



Lucara Diamond Corp.

MANAGEMENT PROXY CIRCULAR

(all information as at April 15, 2011 unless otherwise noted)

SOLICITATION OF PROXIES

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies being made by the management of Lucara Diamond Corp. (the “Corporation”) for use at the annual general meeting of the Corporation’s shareholders to be held on Friday, May 13, 2011, at the time and place and for the purposes set forth in the accompanying Notice of Annual General Meeting of Shareholders (the “Notice”) or at any adjournment(s) thereof (the “Meeting”). Management’s solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without special compensation, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation. The Corporation may retain other persons or companies to solicit proxies on behalf of management of the Corporation, in which event customary fees for such services will be paid.

It is anticipated that this Circular, together with the Notice and a form of proxy (the “Proxy”) will first be mailed to shareholders of the Corporation on or about April 18, 2011.

Unless otherwise indicated, all monetary amounts referred to herein are stated in United States currency.

APPOINTMENT OF PROXYHOLDER

The persons named in the enclosed Proxy are directors and/or officers of the Corporation (the “Management Proxyholders”). **A registered shareholder has the right to appoint a person other than one of the Management Proxyholders to represent the registered shareholder at the Meeting by striking out the printed names and inserting that other person’s name in the blank space provided. A proxyholder need not be a shareholder. If a shareholder appoints one of the Management Proxyholders as a nominee and there is no direction by the registered shareholder, the Management Proxyholder shall vote the Proxy FOR all proposals set out in the enclosed Proxy form and for the election of the directors and the appointment of the auditors set out in this Circular.**

The instrument appointing a proxyholder must be signed in writing by the registered shareholder, or such shareholder’s attorney authorized in writing. If the registered shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. **An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation’s registrar and transfer agent, Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (PST) on Wednesday, May 11, 2011 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournment(s) of the Meeting at which such Proxy is to be used), or it is deposited with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting.**

If you have any questions about the procedures to be followed to vote at the Meeting or about obtaining, completing and depositing the Proxy, you should contact Computershare Investor Services Inc. by telephone (toll free) at 1-800-564-6253 or by e-mail at service@computershare.com.

VOTING OF PROXIES

Common shares of the Corporation (the “Common Shares”) represented by properly executed Proxies will be voted or withheld from voting on each respective matter in accordance with the instructions of the registered shareholder on any ballot that may be called for and, if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by such Proxy will be voted accordingly. **If no choice is specified, the person designated in the accompanying Proxy will vote FOR all matters proposed by management at the Meeting.**

EXERCISE OF DISCRETION

The enclosed Proxy, when properly completed and delivered and not revoked, gives discretionary authority to the persons named therein with respect to any amendments or variations of matters identified in the Notice of Meeting and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of Meeting are properly brought before the Meeting or any further or other business is properly brought before the Meeting, it is the intention of the person designated in the accompanying Proxy to vote in accordance with their best judgment on such matters. As of the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting.

VOTING BY BENEFICIAL (NON-REGISTERED) SHAREHOLDERS

The information in this section is important to many shareholders as a substantial number of shareholders do not hold their shares in their own name.

Shareholders who hold Common Shares through their brokers, intermediaries, trustees, or other nominees (such shareholders being collectively called "**Beneficial Shareholders**") should note that only proxies deposited by shareholders whose names appear on the share register of the Corporation may be recognized and acted upon at the Meeting. If Common Shares are shown on an account statement provided to a Beneficial Shareholder by a broker, then in almost all cases the name of such Beneficial Shareholder **will not** appear on the share register of the Corporation. Such shares will most likely be registered in the name of the broker or an agent of the broker. In Canada, the vast majority of such shares will be registered in the name of "CDS & Co.", the registration name of The Canadian Depository for Securities Limited, which acts as a nominee for many brokerage firms. Such shares can only be voted by brokers, agents, or nominees and can only be voted by them in accordance with instructions received from Beneficial Shareholders. **As a result, Beneficial Shareholders should carefully review the voting instructions provided by their broker, agent or nominee with this Circular and ensure that they direct the voting of their shares in accordance with those instructions.**

Applicable regulatory policies require brokers and intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Each broker or intermediary has its own mailing procedures and provides its own return instructions to clients. The purpose of the Proxy or voting instruction form provided to a Beneficial Shareholder by such shareholder's broker, agent or nominee is limited to instructing the registered holder on how to vote such shares on behalf of the Beneficial Shareholder. Most brokers in Canada now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. (formerly ADP Independent Investor Communication Corporation) ("**Broadridge**"). Broadridge typically prepares voting instruction forms, mails those forms to Beneficial Shareholders and asks those Beneficial Shareholders to return the forms to Broadridge or follow specific telephone or other voting procedures. Broadridge then tabulates the results of all instructions received by it and provides appropriate instructions respecting the voting of such shares at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote their shares at the Meeting. Instead, the voting instruction form must be returned to Broadridge or the alternate voting procedures must be completed well in advance of the Meeting in order to ensure that such shares are voted.**

Non-registered holders should follow the instruction on the forms that they receive and contact their intermediaries promptly if they need assistance.

REVOCATION OF PROXY

A registered shareholder who has returned a Proxy may revoke it at any time before it has been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing, including a Proxy bearing a later date, executed by the registered shareholder or by his attorney authorized in writing or, if the registered shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized. The instrument revoking the Proxy must be deposited at the registered office of the Corporation, at any time up to and including the last business day preceding the date of the Meeting, or any adjournment thereof, or with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting. Only registered shareholders have the right to revoke a Proxy. **Beneficial Shareholders who wish to change their vote must arrange for their respective intermediaries to revoke the Proxy on their behalf.**

RECORD DATE

Shareholders registered as at April 8, 2011 (the "Record Date") are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and the ratification and approval of the Corporation's rolling stock option plan and as otherwise may be set out herein.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the date hereof, the Corporation had 362,634,050 Common Shares outstanding. The holders of Common Shares are entitled to one vote for each share held. The Corporation has no other classes of voting securities.

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

Name and Address	Number of Common Shares	Percentage
Lorito Holdings S.à.r.l. ("Lorito") ⁽¹⁾ Luxembourg	30,000,000	8.27%
Zebra Holdings and Investments S.à.r.l. ("Zebra") ⁽¹⁾ Luxembourg	21,000,000	5.79%

⁽¹⁾ Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settler is the Estate of Adolf H. Lundin. Together, Lorito and Zebra hold a total of 51,000,000 Common Shares, which represents approximately 14.06% of the current outstanding Common Shares.

ELECTION OF DIRECTORS

Directors are elected annually and the Board of Directors of the Corporation (the "Board of Directors" or the "Board") has determined that the number of directors to be elected is seven (7). Unless authority to vote is withheld, the shares represented by the Proxies hereby solicited will be voted by the persons named therein **FOR** the setting of the number of directors at seven (7) and **FOR** the election of the nominees whose names are set forth below. The seven (7) nominees are presently members of the Board of Directors and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed Proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the Proxy that such shareholder's Common Shares are to be withheld from voting on the election of directors.

