Lucara Diamond Corp.

Annual Information Form

(for the year ended December 31, 2010)

Dated: April 15, 2011

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GLOSSARY OF TECHNICAL TERMS

anomaly	Value higher or lower than the expected or average value, which thereby outlines a zone of potential exploration interest but not necessarily of commercial significance.
breccias	A coarse grained rock in which angular fragments of one mineral (or composite of minerals or rock) are surrounded and held together by a mass of fine-grained minerals and in this case originating from explosive igneous processes.
bulk sample	Diamond content of a kimberlite is evaluated through a series of incrementally larger samples culminating in a bulk sample which may vary from 10 -10,000 tonnes in size.
Carats	Unit of weight in the gemstone trade where 1 carat = 0.2 grams.
caustic fusion (caustic dissolution)	A process whereby rock or unconsolidated material is subjected to aggressive chemical attack under closed laboratory conditions in order that a significant volumetric reduction occurs, leaving behind a small concentrate of resistive minerals including, if present, diamonds.
concentrate	A fine, powdery product of the milling process containing a high percentage of valuable metal or, in the case of kimberlite concentrate, a product containing a higher proportion of indicator minerals and diamonds than was present in the original rock.
Core	Long cylindrical piece of rock, commonly between 25 and 100mm (1 to 4 inches) in diameter, brought to surface by diamond drilling.
country rock	The rock that surrounds or is entrained within an ore deposit but which generally has no commercial value. Also referred to as wall rock.
Cpht	Carats per hundred tonnes. Weight of diamonds in 100 tonnes of rock.
Cretaceous	144 to 65 million years ago. The final period of the Masozoic Era (after Jurassic).
delineation drilling	Drilling of a sufficient number of core holes in a regular enough pattern to allow the character, size and continuity of an ore body to be established with a reasonable degree of certainty.
dense media separation (DMS)	Dense media separation (DMS) plant processing is used to establish whether kimberlitic rock samples contain a population of commercial size diamonds. It is a process whereby a fluid media is used to 'float' off undesirable minerals with a low specific gravity (density) and to 'sink' or concentrate minerals with a higher specific gravity. The density of the fluid media can be varied to change the density of the minerals that are retained/discarded.
development	Preparation of a mineral deposit for commercial production including installations of plant and machinery and the construction of all related facilities.
Diamond	The hardest known mineral composed of pure carbon. Low quality diamonds are used to make bits for diamond drilling in rock or other industrial applications. Higher quality diamonds are used in the manufacture of jewellery and in scientific applications.

diamond drilling (core drilling)	A hollow drill bit impregnated with diamonds is attached to the end of a series of drill rods. The rods and bits are rotated rapidly and forced downward into the rock. The result is a cylinder of rock (called core) that is recovered from inside the drill rods. Diamonds drills are the most common type of exploration drill used in Canada.
Dip	The dip of a bed, tabular body or fault is the angle between the horizontal plane and the tilted plane measured down from the horizontal. It ranges from 0° to 90°.
Diatreme	Breccia-filled volcanic pipe formed by a gaseous explosion.
DTC screen	Diamond Trading Company's perforated steel plates used to sort diamonds into size classes. A DTC #1 screen is approximately equal to diamonds greater than 0.85 mm.
diamondiferous	Containing diamonds, without any inference as to stone size, grade, value or economic potential.
electromagnetic survey	A geophysical survey method, either ground based or from an airborne platform, which measures the electromagnetic properties of rocks.
exploration	The prospecting, mapping, sampling, remote sensing, geophysical surveying, diamond drilling and other work involved in the searching for ore bodies.
geochemistry	The study of the chemical properties of rocks or minerals.
geological model	Drill hole data combined with surface and subsurface geological information to develop an accurate 3-D model describing the shape and orientation of the mineralization or mineralized body.
geophysical survey	A scientific method of prospecting that measures the physical properties of rock formations. Common properties investigated include magnetism, specific gravity, electrical conductivity and radioactivity.
grease belt	A method of diamond extraction whereby a disaggregated rock sample is run down a gently sloping belt covered in a specialized grease. Because diamonds are hydrophobic (water repellent), any diamonds present in the sample will adhere to the grease.
heavy minerals	Mineral species that have a relatively high specific gravity relative to most other minerals are commonly called "heavy minerals" and in diamond exploration include "indicator minerals". (See below.)
HKB	"hypabyssal" kimberlite breccia.
hypabyssal	Referring to an igneous intrusion, or the rock of that intrusion, whose depth of emplacement is intermediate. When applied to kimberlite, generally refers to dykes in the root zones of diatremes or to sills, which were not exposed at surface during exploration.
indicated mineral resource	Refers to that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration

	and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.)
indicator minerals	A suite of distinctive minerals, some of whom crystallised directly from a kimberlitic magma (phenocrysts) and others that are mantle derived (xenocrysts), and which are common constituents of kimberlites, lamproites and orangeites - the three primary host rocks for diamonds. Examples of indicator minerals include picroilmenite, titanium and magnesium rich chromite, chrome diopside, magnesium rich olivine, pyrope garnet and eclogite garnet. A.k.a. kimberlite indicator minerals (KIMs) and diamond indicator minerals (DIMs)
inferred mineral resource	Refers to that part of a mineral resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.)
kimberlite	Volatile-rich, potassic ultrabasic rocks with highly variable textures and mineralogic compositions that are one of the primary hosts for diamond deposits. Kimberlite is a hybrid igneous rock crystallised from a molten liquid (kimberlitic magma) originating from the Earth's upper mantle.
Ma	Millions of years. (1.5 Ma = 1,500,000 years)
macrodiamond	Generally accepted to be a diamond or diamond fragment with at least one dimension equal to or exceeding 0.5mm in length.
magnetic survey	A geophysical survey that measures the intensity of the Earth's magnetic field
measured mineral resource	Refers to that part of a mineral resource for which quantity grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.)
mineral reserve	Refers to the economically mineable part of a measured or indicated mineral resource demonstrated by at least a preliminary feasibility study. The study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A mineral reserve includes diluting materials and allowances for losses that might occur when the material is mined. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.) Mineral reserves are categorized as follows on the basis of the degree of confidence in the estimate of the quantity and grade of the deposit.
mineral resource	Refers to a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The

	location, quantity, grade, geological characteristics and continuity of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.)
mineralization	Rock containing an undetermined amount of minerals or metals.
NI 43-101	National Instrument 43-101 - Standards of Disclosure for Mineral Projects. An instrument developed by the Canadian Securities Administrators (an umbrella group of Canada's provincial and territorial securities regulators) that governs public disclosure by mining and mineral exploration issuers. The instrument establishes certain standards for all public disclosure of scientific and technical information concerning mineral projects.
Ore	A natural aggregate of one or more minerals which, at a specified time and place may be mined, processed and sold at a profit, or from which some part may profitably be separated.
Outcrop	An exposure of rock or mineral deposit that can be seen on surface, not covered by soil or water.
pre-feasibility study and feasibility study	Refers to a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are sufficient for a qualified person, acting reasonably, to determine if all or part of the mineral resource may be classified as a mineral reserve. Feasibility studies have a greater degree of confidence associated with all aspects. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.)
qualified person (QP)	Means an individual who (a) is an engineer or geoscientist with at least five years experience in mineral exploration, mine development or operation or mineral project assessment, or any combination of these; (b) has experience relevant to the subject matter of the mineral project and the technical report; and (c) is a member in good standing of a professional association that, among other things, is self-regulatory, has been given authority by statute, admits members based on their qualifications and experience, requires compliance with professional standards of competence and ethics and has disciplinary powers to suspend or expel a member, as defined in NI 43-101. (Canadian mining term as defined in accordance with NI 43-101 under the guidelines set out in the CIM Standards.)
reverse circulation	A type of percussion drilling where a hammer force is transmitted down a length of steel drill rods to a rotating bit that breaks the rock into chips. The method involves forcing air or water down the outer chamber of twinwalled drill rods to the drill bit. The cuttings are picked up by the air or water and driven back to the surface up the inner chamber of the rods. On the surface, the cuttings enter a cyclone, which removes most of the air or water and then drops the chips into a splitter which divides the sample in several fractions for analysis, geological examination and future reference
Tph	Tonnes per hour. Usually used to rate the speed at which material is processed.

