In 2016, there were 2,160,000 stock options granted which resulted in a burn rate of 0.6%, and in 2015, there were 1,770,000 stock options granted which resulted in a burn rate of 0.5%.

Share Unit Plan
In 2017, there were 334,097 share units granted which resulted in a burn rate of 0.1%. In 2016, there were 799,193 share units granted which resulted in a burn rate of 0.2%, and in 2015, there were 529,889 stock options granted which resulted in a burn rate of 0.1%.

(1)*Calculated using the new 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").

- 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.

- A SU is a unit credited by means of an entry on the books of the Corporation to a participant, representing the right to receive one Common Share or cash equal to the market price of the share on the vesting date.

- The number and terms of SUs granted to participants will be determined by Committee and credited to the participant's account effective on the grant date. Subject to the Committee's discretion, SUs will vest 36 months from the grant date.

- The entitlement date, or date that the SU's vest and are eligible for payment, shall be extended if this date occurs during a blackout to 10 days after the end of the blackout and notwithstanding this, must occur no later than 3 years following the end of the year the SU was granted.

- Following the entitlement date, the SUs will be settled by way of the issuance of Common Shares from treasury, cash equal to the market price of Common Shares or a combination of the two methods of settlement as determined by the Committee.

- All grants of SUs shall be evidenced by a confirmation share unit grant letter.

- In the event dividends are paid to shareholders while SUs are outstanding, additional SUs in lieu of any cash dividends will be credited to participants. For the avoidance of doubt, no cash payment will be made to a participant if cash dividends are paid to shareholders other than cash paid to a participant on an entitlement date.

- In the event of a participant's resignation or employment termination with cause, the SUs will be forfeited and of no further force or effect at the date of termination, unless otherwise determined by the Committee.

- In the event of the participant's employment termination without cause:
    - all unvested SUs that are not subject to performance vesting criteria will vest, for participants who were continuously employed by the Corporation or any subsidiary for at least two years including any notice period, prior to the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical
    - all unvested SUs with performance vesting criteria will remain subject to the normal vesting schedule for participants who were continuously employed by the Corporation or any subsidiary for at least two years including any notice period

  - for participants who were not continuously employed by the Corporation for two years their SUs will be forfeited at the date of termination except as may otherwise be stipulated in the participant's grant letter

- In the event of death, all unvested SUs will vest and the Common Shares will be issued to the participant's estate as soon as reasonably practical.

- In the event of the total disability of a participant, all unvested SUs will vest on the date the participant is determined to be totally disabled and the Common Shares will be issued as soon as reasonably practical.

- In the event of a change of control, all SUs outstanding will vest on the date of such change of control.

- All of the termination provisions in the SU plan shall be subject to the terms of any employment/severance agreement between the participant and the Corporation.

- SUs are not transferable other than by will or the laws of dissent and distribution.

- The specific amendment provisions for the SU Plan provide the Committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
  - amendments of a housekeeping nature;
  - the addition or a change to any vesting provisions of an SU;
  - changes to the termination provisions of an SU or the SU Plan; and
  - amendments to reflect changes to applicable securities or tax laws.

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

<u>The Stock Option Plan</u>
The material terms of the Stock Option Plan can be summarized as follows:

- 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 5.23% 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 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 Boards' discretion, options may have a vesting period of up to three years, with 1/3 of the options vesting 12 months from the date of grant; 1/3 of the options vesting 24 months from the date of grant; and the remaining 1/3 vesting 36 months from the date of grant.

- In the event that the expiry of an option falls within, or within 48 hours of, a trading blackout period imposed, the expiry date of the option shall be automatically extended to the tenth business day following the end of the blackout period.

- The termination provisions under the 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 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.

- 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 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 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 Company 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 $US16.67 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 paid 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 paid upon Clara achieving the Performance Milestones or upon the occurrence of a change of control event.

John Armstrong, the Vice President (Mineral Resources) of the Company, and Zara Boldt, the Chief Financial Officer of the Company (effective April 1, 2018), were shareholders of Clara at the time of the Company'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 paid 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 with the remaining 3.22% of the EBITDA generated by the platform to be distributed to management, including Mr. Armstrong and Ms. Boldt, at the discretion of Lucara's Compensation Committee based on key performance targets.

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

ADDITIONAL INFORMATION

The Corporation's Annual Information Form, annual financial statements and management's discussion and analysis ("MD&A") and interim financial statements are available on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Corporation's website at www.lucaradiamond.com. The Corporation will provide, without charge to a shareholder, a copy of its latest Annual Information Form, its annual financial statements and MD&A for the period ended December 31, 2017, interim financial statements for subsequent periods and this Circular upon request by contacting:

(i) e-mail: 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 03rd day of April, 2018.

(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)

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.