Each of the following persons is nominated to hold office as a director until the next annual meeting or until his or her successor is duly elected or appointed.

Name and Jurisdiction of Residence ^{(1) (2)}	Principal occupations for last five years ⁽¹⁾	Served as director since	Number of voting securities owned (directly or indirectly) or controlled at present ⁽³⁾
CONIBEAR, Paul K. British Columbia, Canada	President and Chief Executive Officer of Tenke Mining Corp. from 2002 to July 2007; Senior Vice President, Corporate Development, Lundin Mining Corp. from July 2007 to present; Director of a number of other publicly traded companies.	April 5, 2007	166,000
EDGAR, Brian D. British Columbia, Canada	Executive Chairman of Metalline Mining Company; Director of a number of other publicly traded companies.	April 5, 2007	100,000
LUNDIN, Lukas British Columbia, Canada	Businessman; Director and Officer of a number of other publicly traded resource-based companies;	April 5, 2007	3,295,000
GURNEY, John J. Cape Town, South Africa	Professor and researcher, University of Cape Town, Republic of South Africa.	July 3, 2009	218,564
THOMAS, Eira British Columbia, Canada	Chairman of Stornoway Diamond Corporation.	August 4, 2009	8,600,000
LAMB, William British Columbia, Canada	President & CEO of the Corporation.	February 19, 2010	100,000
CLARK, Richard P. British Columbia, Canada	Businessman; Director of a number of other publicly traded companies.	February 19, 2010	NIL

⁽¹⁾ The information as to jurisdiction of residence and principal occupation, not being within the knowledge of the Corporation, has been furnished by the respective director nominees themselves.

⁽²⁾ All of the above noted director nominees were elected to their present terms of office by a vote of shareholders of the Corporation at a meeting the notice of which was accompanied by a management proxy circular.

⁽³⁾ The information as to Common Shares owned has been provided by the respective director nominees themselves.

The Board of Directors does not have an executive committee. There are presently three committees of the Board; namely, the Audit Committee, the Compensation Committee and the Corporate Governance and Nominating Committee. The following table sets out the members of such Committees:

Audit Committee	Compensation Committee	Corporate Governance and Nominating Committee
Paul K. Conibear (Chair) Brian D. Edgar Eira Thomas	Paul K. Conibear (Chair) Brian D. Edgar Richard Clark	Brian D. Edgar (Chair) Eira Thomas Paul K. Conibear

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders or Bankruptcies

Except as noted below, to the best of management's knowledge, no proposed director is, or has been within the last 10 years of the date hereof, a director or executive officer of any company that, while that person was acting in that capacity:

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation

relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Edgar was a director of New West Energy Services Inc. (NEW-TSX-V) when, on September 5, 2006, a cease trade order was issued against that company by the British Columbia Securities Commission for failure to file its financial statements within the prescribed time. The default was rectified and the order was rescinded on November 9, 2006.

Individual Bankruptcies

To the best of management's knowledge, no director of the Corporation has, within the ten years prior to the date of this Circular, become bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

Penalties or Sanctions

To the best of management's knowledge, no person proposed for election as a director of the Corporation has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has had any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for the proposed director.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

For the purposes of this Circular, "Named Executive Officer" means: (a) Chief Executive Officer, (b) Chief Financial Officer, (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 CAD; and (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, as at December 31, 2010.

During the financial year ended December 31, 2010, the Corporation had five Named Executive Officers (each a "NEO", and collectively, the "NEOs"), being: Lukas Lundin, William Lamb, Lawrence Ott, Anthony George and Susan Neale.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

The following compensation discussion and analysis describes the Corporation's practices with respect to the compensation of its NEOs.

Overview of Compensation Philosophy

The Corporation's compensation philosophy is to structure remuneration packages that are sufficiently attractive to recruit, retain and motivate the kind of executives who will be instrumental in helping the Corporation achieve its short and long-term objectives, to provide executives with compensation that is in accordance with existing market standards generally, to align the interests of executive officers with those of the Corporation's shareholders and to link individual executive compensation to the performance of both the Corporation and the individual executive.

Elements of Compensation

Executive compensation is comprised of three elements:

- base salaries, which are set at levels which are competitive with the base salaries paid by corporations of a comparable size within the mineral exploration industry and with operations at approximately the same stage of development, thereby enabling the Corporation to compete for and retain executives critical to the Corporation's long-term success;
- bonuses, which are considered from time to time, based on individual and corporate performance criteria; and
- share ownership opportunities through a stock option plan, which provides additional incentive and aligns the interests of executive officers with the longer term interests of shareholders.

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. All of the members of the Compensation Committee are independent. Since 2007, the Compensation Committee has maintained a mandate and meets as frequently as necessary in order to fulfill its responsibilities and in any event, at least annually.

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

- to review and approve corporate goals and objectives relevant to NEO 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 NEO compensation levels (including the award of any cash bonuses 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.

Performance Factors

Although no formal corporate goals and objectives have been put in place for the NEOs, there are general factors that come into play when the members of the Compensation Committee are considering NEO compensation. These factors include:

- the progression of the Corporation's projects;
- the Corporation's market capitalization;
- the Corporation's ability to meet financial obligations;
- the long-term interests of the Corporation and its shareholders;
- the assessment of each NEO's individual performance and contribution to the benefit of the Corporation; and
- the NEO's responsibilities and the levels of compensation provided by industry competitors.

The Compensation Committee does not have a pre-determined, performance-based compensation plan but rather reviews the performance of the Corporation's executive officers at least annually. The Compensation Committee's recommendations for base salaries, and bonuses or option grants, if any, are submitted to the Board for approval.

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 and other senior members of the Corporation's management team provide a source of external data and analysis.

Recruiting and Retention

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. This balance is achieved by providing base salary at a reasonable median level as an anchor which makes the Corporation a realistic prospect for talented candidates. However, the short term incentive (discretionary bonuses) provides recruits 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), which is described in greater detail below, provides 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.

Option-Based Awards

The Corporation has established an incentive stock option plan (the "Stock Option Plan") which is administered by the Board. The Compensation Committee makes recommendations to the Board for grants of stock options under the Stock Option Plan. The Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance.

The Corporation has no other long-term incentive plans in place.

During fiscal year 2010, the Corporation granted an aggregate of 700,000 options to NEOs under the Corporation's Stock Option Plan in accordance with the performance measurements described above under the heading "Performance Factors".