Trenching	Digging or blasting down from surface through dirt and into the underlying rock to expose mineralization that can then be examined.
xenolith	Rock enclosed by host magma but foreign to it and picked up from the country rock.

DEFINITIONS

In this Annual Information Form all units are expressed in the International System of Units (SI) metric unless otherwise noted. Abbreviations are as defined below unless the context otherwise indicates:

AFD means African Diamonds Plc, a wholly-owned subsidiary of the Company and owner of an aggregate 40% direct and indirect interest in Boteti

AFD Arrangement Agreement means the agreement dated October 4, 2010 and entered into between the Company and AFD pursuant to which the Company would acquire all of the issued and outstanding shares of AFD pursuant to an English court-approved scheme of arrangement on the basis of 0.80 of one Common Share for each one AFD ordinary share

AIF means this Annual Information Form

AK6 Mine means the development and mining of the AK6 kimberlite located in the Orapa/Letlhakane district of Botswana

Boteti means Boteti Mining (Pty) Ltd. (formerly, Boteti Exploration (Pty) Ltd.), owner of the AK6 Mine

Boteti Holdings means Boteti Diamond Holdings Inc., an indirect wholly-owned subsidiary of the Company, owner of an indirect 60% interest in and operator of Boteti

Boteti Sales Agreements means the two sale of shares and claims agreements dated effective November 10, 2009 between the Company and Debot pursuant to which the Company acquired a 70.268% direct and indirect interest in Boteti

BPC means Botswana Power Corporation

BCABC means the Business Corporations Act (British Columbia)

C$ means Canadian dollars

ct/m3 means carats per cubic metre

CIM means the Canadian Institute of Mining, Metallurgy and Petroleum

CIM Guidelines means the "CIM Standards on Mineral Resources and Reserves - Definitions and Guidelines" adopted on August 20, 2000 and amended December 11, 2005

CNQ means the Canadian Trading and Quotation Systems Inc.

Common Share means a common share without par value in the capital of Lucara Diamond Corp.

De Beers means the De Beers Group of companies worldwide being De Beers Societe Anonyme, existing under the laws of Luxembourg and its subsidiaries and affiliates

Debot means De Beers Prospecting Botswana (Pty) Limited, a subsidiary of De Beers

Debswana means Debswana Diamond Company (Pty) Limited, a joint venture between the GRB and De Beers

Debwat means Debwat Exploration (Pty) Ltd., an indirect and inactive 75% owned subsidiary of the Company

dollars or $ means United States dollars

GoL means the Government of the Kingdom of Lesotho

GRB means the Government of the Republic of Botswana

ha means hectares

Kavango Diamond means Kavango Diamond Company (Pty) Ltd., a wholly-owned indirect subsidiary of the Company and holder of a 100% interest in the Kavango Prospecting Licenses in Namibia

Kavango Project means collectively the ten exclusive prospecting licenses granted to Kavango Diamond to explore for precious stones in northeast Namibia

km means kilometre

Lucara or the Company means Lucara Diamond Corp. and its subsidiaries

MD&A means Management's Discussion and Analysis of results of operations and financial condition of the Company for the period ended December 31, 2009 dated April 27, 2010

m means metre

mm means millimetre

MCM means million cubic metres

Mt means million tonnes

Motapa Arrangement Agreement means the agreement dated April 30, 2009 and entered into between the Company and Motapa Diamonds pursuant to which the Company acquired all of the issued and outstanding shares of Motapa Diamonds pursuant to a plan of arrangement under the BCABC on the basis of 0.9055 shares of the Company for each one share of Motapa Diamonds

Motapa Diamonds means Motapa Diamonds Inc., a wholly-owned subsidiary of the Company

Mothae Diamonds means Mothae Diamonds (Pty) Ltd., an indirect 75% owned subsidiary of the Company (the remaining 25% is owned by the Government of Lesotho) and owner of a 100% interest in the Mothae Diamond Project

Mothae Holdings means Mothae Diamond Holdings Inc., an indirect wholly-owned subsidiary of the Company and operator of the Mothae Diamond Project

Mothae Diamond Project means the evaluation of the Mothae kimberlite located in the Kingdom of Lesotho

Namdeb means Namdeb Diamond Corporation a company owned equally by De Beers and the Government of the Republic of Namibia

National Instrument 43-101 means National Instrument 43-101 "Standards for Disclosure For Mineral Projects" adopted by the Canadian Securities Administrators

NSR means net smelter royalty on net diamond revenue

SEC means the United States Securities Exchange Commission and includes any successor thereto

SEDAR means the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval

t means tonnes

TSX-V means the TSX Venture Exchange

µm means a micrometer which is one-millionth of a metre (1/1000 of a millimetre).

Wati means Wati Ventures (Pty) Ltd.

NOTE TO U.S. READERS

Reserve and Resource Estimates

In accordance with applicable Canadian securities regulatory requirements, all mineral reserve and mineral resource estimates of the Company disclosed or incorporated by reference in this AIF have been prepared in accordance with National Instrument 43-101, classified in accordance with the CIM Guidelines. The definitions of mineral reserves and mineral resources are set out in our disclosure of our mineral reserve and mineral resource estimates that are disclosed or incorporated by reference in this AIF.

The Company uses the terms “mineral resources”, “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources”. While those terms are recognized by Canadian securities regulatory authorities, they are not recognized by the SEC and the SEC does not permit U.S. companies to disclose resources in their filings with the SEC.

Pursuant to the CIM Guidelines, mineral resources have a higher degree of uncertainty than mineral reserves as to their existence as well as their economic and legal feasibility. Inferred mineral resources, when compared with measured or indicated mineral resources, have the least certainty as to their existence, and it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Pursuant to National Instrument 43-101, inferred mineral resources may not form the basis of any economic analysis, including any feasibility study. **Accordingly, readers are cautioned not to assume that all or any part of a mineral resource exists, will ever be converted into a mineral reserve, or is or will ever be economically or legally mineable or recovered.**

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This document and the documents incorporated by reference herein contain statements containing "forward-looking information" or "forward-looking statements" within the meaning of applicable securities legislation, including the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are made as of the date of this document or, in the case of documents incorporated by reference herein, as of the date of such documents and, except as required by applicable securities legislation, the Company does not intend, and does not assume any obligation, to update these forward-looking statements.

Forward-looking statements include, but are not limited to, statements with respect to the economic potential of a mineralized area, the size and tonnage of a mineralized area, anticipated sample grades or bulk sample diamond content, the future price of diamonds, estimation of mineral resources, exploration and development plans, cost and timing of the development of deposits and estimated future production, permitting time lines, currency exchange rates, success of exploration, requirements for and availability of additional capital, capital expenditures, timing of completion of technical reports and studies, government regulation of operations, environmental risks, reclamation expenses, title matters including disputes or claims, limitations on insurance coverage, completion of transactions and timing and possible outcome of pending litigation and factors underlying forward-looking statements described in the documents incorporated by reference herein.

Forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and uncertainties include, among others, availability of financing opportunities; risks related to and results of current exploration and development; risks related to the continuity of grade of diamondiferous mineralization; conclusions of future economic evaluations; changes in project parameters as plans continue to be refined; delays in obtaining financing, governmental approvals or in the completion of exploration activities; stock price volatility; currency fluctuations; risks associated with obtaining supplies, equipment, labour and infrastructure needed for the Company's activities; risks relating to weather; future prices of diamonds and the marketability of diamonds; risks related to title matters; risks related to environmental regulations and remediation activities as well as other regulatory matters including permits and licenses; operating hazards including accidents, labour disputes and other risks of the mining industry; dependence on management and technical personnel; competition for properties; as well as those factors discussed in the section entitled "Risk Factors" in this document.

Forward-looking statements are based on certain assumptions that management believes are reasonable at the time they are made. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in such forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on such forward-looking statements.

ITEM 1 INTRODUCTION

1.1. Incorporation by Reference and Date of Information

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2010 to the date of this AIF, copies of which have been filed with the Canadian Securities Administrators in each of the Provinces of British Columbia, Alberta, Manitoba, Ontario, and Quebec and can be found on the SEDAR website at www.sedar.com under the Company's profile.

In December 2009, the Company changed its financial year end from July 31 to December 31. As a result of the change, the Company had a five month transitional financial period ending December 31, 2009.

All information in this AIF is as of December 31, 2010 unless otherwise indicated.

1.2. Currency

The Company reports its financial results and prepares its financial statements in United States dollars. All currency amounts in this AIF are expressed in United States dollars, unless otherwise indicated. The Bank of Canada exchange rates for the purchase of one United States dollar with Canadian dollars for the specified period ends are as follows:

	As at July 31, 2009	As at December 31, 2009	As at December 31, 2010
Close	1.0775	1.0510	0.9946

1.3. Accounting Policies and Financial Information

Financial information is presented in accordance with accounting principles generally accepted in Canada ("Canadian GAAP"). Unless otherwise indicated, financial information contained in this AIF is presented in accordance with Canadian GAAP.

1.4. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves and measured, indicated and inferred resources are those used by Canadian provincial securities regulatory authorities and conform to the definitions utilized by the CIM in the CIM Guidelines. Where resources are stated alongside mineral reserves, those resources are inclusive of, not in addition to, the stated reserves.

ITEM 2 CORPORATE STRUCTURE

2.1. Incorporation and Registered Office

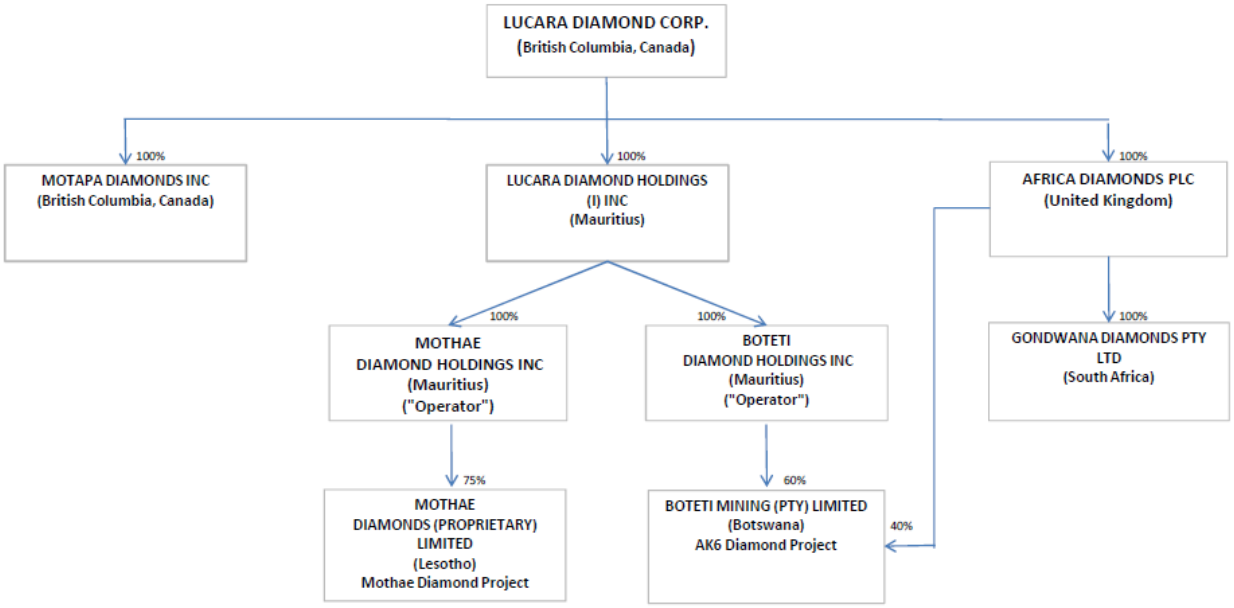
The Company was incorporated by Articles of Incorporation on July 31, 1981, under the laws of the State of Colorado, USA as "Le/O Oil & Gas, Inc." and subsequently changed its name to "Le/O Enterprises, Inc." on June 3, 1986. In November 1986, the Company acquired all of the issued and outstanding shares of Tellis Gold Mining Company, a Colorado corporation. In December 1986, the Company merged with its then wholly-owned subsidiary, Tellis Gold Mining Company, and changed its name to "Tellis Gold Mining Company, Inc.". On January 18, 2002, the Company changed its name to "Bannockburn Resources, Inc.". On April 2, 2004, the Company changed its name to "Bannockburn Resources Limited" and consolidated its then outstanding share capital on a four for one basis. On February 25, 2004 the Company domesticated into the State of Wyoming and on August 12, 2004, continued from the State of Wyoming into the Province of British Columbia under the BCABC. On August 14, 2007, the Company changed its name to "Lucara Diamond Corp.".

Effective July 3, 2009, the Company acquired all of the issued and outstanding common shares of Motapa Diamonds by way of Plan of Arrangement under the BCABC, following which Motapa Diamonds became a wholly-owned subsidiary of the Company. Effective December 20, 2010, the Company acquired all of the issued and outstanding ordinary shares of AFD by way of English court-approved Scheme of Arrangement, following which AFD became a direct wholly-owned subsidiary of the Company. (See "Significant Acquisitions" for further details).

The Company's registered and records office is located at Suite 2610, 1066 West Hastings Street, Vancouver, British Columbia, V6E 3X1. The Company's business office is located at Suite 2101, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

2.2. Intercorporate Relationships

Substantially all of the Company's business is carried on through its various subsidiaries. The following chart illustrates, as at the date of this AIF, the Company's significant subsidiaries, including their respective jurisdiction of incorporation and the percentage of voting securities in each that are held by the Company either directly or indirectly:



Note: Africa Diamonds plc and Boteti Diamond Holdings Inc. hold their respective interests in Boteti Mining (Pty) Limited directly and indirectly through Debwat and Wati.

ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lucara is a development stage company focused on building a portfolio of advanced staged diamond properties in Africa and becoming a mid-tier diamond producer. The principal assets of Lucara and the current focus of Lucara's development and exploration activities are its interest in diamond mining, exploration and development of its prospecting licenses in Lesotho, Botswana and Namibia.

3.1. Three Year History

2008

a) On July 21, 2008, the Company commenced trading on the TSX-V following delisting of its shares from the CNQ at the close of market on July 18, 2008.

b) On August 15, 2008, the Company closed a non-brokered private placement of 5,555,556 million Common Shares at a price of C$0.90 per share for gross proceeds of C$5 million.