SUMMARY COMPENSATION TABLE

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

Name and Principal Position	Fiscal Period ⁽²⁾	Salary ⁽¹⁾	Option-based Awards ⁽¹⁾⁽³⁾	Non-equity Incentive Plan Compensation (US\$) ⁽¹⁾	All Other Compensation ⁽¹⁾	Total Compensation ⁽¹⁾
				Annual Incentive Plans ⁽¹⁾		
Lukas H. Lundin ^{(4) (6)} Chairman	Dec 31/2010	Nil	Nil	Nil	16,655	16,655
	Dec 31/ 2009	Nil	126,463	Nil	6,940	133,403
	July 31/ 2009	Nil	62,808	Nil	10,167	72,975
William Lamb ⁽⁵⁾ President and Chief Executive Officer	Dec 31/2010	262,062	Nil	242,650	Nil	504,712
	Dec 31/2009	81,944	316,173	98,333	Nil	496,449
	July 31/2009	152,172	94,954	50,000	Nil	297,126
Susan Neale ⁽⁶⁾ Chief Financial Officer	Dec. 31/2010	151,414	71,333	77,648	Nil	300,395
	Dec 31/2009	81,944	63,235	56,190	Nil	203,948
	July 31/2009	50,804	36,470	Nil	Nil	87,274
Lawrence E. Ott ⁽⁷⁾ Vice President, Exploration	Dec 31/2010	Nil	71,333	60,000	177,212	308,545
	Dec 31/2009	Nil	63,235	50,000	62,500	175,735
	July 31/2009	Nil	55,162	Nil	12,500	67,662
Anthony George ⁽⁸⁾ Vice President, Development	Dec 31/2010	242,650	223,900	121,325	Nil	587,875

- (1) Other than for Dr. Ott who is paid in United States dollars, salaries for the NEOs are paid in Canadian dollars and converted to United States dollars for reporting purposes in the Summary Compensation Table for the financial year ended December 31, 2010 at the average exchange rate of CAD\$1.00 = US\$0.9706, for the five months ended December 31, 2009 at the average exchange rate of CAD\$1.00 = US\$0.9365, and for the financial year ended July 31, 2009 at the average exchange rate of CAD\$1.00 = US\$0.8553, being the Bank of Canada average annual exchange rates.
- (2) In December 2009, the Corporation filed notice pursuant to section 4.8 of National Instrument 51-102 that the Corporation had determined to change its financial year end from July 31 to December 31 in each calendar year. Accordingly, amounts shown reflect the twelve months ended December 31, 2010, the five months ended December 31, 2009 and the 12 months ended July 31, 2009.
- (3) The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2010 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options fair values were calculated in Canadian dollars and translated into United States dollars using an exchange rate of CAD\$1.00=US\$0.8124 for the November 26, 2008 grant, CAD\$1.00=US\$0.8669 for the July 3, 2009 grant, CAD\$1.00=US\$0.8611 for the July 6, 2009 grant, CAD\$1.00=US\$0.9361 for the December 18, 2009 grant, CAD\$1.00=US\$0.9490 for the January 4, 2010 options grant and CAD\$1.00=US\$0.9470 for the December 14, 2010 option grants. awarded to these individuals. 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.
- (4) Lukas Lundin resigned as Chief Executive Officer of the Corporation on April 27, 2010.
- (5) William Lamb was appointed Chief Executive Officer of the Corporation on April 27, 2010. During the period July 28, 2008 – July 3, 2009, Mr. Lamb was employed as General Manager to the Corporation. Effective July 1, 2009, Mr. Lamb's salary was increased from CAD\$175,000 per annum to CAD\$210,000 per annum. Effective January 1, 2010, Mr. Lamb's salary was increased from CAD\$210,000 per annum to CAD\$270,000 per annum. The amount reflected under the column "Non-Equity Incentive Plan Compensation" represents cash bonuses paid to Mr. Lamb in the respective period.
- (6) Namdo Management Services Inc. ("Namdo") is a private corporation owned by Mr. Lukas Lundin. Ms. Neale was an employee of Namdo until December 1, 2010, at which time she became an employee of the Corporation. Namdo has approximately 17 employees and provides facility administration and financial services for a number of public companies including the Corporation. The Corporation paid Namdo:
 - a. the aggregate sum of \$205,267, plus reimbursement of expenses, at cost, for the period of August 1, 2008 to July 31, 2009, of which approximately \$50,804 or 25% is attributed to the salary paid by Namdo to Ms. Neale for her services as Chief Financial Officer of the Corporation and \$10,167 or 5% is attributed to the salary paid by Namdo to Mr. Lundin for his services as Chairman and CEO of the Corporation for the period. The aggregate fees paid to Namdo in for the twelve month period from August 1, 2008 to July 31, 2009 were in Canadian dollars and were translated into United States dollars using an average exchange rate of CAD\$1.00 = US\$8553;
 - b. the aggregate sum of \$204,797, plus reimbursement of expenses, at cost, for the period of August 1, 2009 to December 31, 2009, of which, approximately \$84,523 or 41% is attributed to the salary paid by Namdo to Ms. Neale for her services as Chief Financial Officer of the Corporation and \$6,940 or 3% is attributed to the salary paid by Namdo to Mr. Lundin for his services as Chairman and CEO of the Corporation for the period. The aggregate fees paid to Namdo during the 5 month period from August 1, 2009 to December 31, 2009 were in Canadian dollars and were translated into United States dollars using an average exchange rate of CAD\$1.00 = US\$0.9365; and
 - c. the aggregate sum of \$349,416, plus reimbursement of expenses, at cost, during the year ended 2010, of which, approximately \$135,237 or 38% of the fees paid to Namdo by the Corporation in fiscal 2010 are attributed to the salary paid by Namdo to Ms. Neale for her services as Chief Financial Officer of the Corporation during for the 11 month period ended November 30, 2010, and \$16,655 or 5% are attributed to the salary paid by Namdo to Mr. Lundin as Chairman and, from January 1, 2010 to April 27, 2010, as CEO of the Corporation. The aggregate fees paid to Namdo in 2010 were in Canadian dollars and were translated into United States dollars using an average exchange rate of CAD\$1.00 = US\$0.9706.
- (7) Lawrence E. Ott provides geological and consulting services to the Corporation at a rate of \$12,500 per month. The amount reflected under the column "Non-Equity Incentive Plan Compensation" represents cash bonuses paid to Dr. Ott in the respective period.
- (8) Anthony George was appointed Vice President, Development of the Corporation effective January 4, 2010. Mr. George's salary is CAD\$250,000 per annum and was translated into United States dollars using an average exchange rate of CAD\$1.00 = US\$0.9706.

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plans.

Termination and Change of Control Benefits

Mr. William Lamb is a party to an employment agreement with the Corporation (the "Lamb Agreement"), Mr. Anthony P. George is a party to an employment agreement with the Corporation (the "George Agreement"), Ms. Susan Neale is a party to any employment agreement with the Corporation (the "Neale Agreement") and Dr. Lawrence E. Ott is a party to a consulting agreement with the Corporation (the "Ott Agreement"). Each of the Lamb Agreement, George Agreement, Neale Agreement and Ott Agreement set forth certain instances where payments and other obligations arise on the termination of their respective agreement.

- (a) Pursuant to the terms of the Lamb Agreement, Mr. Lamb may be entitled to receive up to a maximum of 12 month's salary in the event of termination without cause, termination due to permanent disability or in the event of a change of control of the Corporation to a non-affiliated entity, which as of the date of this Circular would be equivalent to CAD\$270,000.

- (b) Pursuant to the terms of the George Agreement, Mr. George may be entitled to receive up to a maximum of 12 month's salary in the event of termination without cause, termination due to permanent disability or in the event of a change of control of the Corporation to a non-affiliated entity, which as of the date of this Circular would be equivalent to CAD\$250,000.
- (c) Pursuant to the terms of the Neale Agreement, Ms. Neale may be entitled to receive up to a maximum of 12 month's salary in the event of termination without cause, termination due to permanent disability or in the event of a change of control of the Corporation to a non-affiliated entity, which as of the date of this Circular would be equivalent to CAD\$200,000.
- (d) Pursuant to the terms of the Ott Agreement, Dr. Ott may be entitled to receive a one-time payment of up to \$400,000 in the event of a change of control of the Corporation. In addition, the Ott Agreement provides that if during the term of such agreement, Dr. Ott dies or becomes permanently disabled while performing services for the Corporation pursuant to the Ott Agreement, Dr. Ott (or his beneficiary, as the case may be) may be entitled to receive one-time payment of up to \$200,000.

Other than as set forth above, the Corporation and its subsidiaries have no compensatory plan, contract or arrangement where a NEO is entitled to receive more than CAD\$100,000 (including periodic payments or instalments) to compensate such executive officer in the event of resignation, retirement or other termination of the NEO's employment with the Corporation or its subsidiaries, a change of control of the Corporation or its subsidiaries, or a change in responsibilities of the NEO, with or without a change in control.

Outstanding Option-based Awards

The following table sets forth the outstanding option-based awards held by the NEOs of the Corporation at the end of the most recently completed financial year:

Option-based Awards				
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (CAD\$)	Option Expiration Date	Value of Unexercised In-the-money Options (\$)⁽¹⁾
Lukas H. Lundin	400,000	0.48	July 6, 2012	188,000
	200,000	1.00	Dec 18, 2012	Nil
William Lamb	500,000	1.00	Dec 18, 2012	Nil
	100,000	0.90	April 27, 2011	5,000
	250,000	0.50	Nov 26, 2011	112,500
	100,000	0.48	July 6, 2012	47,000
Susan Neale	150,000	0.95	Dec 14, 2013	Nil
	100,000	1.00	Dec 18, 2012	Nil
	100,000	0.48	July 6, 2012	47,000
Lawrence E. Ott	150,000	0.95	Dec 14, 2013	Nil
	100,000	1.00	Dec 18, 2012	Nil
Anthony George	200,000	1.00	Jan 4, 2013	Nil
	200,000	0.95	Dec 14, 2013	Nil

⁽¹⁾This amount is calculated based on the difference between the market value of the securities underlying the options at the end of the most recently completed financial year, which was CAD\$0.95 and the exercise or base price of the option.

Incentive Plan Awards – Value Vested or Earned During the Year

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

Name	Option-based awards – Value vested during the year ⁽¹⁾ (\$)
Lukas H. Lundin	Nil
William Lamb	48,000
Susan Neale	8,333
Lawrence E. Ott	Nil
Anthony George	Nil

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

COMPENSATION OF DIRECTORS

Other than compensation paid to the NEOs, and except as noted below, no compensation was paid to directors in their capacity as directors of the Corporation or its subsidiaries, in their capacity as members of the Board or of a committee of the Board of its subsidiaries, or as consultants or experts, during the Corporation's most recently completed financial year.

The following table sets forth the details of compensation provided to directors, other than the NEOs, during the Corporation's most recently completed financial year:

Name	Fees Earned (\$)	Option-based Awards ⁽¹⁾ (\$)	All Other Compensation (\$)	Total (\$)
Paul K. Conibear	Nil	Nil	Nil	Nil
John J. Gurney	Nil	Nil	Nil	Nil
Brian E. Edgar	Nil	Nil	Nil	Nil
Eira Thomas	Nil	Nil	Nil	Nil
Brian E. Edgar	Nil	Nil	Nil	Nil
Richard P. Clark	Nil	85,673	Nil	85,673

⁽¹⁾ The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statements purposes. The key assumptions used for this determination can be found in the notes to the 2010 consolidated financial statements. It should be recognized that the actual future value will be based on the difference between the market value at the 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. Option fair values were calculated in Canadian dollars and translated into United States dollars using an exchange rate of CAD\$1.00=US\$0.9437 for the June 8, 2010 option grant.

Outstanding Option-Based Awards

The following table sets forth the outstanding option-based awards held by the directors, other than NEOs, of the Corporation at the end of the most recently completed financial year:

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (CAD\$) ⁽¹⁾
Paul K. Conibear	400,000	0.48	July 6, 2012	188,000
	300,000	1.00	Dec 18, 2012	Nil
Brian D. Edgar	200,000	0.48	July 6, 2012	94,000
	100,000	1.00	Dec 18, 2012	Nil
John J. Gurney	200,000	0.48	July 6, 2012	94,000
	100,000	1.00	Dec 18, 2012	Nil
Eira Thomas	100,000	0.48	Jul 6, 2012	47,000
	100,000	1.00	Dec 18, 2012	Nil
Richard P. Clark	200,000	0.83	June 8, 2013	24,000

⁽¹⁾ This amount is calculated based on the market value of the securities underlying the option at the end of the most recently completed financial year, which was CAD\$0.95 and the exercise price or base price of the option.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during the most recently completed fiscal year by each director, other than a NEO:

Name	Option-based awards – Value vested during the year (CAD\$) ⁽¹⁾
Paul K. Conibear	Nil
Brian D. Edgar	Nil
John J. Gurney	Nil
Eira Thomas	Nil
Richard Clark	Nil

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

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The Corporation has purchased and maintains liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of CAD\$10 million, against liabilities incurred by such persons as directors and officers of the Corporation and its subsidiaries, except where the liability relates to such person's failure to act honestly and in good faith with a view to the best interests of the Corporation. The annual premium paid by the Corporation for this insurance in respect of the directors and officers as a group is CAD\$29,500. No premium for this insurance is paid by the individual directors and officers. The insurance contract underlying this insurance does not expose the Corporation to any liability in addition to the payment of the required premium.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation's 10% Rolling Incentive Stock Option Plan, described herein, is the only compensation plan under which equity securities of the Corporation are authorized for issuance.