2009

a) On April 30, 2009, the Company entered into the Motapa Arrangement Agreement to effect a business combination of the two companies pursuant to a plan of arrangement (see "Significant Acquisitions" for further details). As a result of the business combination with Motapa which was completed on July 3, 2009, the Company increased its interest in the Mothae Diamond Project to 100% and acquired additional exploration assets in Namibia, Gabon and the Democratic Republic of Congo (the "Lufupa Project"). The exploration assets in Gabon and the Lufupa Project were subsequently relinquished.

b) On September 21, 2009, the Company was granted a diamond mining lease for the Mothae Diamond Project by the Lesotho Department of Natural Resources and concurrently entered into a mining agreement with the GoL that provided the commercial terms of the GoL's participation in the Mothae Diamond Project. GoL has a 25% interest in the Mothae Diamond Project (see "Mothae Diamond Project, Project Description and Location" for details).

c) On November 10, 2009, the Company entered into the Boteti Sales Agreement to acquire an initial 70.268% direct and indirect interest in Boteti, the owner of a 100% interest in the AK6 Mine (see "Significant Acquisitions" below for further details). The transaction closed on December 17, 2009, following receipt of the approval of the GRB to the transaction. Concurrently, the Company granted AFD an option to acquire an additional 10.268% interest in Boteti.

d) On December 16, 2009, the Company concluded a C$110 million private placement and issued 110 million subscription receipts ("Subscription Receipts") at a price of C$1.00 per Subscription Receipt, which were immediately converted to Common Shares. Each Subscription Receipt, as sold by a syndicate of agents, entitled the holder to receive one Common Share.

2010

a) On March 29, 2010, the Company completed a resource update on the AK6 Mine as part of its ongoing feasibility study.

b) On April 28, 2010, AFD purchased an additional 10.268% interest in Boteti from the Company in consideration of a cash payment of $7.3 million.

c) On June 14, 2010, the Company announced that diamond production from a trial mining phase commenced at the Mothae Diamond Project.

d) On June 29, 2010, the Company and its then partner, AFD, received an updated feasibility study on the AK6 Mine and awarded project engineering to DRA Africa (Pty) Ltd. The study indicated that the first phase will require a capital investment, including contingency, of $120 million, inclusive of the process plant and all mine site and off-site infrastructure. Operating costs over the life of mine are estimated to be $17.20 per/t treated. The financial model, on an all equity basis using June 2010 costs, generates a free cash flow net present value (at 8%) of $164 million and an internal rate of return of 29%. Diamond production is expected to ramp up to full design capacity during Q1 2012. Also at this time, diamond marketing arrangements were concluded with the GRB in respect of the AK6 Mine.

e) On October 4, 2010, the Company entered into the AFD Arrangement Agreement to effect a business combination of the two companies pursuant to an English court-approved scheme of arrangement

(see "Significant Acquisitions" below for further details). As a result of the business combination with AFD, which was completed on December 20, 2010, the Company secured a 100% interest in the AK6 Mine.

f) On November 2, 2010, the Company and its then partner, AFD, approved a plan for the construction of the AK6 Mine with full commissioning targeted for early 2012. An agreement with the BPC for the supply of bulk power was concluded and the contract for the power-line construction was issued for tender. Senior staff was recruited and excellent progress was made on environment and community relations tasks, human resource policy, staff housing and recruitment timelines to ensure operational capacity in support of project development and transition to operations.

g) On November 4, 2010, the Company received the first results from the trial mining program at the Mothae Diamond Project designed to mine and process up to 720,000t of kimberlite from the Mothae pipe to gather further data on diamond grade, size distribution and diamond value information following a previously completed successful 100,000t bulk sample program. The bulk sampling and trial mining programs are in preparation for future commercial diamond production. Trial mining to date has recovered 2,101.73 carats of diamonds from approximately 86,928 dry tonnes mined from the 'C' kimberlite domain of the Mothae pipe.

2011

a) On January 10, 2010, the Company announces results from the completion of sample C8A, which produced 1,439.85 carats from 49,152 dry tones of kimberlite for a sample grade of 2.93 cpht. As of the completion of sample C8A, the trial mining program at the Mothae Diamond Project had produces a total of 3,634.11 carats of diamonds from approximately 136,231 dry tonnes of kimberlite.

b) On January 17, 2011, the Company announced that project execution was on target and on budget for the commissioning of the AK6 Mine in the fourth quarter of 2011, ramping up to full production in early 2012. It is expected that the AK6 Mine will produce approximately 400,000 carats of high quality diamonds in its first year of operation.

c) On February 11, 2011, the Company concluded a C$60 million private placement and issued 60 million common shares at a price of C$1.00 per common share.

d) On February 14, 2011, the Company announced the appointment of Mr. James Campbell as the Company Vice President New Business.

e) On March 16, 2011, the Company announces that Mothae Diamonds will be holding its first diamond sale during the period of March 21 to March 28, 2011 in Antwerp, Belgium offering approximately 8,500 carats of diamonds produced from bulk sampling and trial mining at the Mothae Mine.

f) On March 23, 2011, the Company announces that sample C9A from the Mothae Diamond Project was completed in mid-March, producing 1,937.65 carats of diamonds from 40,370 dry tonnes of kimberlite for a sample grade of 4.80 cpht.

g) On March 28, 2011, the Company announced the results from the bulk sample and trial mining production sale by open tender in Antwerp during the later part of March 2001. A total of 42 sale lots, totaling 9,831.35 carats were sold for an average of $871.71/carat. Gross proceeds from the sale, which closed on March 28, 2011, totaled approximately $8,177,714

3.2. Significant Acquisitions

3.2.1. Acquisition of Motapa Diamonds

Effective July 3, 2009, the Company acquired all of the issued and outstanding shares of Motapa Diamonds. Under the Motapa Arrangement Agreement, the holders of common shares of Motapa Diamonds received Common Shares on the basis of 0.9055 of a Common Share for each common share of Motapa Diamonds (the "Motapa Exchange Ratio") resulting in the issuance of 34,455,022 Common Shares. All outstanding Motapa Diamonds stock options were exchanged for replacement stock options of the Company using the Motapa Exchange Ratio resulting in the issuance of 3,019,835 stock options to the Motapa stock option holders. As a result, Motapa Diamonds, which held a 35% interest in the Mothae Diamond Project and joint venture exploration properties located in Namibia, Gabon and the Democratic Republic of Congo (the "Lufupa Project"), became a wholly-owned indirect subsidiary of the Company. The Company subsequently terminated its option in respect of both the Gabon exploration assets and the Lufupa Project.

The net assets acquired on the acquisition of Motapa were not considered to meet the definition of a business under Emerging Issues Abstract 124 as published by the Canadian Institute of Chartered Accountants. Accordingly, the acquisition was accounted for as a purchase of assets and liabilities. The Company filed a Notice pursuant to section 4.9 of National Instrument 51-102 regarding its change in corporate structure dated July 22, 2009. Motapa prepared a Management Information Circular concerning the Motapa Arrangement Agreement dated May 29, 2009. A copy of the Notice is available under the Company's profile at www.sedar.com. A copy of the Motapa Management Information Circular is available under the Motapa's profile at www.sedar.com.

3.2.2. Acquisition of a Majority Interest in Boteti

Pursuant to the terms of the Boteti Sales Agreements, the Company, through its subsidiary, Boteti Holdings, acquired a 70.268% direct and indirect interest in Boteti, the holder of a 100% interest in the AK6 Mine, from De Beers. The remaining interest in the AK6 Mine was held by AFD, as to 28.381% and by Wati, as to 1.351%. In consideration for such interest, the Company paid $49.0 million to Debot. Under the Boteti Sales Agreements, Boteti Holdings granted AFD a call option whereby AFD could acquire an additional 10.268% interest in Boteti in consideration of a cash payment of approximately $7.3 million. In addition, AFD had an option to acquire Wati's interest in Boteti for approximately $700,000. In April 2010, AFD exercised both options resulting in Boteti being owned by Boteti Holdings, as to 60% and AFD, as to 40%.