Equity Compensation Plan Information (as at fiscal year ended December 31, 2010)

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (CAD\$)	Number of securities remaining available for future issuance under the Plan (excluding securities reflected in column (a))
Equity Compensation Plans approved by securityholders	11,550,000	0.91	18,699,405
Total	11,550,000		18,699,405

- (1) During the fiscal year ended December 31, 2010, the Corporation granted options to purchase a total of 7,840,000 Common Shares, which includes the issuance of 6,460,000 options to option holders of African Diamonds plc ("AFD") (the "Lucara Replacement Options"). The Lucara Replacement Options were issued pursuant to the terms of an Implementation Agreement dated October 2, 2010 between the Corporation and AFD pursuant to which the Company acquired all of the issued and outstanding shares of AFD on the basis of 0.80 of a Common Share for each AFD ordinary share by way of an English court-approved Scheme of Arrangement, which closed on December 20, 2010. All Lucara Replacement Options are governed by the terms and conditions of the Corporation's 10% Rolling Incentive Stock Option Plan.
- (2) During the fiscal year ended December 31, 2010, the Corporation issued 1,108,957 Common Shares as a result of the exercise of options granted pursuant to the Plan.
- (3) During the fiscal year ended December 31, 2010, the Corporation cancelled 885,825 stock options.

Stock Option Plan –10% Rolling Incentive Stock Option Plan

The Corporations' current 10% Rolling Incentive Stock Option Plan (the "Plan") governing the issuance of stock options was adopted by the Board on January 8, 2010 and approved by shareholders on February 19, 2010. In order to bring the Plan in compliance with the current rules and policies set forth for such plans by the TSX Venture Exchange (the "Exchange"), and to reflect changes to the treatment of stock option exercises brought about by recently enacted tax legislation, on April 15, 2011, the Board approved certain housekeeping amendments to the Plan.

The material terms of the 10% Rolling Plan remain unchanged and can be summarized as follows:

1. The number of common shares issuable upon the exercise of all options granted under the Plan shall not exceed 10% of the issued and outstanding share capital of the Corporation on a non-diluted basis at any time and such aggregate number of common shares shall automatically increase or decrease as the number of issued and outstanding share changes.
2. Options that have been exercised, cancelled or that have expired or terminated for any reason in accordance with the terms of the Plan, shall again be available for grant under the Plan.
3. The aggregate number of common shares reserved for issuance, pursuant to the Plan, to:
 - a. any one participant within a one-year period shall not exceed 5% of the common shares outstanding at the time of the grant unless the Corporation has obtained the requisite disinterested shareholder approval;
 - b. any one consultant within a one-year period shall not exceed 2% of the common shares outstanding at the time of the grant.
 - c. all eligible persons conducting investor relations activities within a one-year period shall not exceed 2% of the common shares outstanding at the time of the grant;
 - d. insiders shall not exceed 10% of the common shares outstanding at the time of the grant unless the Corporation has obtained the requisite disinterested shareholder approval;
 - e. insiders within a one-year period shall not exceed 10% of the common shares outstanding unless the Corporation has obtained the requisite disinterested shareholder approval.
4. The exercise price of the options will not be lower than the lowest price permitted by the TSX Venture Exchange.

5. The options may be exercisable for up to 10 years.
6. Subject to the Board of Directors' discretion, Options will have a minimum vesting period of two years: 1/3 of the Options vesting upon the date of grant; 1/3 of the Options vesting on the first anniversary of the grant; and the remaining 1/3 vesting on the second anniversary of the grant. Notwithstanding the foregoing, all Options granted to Eligible Persons will have, at a minimum, a vesting period over a minimum of 18 months and will not have vesting schedules which permit a majority of the shares to be released early in the vesting period rather than equally on a quarterly basis. Options granted to Consultants providing Investor Relations Services shall vest in stages over a 12 month period with a maximum of one-quarter of the Options vesting in any three month period.
7. If there is a 'change of control' of the Corporation (due to a take-over bid being made for the Corporation or similar events), all unvested options, subject to obtaining any required approval from the Exchange, shall vest immediately.
8. The options can only be exercised by the Optionee (to the extent they have already vested) for so long as the Optionee is a director, officer or employee of, or consultant to, the Corporation or any subsidiary or is an employee of the Corporation's management corporation and within a period thereafter not exceeding the earlier of:
 - a. the original expiry date;
 - b. 30 days after ceasing to be an Optionee, other than for cause;
 - c. 30 days after ceasing to be an engaged in Investor Relations Activities; and
 - d. if the Optionee dies, within one year from the Optionee's death.

If the Optionee is terminated 'for cause', involuntarily removed or resigns (other than at the request of the Board of Directors or for the benefit of another director or officer from any of such positions) the option will terminate concurrently.

9. The options are not assignable except to a wholly-owned holding company.
10. No financial assistance is available to Optionees under the Plan.
11. Disinterested shareholder approval must be obtained prior to the reduction of the exercise price of options granted to insiders of the Corporation.
12. Subject to applicable law or shareholder and/or Exchange approval, as required, the Board may suspend, terminate or discontinue the Plan or amend or revise the terms of the Plan or of any Option granted under the Plan provided that such amendment, revision, suspension, termination or discontinuance shall not adversely affect any Option granted to an Optionee under the Plan without the consent of that Optionee.

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.

STATEMENT OF CORPORATE GOVERNANCE PRACTICE (presented by the Corporate Governance and Nominating Committee)

The Corporation chooses to disclose its corporate governance practices using the disclosure requirements in National Instrument 58-101, *Disclosure of Corporate Governance Practices* ("NI 58-101") that apply to issuers listed on the TSX. The Corporation's statement of corporate governance practices is made with reference to National Policy 58-201, Corporate Governance Guidelines and NI 58-101 (hereinafter collectively the "Governance Guidelines") which are initiatives of the Canadian Securities Administrators ("CSA").

The Corporation's Corporate Governance and Nominating Committee has monitored the various changes and proposed changes in the regulatory environment and, where applicable, amended its governance practices to align with these changes that are currently in effect.

In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in its Management Proxy Circular. Exhibit I to this Circular sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance now in force.

Disclosure required by National Instrument 52-110 - *Audit Committees*, relating to the Corporation's Audit Committee, including the Audit Committee Charter, the Composition of the Audit Committee, Relevant Education and Experience of Audit Committee members and External Auditor Service Fees, are disclosed in the Corporation's Annual Information Form for the year ended December 31, 2010, which is incorporated herein by reference, and has been filed on SEDAR which is available under the Corporation's profile at www.sedar.com (see section titled, "Additional Information" for information on how to obtain a copy of the Corporation's latest Annual Information Form).

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

During the fiscal year ended December 31, 2010, none of the insiders of the Corporation nor any proposed nominee for election as director, nor any associate or affiliate of said persons has had any material interest, direct or indirect, in any transaction, which has materially affected or will materially affect the Corporation or any of its subsidiaries.

APPOINTMENT AND REMUNERATION OF AUDITORS

The directors of the Corporation recommend the re-appointment of PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants, Vancouver, British Columbia, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders of the Corporation. PwC have served as auditors of the Corporation since January 1, 2010.

As in past years, it is proposed that the remuneration to be paid to the auditors be determined by the directors of the Corporation.

The persons named in the accompanying Proxy, if not expressly directed to the contrary in such Proxy, will vote the Common Shares in respect of which they have been appointed proxyholder for the re-appointment of PwC, as auditors of the Corporation at remuneration to be determined by the Board.

PARTICULARS OF MATTERS TO BE ACTED UPON

A. *Approval of 10% Rolling Stock Option Plan*

On January 8, 2010, the Board of Directors of the Corporation adopted a new stock option plan (the "10% Rolling Plan"), subject to acceptance by the Exchange and approval by the shareholders of the Corporation the 10% Rolling Plan replaced the Corporation's 20% Fixed Plan in place at the time.

In order to bring the Plan in compliance with the current rules and policies set forth for such plans by the TSX Venture

Exchange (the "Exchange"), and to reflect changes to the treatment of stock option exercises brought about by recently enacted tax legislation, on April 15, 2011, the Board approved certain housekeeping amendments to the Plan.

The policies of the Exchange require that rolling plans be approved by shareholders on a yearly basis. The full text of the 10% Rolling Plan will be available for review at the Meeting.

Approval Required

Shareholders will be asked at the Meeting to pass an ordinary resolution to approve and ratify the 10% Rolling Plan as adopted by the Board which permits the issuance of up to 10% of the issued and outstanding Common Shares of the Corporation from time to time. To be effective, the resolution must be passed by a simple majority of the votes cast thereon by shareholders present in person or by proxy at the Meeting. If the resolution to approve the 10% Rolling Plan is not approved by shareholders of the Corporation, all unallocated stock options will be cancelled and the Corporation will not be permitted to make any further grants until shareholder approval is obtained. The following is the text of the ordinary resolution to be considered at the Meeting:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

- (a) the 10% Rolling Stock Option Plan of the Corporation, as adopted by the Board of Directors, be and is hereby approved and ratified, and the Corporation be and is hereby authorized to reserve for issuance pursuant to the 10% Rolling Stock Option Plan up to 10% of the issued and outstanding common shares of the Corporation from time to time;
- (b) the Board of Directors be and is hereby authorized on behalf of the Corporation to make any amendments to the 10% Rolling Option Plan as may be required by regulatory authorities or otherwise made necessary by applicable legislation, without further approval of the shareholders of the Corporation, in order to ensure the adoption and efficient function of the 10% Rolling Stock Option Plan; and
- (c) any director or officer of the Corporation be and is hereby authorized and directed to do such things and to execute and deliver all such instruments, deeds and documents, and any amendments thereto, as may be necessary or advisable in order to give effect to the foregoing resolutions, and to complete all transactions in connection with the implementation of the 10% Rolling Stock Option Plan."

The directors of the Corporation believe the passing of the foregoing ordinary resolution is in the best interests of the Corporation and recommend that shareholders of the Corporation vote in favour of the resolution.

The persons named as proxies in the enclosed Proxy intend to cast the votes represented by proxy in favour of the foregoing resolution unless the holder of Common Shares who has given such proxy has directed that the votes be otherwise cast.

ANY OTHER MATTERS

Management of the Corporation knows of no other matters which will be brought before the Meeting, other than those referred to in the Notice of Meeting. Should any other matters properly be brought before the Meeting, the Common Shares represented by the proxies solicited hereby will be voted on those matters in accordance with the best judgment of the persons voting such proxies.

ADDITIONAL INFORMATION

The Board approves the Corporation's Annual Information Form, annual consolidated financial statements and annual management's discussion and analysis ("MD&A"), quarterly reports to shareholders and the content of the Corporation's other significant public disclosure documents. These and other prescribed documents are available on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. The Corporation has also established and maintains a corporate website at www.lucaradiamond.com that includes, among other things, an investor relations section containing past Annual Information Forms, annual and quarterly reports and press releases. Financial information regarding the Corporation is provided in the annual financial statements and annual MD&A for the period ended December 31, 2010.

The Corporation will provide, without charge to a shareholder, a copy of its latest Annual Information Form and any document incorporated therein by reference, its annual financial statements and annual MD&A for the period ended December 31, 2010, interim financial statements for subsequent periods, and this Management Proxy Circular upon request to the Corporation as follows:

- (i) e-mail: lucara@namdo.com
- (ii) telephone: 604-689-7842
- (iii) mail: Lucara Diamond Corp.
Suite 2101 - 885 West Georgia Street
Vancouver, BC V6C 3E8
Attn: Investor Relations

CERTIFICATE

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

DATED the 15th day of April, 2011.

BY ORDER OF THE BOARD

(Signed) William Lamb
President and Chief Executive Officer

EXHIBIT I

The following matrix indicates how the Corporation's system of corporate governance aligns with **NATIONAL INSTRUMENT 58-101 – Disclosure of Corporate Governance Practices (“NI 58-101”)** and **NATIONAL POLICY 58-201 – Corporate Governance Guidelines (“NP 58-201”)**.