To fund the acquisition of Boteti, the Company and Boteti Holdings entered into a guarantee and loan facility with a significant shareholder of the Company in the amount of $49.0 million. As consideration for the guarantee, the lender received 12,191,200 shares of the Company which were issued at a fair value of $9.8 million.

The net assets acquired on the acquisition of Boteti were not considered to meet the definition of a business under Emerging Issues Abstract 124 as published by the Canadian Institute of Chartered Accountants. Accordingly, the acquisition was accounted for as a purchase of assets and liabilities. The Company filed a business acquisition report ("BAR") dated February 26, 2010, in connection with the Boteti acquisition. A copy of the BAR is available under the Company's profile at www.sedar.com.

3.2.3. Acquisition of AFD

Effective December 20, 2010, the Company acquired all of the issued and outstanding shares of AFD and certain of AFD's wholly-owned private company subsidiaries. Under the AFD Arrangement Agreement, the holders of ordinary shares of AFD received Common Shares on the basis of 0.80 of a Common Share for each ordinary share of AFD (the "AFD Exchange Ratio"), resulting in the issuance of 80,425,726 Common Shares. All outstanding AFD stock options were exchanged for replacement stock options of the Company using the AFD Exchange Ratio, resulting in the issuance of stock options to the AFD stock option holders to purchase 6,460,000 Common Shares. Upon completion of the AFD Arrangement Agreement, AFD became a wholly-owned subsidiary of the Company

which resulted in the Company holding an undivided 100% indirect ownership interest in the AK6 Mine. As contemplated by the AFD Arrangement Agreement, all of AFD's other assets were transferred to a newly-formed company owned by the former AFD shareholders. In addition, the Company retained certain liabilities related to legal proceedings initiated by two former directors of AFD against AFD alleging entitlement to a 3% NSR on production from the AK6 Mine. The Company believes that the claim is without merit and will continue AFD's previous efforts to vigorously defend against the claim.

The Company filed a business acquisition report ("BAR") dated March 4, 2011, in connection with the AFD acquisition. A copy of the BAR is available under the Company's profile at www.sedar.com.

ITEM 4 BUSINESS OF THE ISSUER

4.1. Description of Properties

The principal assets of Lucara and the focus of Lucara's development and exploration activities are its interest in diamond mining, exploration and prospecting licenses in Lesotho, Botswana and Namibia as set out in the following table. In addition, Lucara has an active generative program that seeks to bring new project into its portfolio.

Project	Interest	Type and No.	Date of Grant	Renewal or Expiry	Area (km2)
AK6 Mine	100%	Mining License (1)	October 2008	October 2023	15.3
Mothae Diamond Project	75%	Mining License (1)	September 2009	September 2019 (renewable for an additional 10 years)	20.0
Kavango Project	100%	Prospecting Licenses (10)	October 2009	October 2011	8,359

4.1.1 Mines/Projects

4.1.1.1 AK6 MINE

The information in this section 4.1.1.1 which is of a scientific or technical nature has been derived from the following technical reports:

- "Boteti Kimberlite Project, NI 43-101 Technical Report on the Boteti Kimberlite Project, Botswana" dated March 25, 2010 prepared by MSA Geoservices (Pty) Ltd. and authored by Messrs. Ian McGeorge, Consulting Geologist (BSc (Hons), Geol. MSc, CGeol, FGS), Mike Lynn, Senior Project Manager (BSc (Hons), Geol, MSc), Johannes Ferreira, Consulting Geostatistician (MSc, DEA Geostatistics, PrSciNat) and Rob Croll, Consulting Engineer (BSc (Min Eng)), each of whom is a "qualified person" within the meaning of this term in National Instrument 43-101 (the "Boteti Kimberlite Project Technical Report"); and

- "AK6 Kimberlite Project, NI 43-101 Technical Report revision and update on the AK6 Kimberlite Mine, Botswana", dated December 31, 2010 prepared by MSA Geoservices (Pty) Ltd. and authored by Messrs. Ian McGeorge, Consulting Geologist (BSc (Hons), Geol. MSc, CGeol, FGS), Mike Lynn, Senior Project Manager (BSc (Hons), Geol, MSc), Johannes Ferreira, Consulting Geostatistician (MSc, DEA Geostatistics, PrSciNat) and Rob Croll, Consulting Engineer (BSc (Min Eng)), Dave Blair, Consulting Environmental Scientist (BSc (Hons) Zool., Pri.Sci.Nat) and Dr. Kym Morton, Consulting Hydrogeologist (PhD FGS FSAIMM, Pri.Sci.Nat), each of whom is a "qualified person" within the meaning of this term in National Instrument 43-101 (the "AK6 Kimberlite Mine Technical Report").

Copies of the above-mentioned technical reports are available under the Company's profile on SEDAR at www.sedar.om.

4.1.1.1.2 Description and Location

The AK6 Mine is owned 100% by Boteti. The Company has a 100% indirect interest in Boteti (see "Significant Acquisitions" for details).

The AK6 Mine is located in north-central Botswana and is part of the Orapa/Letlhakane kimberlite district, one of the world's most prolific diamond producing areas. The AK6 kimberlite comprises a single, tri-lobate kimberlite pipe, which is "pinched" at surface, and its sub-outcrop consists of a core of kimberlite, covering an area of 4.2 ha, surrounded by an area where the kimberlite is capped by basalt or basalt breccia. Drilling has shown that the kimberlite bulges to a maximum area of 7 ha at a depth of 120 m.

4.1.1.1.3 Accessibility, Climate, Local Resource, Infrastructure and Physiography

The area lies on the northern fringe of the Kalahari Desert of central Botswana. It is described as being flat lying sand savannah which supports a natural vegetation of trees, shrubs and grasses. The natural vegetation has been modified by many years of cattle grazing and limited arable farming.

The property is at an elevation of 1,022m above sea level. The ground slopes very gently to the north into the Makgadigadi Depression. The dry valley of the now fossil Letlhakane River passes some 18 km to the northeast of the property and is the only notable physiographic feature in the immediate area.

The property area is communal agricultural land used mainly for cattle grazing with limited arable farming. Surface rights have been secured over the Mining License to provide sufficient space for rock dumps, tailings dams and mine infrastructure. An amendment to the Mining License was subsequently approved to increase the surface rights area of the Mining License.

The property is accessed by 15km of all-weather gravel and sand road from the tarred Letlhakane to Orapa road. This road has recently been upgraded to be suitable for heavy mine traffic. Letlhakane village is the closest settlement and offers basic facilities, including fuel. At the 2001 census Letlhakane had a population of 15,000 rising by 5.7% annually (Central Statistics Office, Gaborone), thus at present, probably has a population of 20,000 to 25,000. There are good telecommunications including cellular telephone networks in the area. Letlhakane is reached from the major cities of Gaborone and Francistown by good quality tarred roads. There is an airstrip within the nearby Debswana controlled Orapa township but the closest airport with commercial flights is Francistown, some 200km to the east and 2.5 hours away by road. Both Orapa and Francistown airstrips have immigration and customs facilities and can thus service international flights.