Required Disclosure Corporate Governance (NI 58-101)	Response
1. Board of Directors	
(a) Disclose the identity of directors who are independent.	<i>The Board has determined that, except for Lukas H. Lundin, John J. Gurney and William Lamb, all of the director nominees for election to the Board of the Corporation are independent directors within the meaning NI 52-110.</i>
(b) Disclose the identity of directors who are not independent and describe the basis for that determination.	<i>Mr. Lamb is not independent within the meaning NI 52-110 because he is a senior officer of the Corporation. Mr. Lundin is not independent because within the last three years he was an executive officer of the Corporation. Dr. Gurney is not independent because he indirectly receives a fee from companies that provide consulting services to the Corporation, which pursuant to NI 52-110, is considered to be a 'material relationship' between Dr. Gurney and the Corporation.</i>
(c) Disclose whether or not a majority of directors are independent. If a majority of directors are not independent, describe what the board of directors (the board) does to facilitate its exercise of independent judgment in carrying out its responsibilities.	<i>The majority of the director nominees for election to the Board of the Corporation are independent within the meaning of NI 52-110.</i>
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	<i>Certain directors of the Corporation are directors and/or officers of other reporting issuers (see attached Schedule A for details).</i>
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the board does to facilitate open and candid discussion among its independent directors.	<i>The Board has functioned, and is of the view that it can continue to function, independently of management, as required. The Board and its committees meet independent of management, as required, but do not hold regularly scheduled meetings at which non-independent directors and management are not in attendance. The Board's mandate states that if the Board is not able to function independently of management the Board will, at the request of the Chair or Lead Director, hold regularly scheduled meetings at which non-independent directors or members of management are not in attendance.</i>
(f) Disclose whether or not the chair of the board is an independent director. If the board has a chair or lead director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the board has neither a chair that is independent nor a lead director that is independent, describe what the board does to provide leadership for its independent directors.	<i>Lukas H. Lundin is the Chair of the Board and is not independent. Paul K. Conibear, Lead Director, is independent. The role of Lead Director is to act as effective leader of the Board, to ensure that the Board's agenda will enable it to successfully carry out its duties, and to provide leadership for the Board's independent directors.</i>
(g) Disclose the attendance record of each director for all board meetings held since the beginning of the issuer's most recently completed financial year.	<i>(see attached Schedule B for details.)</i>
2. Board Mandate – Disclose the text of the board's written mandate. If the board does not have a written mandate, describe how the board delineates its role and responsibilities.	<i>The Board has adopted a written mandate which includes responsibility for (i) satisfying itself as to the integrity of the CEO and other executive officers and that there is a culture of integrity throughout the Corporation; (ii) approving, supervising and providing guidance to management on the Corporation's strategic planning process; (iii) identifying the principal risks of the Corporation's business and ensuring management's implementation and assessment of appropriate risk management systems; (iv) ensuring that the Corporation has highly qualified management and adequate and effective succession plans for senior management; (v) overseeing the Corporation's communications policy with its shareholders and with the public generally; (vi) assessing directly and through its Audit Committee, the integrity of the Corporation's internal control systems; and (vii) providing for the independent functioning of the Board.</i>
3. Position Descriptions	

Required Disclosure Corporate Governance (NI 58-101)	Response
(a) Disclose whether or not the board has developed written position descriptions for the chair and the chair of each board committee. If the board has not developed written position descriptions for the chair and/or the chair of each board committee, briefly describe how the board delineates the role and responsibilities of each such position.	<i>The Board has written position descriptions for the Chair of the board (and Lead Director) and the chair of each board committee.</i>
(b) Disclose whether or not the board and the CEO have developed a written description for the CEO. If the board and the CEO have not developed such a position description, briefly describe how the board delineates the role and responsibilities of the CEO.	<i>The Board has developed a position description for the President/CEO and has defined the extent and limits of management's responsibility generally and specifically, those responsibilities of the President/CEO. Management is required to consult with the Board before undertaking any venture that is material and that is outside of the ordinary course of the Corporation's business.</i>
4. Orientation and Continuing Education	
(a) Briefly describe what measures the board takes to orient new directors regarding: (i) the role of the board, its committees and its directors; and (ii) the nature and operation of the issuer's business.	<i>The Corporation does not have a formal process and education program for new members of the Board due to the high level of sophistication of Board members. In addition, the President will review with each new member (i) certain 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 will receive a comprehensive board manual which includes certain information and materials regarding the nature and operations of the Corporation's business, corporate governance issues, including the role of the Board and its committees, the legal obligations of being a director of the Corporation and other matters required to be addressed under an orientation and education program required for new recruits to the Board. The Corporate Governance and Nominating Committee is responsible for developing any training programs for directors, if considered necessary.</i>
(b) Briefly describe what measures, if any, the board takes to provide continuing education for its directors. If the board does not provide continuing education, describe how the board ensures that its directors maintain the skill and knowledge necessary to meet their obligations as directors.	<i>The Board encourages directors and senior management to participate in appropriate professional and personal development activities, courses and programs. The Corporation's outside legal counsel also provides directors and senior officers with summary updates of any developments relating to the duties and responsibilities of directors and officers and corporate governance matters. In addition, the Corporation will provide any further continuing education opportunities for all directors, where required, so that individual directors may maintain or enhance their skills and abilities as directors, as well as to ensure that their knowledge and understanding of the Corporation's business remains current.</i>
5. Ethical Business Conduct	
(a) Disclose whether or not the board has adopted a written code for the directors, officers and employees. If the board has adopted a written code:	<i>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.</i>
(i) disclose how a person or company may obtain a copy of the code;	<i>The Code is available on the Corporation's website and has been filed on and is accessible through SEDAR at www.sedar.com.</i>
(ii) describe how the board monitors compliance with its code, or if the board does not monitor compliance, explain whether and how the board satisfies itself regarding compliance with its code; and	<i>Directors, officers or employees who have concerns or questions about violations of laws, rules or regulations, or of the Code, are required to report them to the Corporate Secretary or to the Chair of the Corporation's Audit Committee. Following receipt of any complaints, the Corporate Secretary or Chair of the Audit Committee, as the case may be, will investigate each matter so reported and report to the Audit Committee. The Audit Committee will have primary authority and responsibility for the enforcement of this Code, subject to the supervision of the Board of Directors. The Corporation encourages all directors, officers, and employees to report promptly any suspected violation of the Code to the Corporate Secretary or Chair of the Audit Committee.</i>
(iii) provide a cross-reference to any material change report filed since the beginning of the issuer's most recently completed financial year that pertains to any conduct of a director or executive officer that constitutes a departure from the code.	N/A
(b) Describe any steps the board takes to ensure directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.	<i>All directors, officers and employees have an obligation to act in the best interest of the Corporation. Any situation that presents an actual or potential conflict between a director, officer or employee's personal interests and the interests of the Corporation are to be reported to the Chair of the Corporation's Audit Committee. The Audit Committee has also been mandated to approve, or disapprove, material contracts where the Board determines it has a conflict.</i>