The climate is hot and semi-arid, with an average annual rainfall of 462mm at Francistown, which falls almost entirely in the summer months from October to April (Dept of Meteorological Services, Gaborone). Summer maximum temperatures are high, generally >30°C, whilst winter days are mild and the nights cold (often <10°C) with occasional ground frost. High diurnal ranges are experienced in all seasons. The climate does not impede mining operations, which can continue year round.

The area has a history of diamond mining dating to 1971 when operations started at the nearby Orapa Mine, one of the largest diamond mines in the world. In 2008, the Orapa Mine produced nearly 17 million carats. The smaller Letlhakane diamond mine commenced production in 1978 and produced a further 1.2 million carats in 2008. There is therefore a reserve of qualified and experienced manpower in the immediate area. The major nickel/copper mining operations at Tati Nickel Mining Company (Pty) Ltd., near Francistown, and at the Selebi-Phikwe (BCL) smelter, have also added to the supply of labour with mining related skills.

Electrical power is provided by the BPC's national grid. Water for the existing mines derives from a strong aquifer at the contact of the Ntane Sandstone Formation and the overlying Karoo basalt. The aquifers are well understood

and proven, and there is sufficient capacity for development of the AK6 project. Reference is made to AK6 Kimberlite Mine Technical Report for detailed plans to provide power and water to the project.

Accommodation for personnel during the mine establishment and life of mine has been planned by utilising a combination of leasing of available housing and obtaining land for building new houses. New houses will be built by local companies and leased by Boteti. The Orapa Mine has agreed that the Orapa construction camp can be used by Boteti during the mine construction phase.

4.1.1.1.4 History

There has been no production from the AK6 kimberlite. The AK6 kimberlite was discovered by De Beers in 1969, but was initially considered to be small and low grade based on early work. Reassessment started in 2003 revealed that the kimberlite was larger and had a higher grade than previously estimated. All historical work was carried out by De Beers.

4.1.1.1.5 Geological Setting

Regional Geology

The bedrock of the region is covered by at least a thin veneer of wind-blown Kalahari sand and exposure is very poor. Rocks close to surface are often extensively calcretised and silcretised due to prolonged exposure on a late Tertiary erosion surface (the African Surface) which approximates to the present day land surface.

The country rock at the AK6 mine site is sub-outcropping flood basalt of the Stormberg Lava Group which is underlain by a condensed sequence of Upper Carboniferous to Triassic sedimentary rocks of the Karoo Supergroup. The basalts, which are very extensive and underlie much of central Botswana, are Jurassic (180 Ma) and lie unconformably on the sedimentary succession, but are traditionally regarded as part of the Karoo Supergroup.

Local Geology

There are few outcrops in the Letlhakane area, as the bedrock is concealed by several metres of aeolian sand of the Kalahari Group, reflecting the area's position on the edge of the Tertiary Kalahari Basin. To the south and west of the Orapa Kimberlite Field, the bedrock may be overlain by up to 40 m of Kalahari Group sediments.

The Orapa Kimberlite Field lies on the northern edge of the Central Kalahari Karoo Basin along which the Karoo succession dips very gently to the south-southwest and off-laps against the Precambrian rocks which occur at shallow depth (although they are seldom actually exposed) within the Makgadikgadi Depression. The Karoo succession is condensed, with a total thickness of around 600m and is best preserved in west-northwest/east-southeast oriented grabens. The large AK1 kimberlite lies within such a graben (Coates et al. 1979).

The Orapa Kimberlite Field includes at least 83 kimberlite bodies, varying in size from insignificant dykes to the 110 ha AK1 kimberlite which is Debswana's Orapa Mine. All are of post-Karoo age. Of the 83 known kimberlite intrusions, four (AK1, BK9, DK1 and DK2) have been or are currently being mined, and a further five (AK6, BK1, BK11, BK12 and BK15) are recognized as potentially economic deposits.

Property Geology

Drilling has shown country rock succession at the property. The volcanic and sedimentary units are almost flat lying.

Bedrock is covered by a reddish brown top soil layer 1.0 - 1.5m thick made up largely of aeolian sand. There is a discontinuous thin gravel layer or 'stone line', <0.6m thick, at the base of the soil with clasts from 20 - 50mm in

size. The gravel is partly calcretised. Testing by De Beers has shown it to be barren of diamonds. The soil and gravel are underlain by a friable calcrete to a depth of 3 - 4m, below which is a massive silcrete horizon, often densely veined by calcite. Over the kimberlite, the silcrete grades downwards into highly weathered and partially silcretised kimberlite with extensive calcite veining. Indicator minerals and vaguely preserved macrocrystic kimberlite texture can be seen in places. Kimberlite can be clearly identified below about 8 - 10m depth.

Kimberlite Geology

The geology of the AK6 kimberlite has been deduced from geophysics, drilling and trenching.

Below the highly weathered layer, generally at a depth of 8 to 12m below surface, the kimberlite is reddish brown to grey, soft and friable, and intensely veined. The kimberlite tends to become softer with depth, although large lenses of calcrete and silcrete occur up to 15m below surface.

The kimberlite is pinched at surface, and its sub-outcrop consists of a core covering 4.2 ha of kimberlite surrounded by an area where the kimberlite is capped by basalt or basalt breccia. The peripheral basalt breccias are not included as kimberlite in the geological model, and are thus excluded from the resource.

The AK6 kimberlite is regarded as a volcaniclastic kimberlite, possibly pyroclastic, showing various degrees of welding. Better exposure following the start of mining operations may revise this interpretation.

4.1.1.1.6 Exploration

The exploration of the AK6 kimberlite is described in detail in the Boteti Kimberlite Project Technical Report. Advanced exploration work done on the AK6 kimberlite by Boteti from December 2003 until the completion of the final geological report in May 2007is summarized in the AK6 Kimberlite Mine Technical Report, relevant portions of which are detained below. All work was carried out by De Beers, the previous operator, under prospecting license PL13/2000.

4.1.1.1.7 Mineralisation

The property includes the AK6 kimberlite pipe which is demonstrably diamond bearing. Diamonds occur as xenocrysts which have been entrained by the kimberlite magma during its ascent to surface from depths ranging between approximately 150km and 180km. Factors influencing the grade of mineralization include the quantity of diamonds originally entrained by rising magma, the rate of ascent to surface and possible resorption of some diamond into graphite, and dilution of the primary kimberlite magma by barren country rock material. The grade of the AK6 kimberlite has been estimated by successive sampling programmes to produce an indicated mineral resource to a depth of 400m and an inferred mineral resource to a depth of 750m.

4.1.1.1.8 Drilling

Beginning in late 2003, extensive drilling works were undertaken on the AK6 kimberlite. The drilling can be divided into that done to delineate the extent of the kimberlite and to map its internal geology, and density, and that done to obtain large kimberlite samples for diamond grade and revenue estimation. The drilling is summarized in the table below, grouped into the exploration phases:

Summary of exploration drilling programmes on the AK6 Kimberlite						
Phase of Programme	**Purpose of Drilling**	**Drill Type**	**Hole size**	**No. Holes**	**Total Meters**	**Duration**
Initial Exploration	Initial sampling	Percussion (reverse circulation)	12 ¼"	5	679	Late 2003-2/2004
Advanced Exploration Program Phase 1	Delineation	Percussion	6 ½"	44	4,575	2004-2005
	Delineation	Core	NQ	17	6,904	2/2005-10/2005
	Piloting	Core	NQ	12	2,979	
	Bulk sampling	LDD	23"	13	3,699	7/2005-2/2006
Advanced Exploration Program Phase 2	Piloting	Core	NQ	11	4,181	11/2005-08/2006
	Delineation	Core	NQ	29	8,679	04/2006-02/2007
	Bulk sampling	LDD	23"	12	4,265	04/2006-08/2006

The work summarized in the above table totals 22,743m of core drilling and 7,964m of Large Diameter Drilling ("LDD"), plus the initial 12¼" reverse circulation work and 6½" delineation drilling. The hole size refers to size at completion; starting size was generally larger. The LDD method used was the reverse flood airlift assist system.

Phase 1 pilot drilling was sub-contracted to R A Longstaff (Pty) Ltd of Selebi-Phikwe, but their services were discontinued after Phase 1. All prior and subsequent drilling was contracted to De Wet Drilling (Pty) Ltd of Rasesa, Botswana.

Drilling methods and details of the drilling undertaken for the Phases set out in the above table are described in detail in the AK6 Kimberlite Mine Technical Report.

4.1.1.1.9 Sampling and Analysis

The AK6 kimberlite has been extensively sampled for macro-diamonds by drilling and trenching. A total of over 25,000 t of sample have been collected, although only a small proportion of the trench sample was processed, and sample from one LDD hole was not processed in the interest of rapid results turnaround (due to very high DMS yields from 'Unit 13' portions of the South Lobe). Core from the pilot holes was sampled for microdiamonds, to provide a comparison with LDD results, and to provide more robust grade and revenue estimation. The sampling method and approach is described in detail in the AK6 Kimberlite Mine Technical Report.

4.1.1.1.10 Security of Samples

Samples for macrodiamonds (+1.0 mm diamonds) were taken by means of:

- Five 12¼" reverse circulation boreholes
- 25 x 23" reverse flood airlift assist drilling
- Trenching, where sample was loosened by blasting and/or earthmoving equipment

All sample preparation and analysis was done by De Beers within ISO certified facilities The sampling methodology and diamond recovery process is detailed in the AK6 Kimberlite Mine Technical Report.

4.1.1.1.11 Mineral Resource and Reserve Estimates

The mineral resource estimate reviewed by MSA Geoservices (Pty) Ltd. is based on data obtained from the two sampling phases of 23 inch LDD followed by a trench bulk sample to boost the diamond parcel for diamond value and revenue estimation as well as to provide production recovery information.
Diamond content was estimated in terms of ct/m^3 in regular ore blocks 25 x 25 x12 m in size from surface to 750m below surface. Sampling density allows local estimation to 400m depth (indicated resource). Global grades were calculated between 400m and 750m depth.

Block density and grade estimates were combined with block volume to calculate block tonnes and carats.

Kimberlite volume was estimated on the basis of NQ (75.8mm hole (outside) diameter and 47.6mm core (inside) diameter)) and BQ (60mm hole (outside) diameter and 36.5mm core (inside) diameter) size core drilling directed at obtaining contacts between kimberlite and country rock as well as internal contacts between main geological units. Large diameter holes were accompanied by pilot core holes for guidance with respect to LDD, to facilitate geological logging of LDD samples and to further enhance internal pipe geometry.

Density estimation was based on high quality core sample density measurements. Sample size was measured by means of caliper logging and sample grade was expressed in terms of ct/m3. As in the case of diamond content, sampling data was grouped in accordance with similar density.

The diamond parcel was valued at different stages during the sampling campaign and the most recent valuation was done by Mercury Diamond in Geneva during February 2010. The valuation was based on the final diamond parcel comprising 1,754 carats split into 16 sub-parcels.

Average diamond value was based on estimates for expected diamond value and diamond content per diamond sieve class.

Grade Data

Diamond grade was estimated on the basis of Phase 1 and 2 LDD sampling (sections **Error! Reference source not found.**.
Phase I sampling delivered a total of 690.76 carats from thirteen 23-inch LDD holes drilled on 70m grid centre hole spacing. The total sample comprised an estimated 2,750 callipered tonnes with 1,775 tonnes reporting as DMS headfeed.

Phase 2 sampling was aimed at delivering a mineral resource at indicated category and drilling was therefore directed towards filling a 50m sampling grid. The programme comprised 12 holes, two of which went down to 700m depth. These holes yielded some 3,300 callipered tonnes and 2,235 tonnes reporting as DMS headfeed.

LDD samples comprised material from 12m sections to coincide with 12m bench heights selected for mining. As a consequence, subsequent regularisation for estimation purposes had very little effect on sample values. The table below shows regularised sample grade per rock type from LDD sampling. Nineteen different rock types are shown with their allocation to South Breccia, South Primary, Centre/North Breccia and Centre/North Primary denoting groupings used for diamond content modeling.

Sample grades (ct/m^3)							
Code	Rock	Grouping	Samples	Min	Max	Mean	Variance
21	BBX(S)	BB	2	0.10	0.14	0.12	0.00
22	CBBX(S)	BB	0				
23	CKIMB(S)	SLP	2	0.01	0.05	0.03	0.00
24	EM/PK(S)	SLP	43	0.03	7.36	1.20	1.45
25	M/PK(S)	SLP	226	0.02	9.03	0.56	0.47
26	WBBX(S)	BB	6	0.00	0.58	0.13	0.04
27	WK(S)	SLP	50	0.00	4.93	0.50	0.55
28	WM/PK(S)	SLP	12	0.38	3.32	0.85	0.57
29	17+Yield	SLP	39	0.06	1.15	0.35	0.07
41	BBX	BB	20	0.00	2.12	0.45	0.31
42	CFK(C)	CNLP	41	0.06	4.51	0.86	0.59
43	CKIMB(C)	CNLP	0				
44	FK(C)	CNLP	28	0.00	2.15	0.58	0.21
45	WK(C)	CNLP	20	0.01	1.86	0.36	0.15
61	KBBX	BB	5	0.12	1.17	0.46	0.15
62	CKIMB(N)	CNLP	0				
63	FK(N)	CNLP	30	0.14	2.06	0.61	0.18
64	WBBX	BB	1	5.01	5.01	5.01	
65	WK(N)	CNLP	2	0.76	0.76	1.74	0.95

Grade Analysis

Diamond content was estimated by means of geostatistical analysis of the regularised grade data in terms of ct/m^3. Variograms were modeled for each sample group and samples within a moving neighbourhood around a resource block were used to obtain a grade estimate by kriging.

The table below shows the variogram parameters used for kriging. The Breccia units contained insufficient data for variography and their estimation was based on variography for the primary units.

Variogram parameters for diamond content estimation						
Rock type group	Nugget effect	Model type	Sill	Range X Y and Z directions (meter)		
South Primary	0.120	Spherical	0.175	115	115	83
Centre/North Primary	0.172	Spherical	0.133	90	90	77

Samples were not uniformly distributed in space and some blocks were less informed than others. Where the specified first pass kriging neighbourhood contained insufficient data for estimation the neighbourhood was increased to include more samples.

The table below shows neighbourhoods used in the first and second kriging passes.

Moving neighbourhoods for diamond content estimation		
Rock type grouping	Pass	Search radius in x y and z directions
South Primary	First	100 x 100 x 48
	Second	150 x 150 x 96
Centre and North Primary	First	100 x 100 x 60
	Second	100 x 100 x 108

In all cases the neighbourhood was split into 4 sectors with the minimum and optimal number of samples per sector being 3 and 10. Blocks were discretised into 10x10x1 sub-blocks for kriging.

Appropriate adjustments were made to prevent single large sample values from adversely influencing blocks in their neighbourhood.

Kriging resulted in block values and average kriged estimates compared well with corresponding average sampling data as shown in the table below.