Required Disclosure Corporate Governance (NI 58-101)	Response
(c) Describe any other steps the board takes to encourage and promote a culture of ethical business conduct.	<i>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 to encourage employees, officers and directors to raise concerns regarding accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment.</i>
6. Nomination of Directors	
(a) Describe the process by which the board identifies new candidates for board nomination.	<i>The Board has established a Corporate Governance and Nominating Committee, which has the responsibility of proposing nominees for director. The Committee considers the competencies and skills that the Board as a whole should possess, the competencies and skills of existing Board members and the competencies and skills of proposed new Board members. The Committee members utilize their extensive knowledge of the industry and personal contacts to identify potential nominees that possess the desired skills and competencies.</i>
(b) Disclose whether or not the board has a nominating committee composed entirely of independent directors. If the board does not have a nominating committee composed entirely of independent directors, describe what steps the board takes to encourage an objective nomination process.	<i>The Corporate Governance and Nominating Committee consists of three directors, all of whom are independent within the meaning of the Governance Guidelines.</i>
(c) If the board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.	<i>The Corporate Governance and Nominating Committee is responsible for, among other things, ensuring that the Board can function independently of management. The Committee is responsible for identifying possible nominees for the Board and, with the assistance of the Board and, where necessary, develops an orientation and education program for new recruits to the Board (see "Other Board Committees" below for a full description of the responsibilities and operation of the Corporate Governance and Nominating Committee).</i>
7. Compensation	
(a) Describe the process by which the board determines the compensation for the issuer's directors and officers.	<i>The Board has established a Compensation Committee (see "7(c) below for a summary of the Committee's responsibilities). When determining both compensation policies and programs and individual compensation levels for executive officers, the Compensation Committee takes into consideration a variety of factors. These factors include overall financial and operating performance of the Corporation, the Committee and the Board's overall assessment of each executive's individual performance and contribution towards meeting corporate objectives, levels of responsibility, length of service and industry comparables. The salary for each executive officer's position is primarily determined having regard for the incumbent's responsibilities, individual performance factors, overall corporate performance, and the assessment of such individuals as presented by management to the Board and the Compensation Committee and is benchmarked against comparable levels of remuneration paid to executives of other companies of comparable size and development within the diamond exploration and development sector. Directors are not compensated for their participation on the Board or committees of the Board. Board members are, however, entitled to participate in the Corporation's incentive stock option plan. The extent and level of participation in this Plan is determined by the Board, as a whole, after considering the recommendations of the Compensation Committee.</i>
(b) Disclose whether or not the board has a compensation committee composed entirely of independent directors. Describe what steps the board takes to ensure an objective process for determining such compensation.	<i>The Compensation Committee is comprised of three directors, all of whom are independent directors within the meaning of the Governance Guidelines.</i>
(c) If the board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.	<i>The Compensation Committee establishes executive and senior officer compensation, determines the general compensation structure, policies and programs of the Corporation, including the extent and level of participation in incentive programs in conjunction with the Board, evaluates the performance of the CEO and delivers an annual report to shareholders on executive compensation. The Compensation Committee has also been mandated to review the adequacy and form of the compensation of directors and to ensure that such compensation realistically reflects the responsibilities and risk involved in being an effective director. The Compensation Committee is required to meet at least annually.</i>

Required Disclosure Corporate Governance (NI 58-101)	Response
<p>(d) If a compensation consultant or advisor has, at any time since the beginning of the issuer's most recently completed financial year, been retained to assist in determining compensation for any of the issuer's directors and officers, disclose the identity of the consultant or advisor and briefly summarize the mandate for which they have been retained. If the consultant or advisor has been retained to perform any other work for the issuer, state that fact and briefly describe the nature of the work.</p>	<p><i>The Corporation has not retained a compensation consultant or advisor at any time since the beginning of the Corporation's most recently completed financial year to assist in determining compensation for any of the Corporation's directors and officers.</i></p>
<p>8. Other Board Committees – If the board has standing committees other than the audit, compensation and nominating committees identify the committees and describe their function.</p>	<p><i>In addition to the Audit Committee and Compensation Committee, the Board has established a Corporate Governance and Nominating Committee.</i></p> <p><i>The Corporate Governance and Nominating Committee consists of three directors: Messrs. Conibear, Edgar and Ms. Eira Thomas, all of whom are independent within the meaning of the Governance Guidelines. The Corporate Governance and Nominating Committee is responsible for developing and monitoring the Corporation's approach to corporate governance issues. The Committee oversees the effective functioning of the Board, oversees the relationship between the Board and management, ensures that the Board can function independently of management at such times as is desirable or necessary, identifies possible nominees for the Board and, with the assistance of the Board and where necessary, develops an orientation and education program for new recruits to the Board. The Corporate Governance and Nominating Committee also annually reviews and makes recommendations to the Board with respect to: (i) the size and composition of the Board; (ii) the appropriateness of the committees of the Board; and (iii) the contribution of individual directors. In addition, the Committee delivers an annual statement on corporate governance to the Board for inclusion in either the Corporation's annual report or management proxy circular.</i></p>
<p>9. Assessments – Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.</p>	<p><i>The Corporate Governance and Nominating Committee has been mandated to annually review and make recommendations to the Board with respect to: (i) the size and composition of the Board; (ii) the appropriateness of the committees of the Board; and (iii) the contribution of individual directors.</i></p>

EXHIBIT I, SCHEDULE A – OTHER DIRECTORSHIPS

Certain of the director nominees serve as directors of other reporting issuer as set out below:

Name of Director	Public Company Board Membership
Paul K. Conibear	Atacama Minerals Corp. (TSX-V); NGEx Resources Inc. (TSX); INV Metals Inc. (TSX); Astur Gold Corp..(TSX-V)
Brian D. Edgar	Shamaran Petroleum Ltd. (formerly, Bayou Bend Petroleum)(TSX-V); Denison Mines Corp. (TSX/NYSE Amex); Metalline Mining Company (TSX/NYSE Amex); Lundin Mining Corporation (TSX/OMX-Nordic); Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.)(TSX-V)
Lukas H. Lundin	Lundin Mining Corporation. (TSX/OMX-Nordic); Atacama Minerals Corp. (TSX-V); NGEx Resources Inc. (TSX); Fortress Minerals Corp. (TSX-V); Denison Mines Corp. (TSX-NYSE Amex); Kinross Gold Corporation (TSX-NYSE), Lundin Petroleum AB (OMX-Nordic), Vostok Nafta Investment Ltd. (OMX-Nordic)
Eira M. Thomas	Stornaway Diamond Corporation (TSX); Suncor Energy Inc. (TSX), Strongbow Exploration Inc. (TSX-V); Fortress Minerals Corp.(TSX-V).
John J. Gurney	N/A
William Lamb	Terraco Gold Corp. (TSX-V)
Richard P. Clark	Kinross Gold Corporation (TSX/NYSE); Atacama Minerals Corp. (TSX-V)

Legend:

TSX	=	Toronto Stock Exchange
TSX-V	=	TSX Venture Exchange
OMX-Nordic	=	OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)
NYSE Amex	=	NYSE Amex (previously, the American Stock Exchange)
NYSE	=	New York Stock Exchange

EXHIBIT I, SCHEDULE B – BOARD AND COMMITTEE MEETINGS AND ATTENDANCE

Below is the attendance record of each director for all Board and Committee meetings held during the period from January 1, 2010 to December 31, 2010:

Directors	Board		Audit		Compensation		Corporate Governance/ Nominating	
	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾
Lukas H. Lundin	11	11	-	-	-	-	-	-
Paul K. Conibear	11	11	5	5	3	3	1	1
Lawrence E. Ott ⁽²⁾	9	11	-	-	-	-	-	-
John J. Gurney	9	11	-	-	-	-	-	-
Eira Thomas	11	11	5	5	1	1	1	1
Brian D. Edgar	11	11	5	5	3	3	1	1
William Lamb	9	10	-	-	-	-	-	-
Richard Clark	7	10	-	-	-	-	-	-

1. Represents number of meetings the Director was eligible to attend.
2. Dr. Ott is not standing for re-election at the upcoming annual general meeting of shareholders.