Average Kriged estimates and sample grades		
Pipe	Diamond content in ct/m^3 (+1mm)	
	Sample	Estimate
North and Centre Lobes	0.63	0.63
South Lobe	0.60	0.56
Total	0.58	0.58

Density Data

The methodology for measuring density is described in detail in the AK6 Kimberlite Mine Technical Report. Density data was divided into four geological groupings for estimation purposes. The table below shows density data within each grouping and the corresponding rock code. Substantial numbers of samples were collected from the main rock types. Analysis of data in the main geological groups compensated for sparseness of data in some of the smaller rock groups.

Density by rock type (g/cm^3)							
Code	Rock	Grouping	Samples	Min	Max	Mean	Variance
21	BBX(S)	BB	4	2.50	2.80	2.70	0.019
22	CBBX(S)	BB	4	2.10	2.33	2.23	0.010
23	CKIMB(S)	SLW	19	1.89	3.04	2.39	0.084
24	EM/PK(S)	SLP	123	1.93	3.06	2.76	0.028
25	M/PK(S)	SLP	1040	1.81	3.23	2.86	0.047
26	WBBX(S)	SLW	46	1.81	2.86	2.23	0.081
27	WK(S)	SLW	202	1.80	3.12	2.21	0.079
28	WM/PK(S)	SLP	43	2.27	2.80	2.56	0.012
29	17+Yield	SLP	135	2.41	3.19	3.00	0.017
41	BBX	BB	160	1.98	2.88	2.53	0.028
42	CFK(C)	CNLP	171	2.05	3.93	2.61	0.026
43	CKIMB(C)	CNLW	8	1.87	2.60	2.35	0.097
44	FK(C)	CNLP	180	1.62	3.16	2.58	0.042
45	WK(C)	CNLW	102	1.80	2.64	2.10	0.035
61	KBBX	BB	23	1.96	2.83	2.58	0.038
62	CKIMB(N)	CNLW	7	2.01	2.45	2.29	0.026
63	FK(N)	CNLP	158	1.85	3.16	2.43	0.030
64	WBBX	CNLW	3	2.52	2.70	2.63	0.009
65	WK(N)	CNLW	26	1.84	2.45	2.16	0.026

Density Analysis

Variograms were modeled for each sample group and samples within a moving neighbourhood around a resource block were used to obtain a density estimate by kriging. The use of hard boundaries prevented samples from different groupings to be included in the same kriging neighbourhood during kriging.

The tables below shows variogram parameters and associated kriging neighbourhoods used for kriging.

Variogram parameters for density estimation						
Rock type group	Nugget effect	Model type	Sill	Range X Y and Z directions (meter)		
South Primary	0.010	Spherical	0.037	90	90	150
South Weathered	0.025	Exponential	0.0564	61	61	61
Centre & North primary	0.011	Spherical	0.0236	173	173	173
Centre & North Weathered	0.024	Spherical	0.0200	55	55	55
Breccia (two structures)	0.017	Spherical	0.0080	17	17	17
		Spherical	0.0060	120	120	36

As for diamond content the search neighbourhood was split into 4 sectors and the minimum and optimal numbers of samples were set at 3 and 10 for all groupings, with 10x10x1 block discretisation for kriging.

Kriging neighbourhoods for density estimation	
Rock type grouping	Search radius in x y and z directions
South Lobe Primary	100 x 100 x 36
South Lobe Weathered	100 x 100 x 36
Centre & North Lobe Primary	120 x 120 x 48
Centre and North Lobe Weathered	100 x 100 x 36
Breccia	120 x 120 x 36

Although sufficient data was available to perform variography for all groupings, part of the Breccia grouping remained uninformed after the first kriging pass. In this zone the breccia unit was complemented with data from the fresh basalt unit. Three uninformed blocks in the Centre and North weathered grouping were informed by using average bench kriged density for the unit.

Average kriged estimates compared well with corresponding average sampling data per rock type as shown in table below.

Average Kriged estimates and sample density per rock type				
Code	Rock	Grouping	Sampled Mean	Kriged Mean
21	BBX(S)	BB	2.70	2.60
22	CBBX(S)	BB	2.23	2.33
23	CKIMB(S)	SLW	2.39	2.18
24	EM/PK(S)	SLP	2.76	2.77
25	M/PK(S)	SLP	2.86	2.85
26	WBBX(S)	SLW	2.23	2.21
27	WK(S)	SLW	2.21	2.23
28	WM/PK(S)	SLP	2.56	2.76
29	17+Yield	SLP	3.00	2.97
41	BBX	BB	2.53	2.54
42	CFK(C)	CNLP	2.61	2.59
43	CKIMB(C)	CNLW	2.35	2.15
44	FK(C)	CNLP	2.58	2.59
45	WK(C)	CNLW	2.10	2.15
61	KBBX	BB	2.58	2.59
62	CKIMB(N)	CNLW	2.29	2.20
63	FK(N)	CNLP	2.43	2.44
64	WBBX	CNLW	2.63	2.31
65	WK(N)	CNLW	2.16	2.21

Diamond Content from Density and Grade Analysis

Block grade and density estimates were used to calculate block tonnes and carats to compile diamond content to a depth of 400m below surface as shown in the table below.

AK6 resource summary to 400m (indicated)						
Lobe	Volume	Density	Grade		Tonnes	Carats (+1mm)
	m3	t/m3	cts/m3	cpht		
North & Centre	4,503,600	2.46	0.63	26	11,099,800	2,849,200
South	14,552,500	2.76	0.56	20	40,127,800	8,196,700
Total	19,055,800	2.69	0.58	22	51,227,600	11,046,100

The resource was extended from 400m to 750m depth based on extrapolation of grades for the units extending to this depth.

The Centre and North Lobes do not extend the full depth and only the fragmental kimberlite unit extends below 400m. The average grade of 0.51cts/m^3 for kriged block estimates between 256m and 280m was used as an estimate for grade in the 208,000 tonnes below 400m.

A similar averaging process was used for South Lobe below 400 m, where three units extend below 400m, adding some 21 million tonnes to the resource.

Consequently this part of the resource is less reliable with a corresponding effect on its allocated resource category.

The additional resource below 400m is summarised in the table below, with global grades per lobe.

AK6 resource summary between 400m and 750m (inferred)						
Lobe	Volume	Density	Grade		Tonnes	Carats (+1mm)
	m3	t/m3	cts/m3	cpht		
North & centre	81,400	2.56	0.51	20	208,000	41,500
South	7,019,400	2.96	0.57	19	20,770,500	3,976,100
Total	7,100,800	2.95	0.57	19	20,978,500	4,017,600

Resource Classification

The AK6 mineral resource has been classified as an indicated mineral resource from surface to 400m, while the resource below 400m has been classified as an inferred resource, down to 750m. This was done on the basis of the geological, grade, density and revenue models according to a set of scorecards established by De Beers, which are fully compliant with NI 43-101 requirements

Mineral Resource Statement

The AK6 resource to 400m is estimated at 11 million carats in 51 Mt at an average grade of 22 ctph and an average value of USD 194/carat and is classified as indicated (+1.0mm).

Between 400 and 750 m, the resource contains 4m carats at an average grade of 19 cpth and an average value of USD183/carat and is classified as inferred (+1.0mm).

A summary of the mineral resource at +1mm, +1.5mm and +2.0mm bottom size cut-offs is given in tables below:

AK6 Project Diamond Resource (+1.0 mm)

Class	Lobe	Volume X1000	SG	Tonnes x1000	Grade cpht +1mm	Carats x1000	USD/ ct	USD x1000
INDICATED to 400m	Centre/North	4,504	2.46	11,100	26	2,886	223	643,578
	South	14,553	2.76	40,128	20	8,026	183	1,468,685
	Total	19,057	2.69	51,228	22	11,046	194	2,112,263
INFERRED from 400 to 750 m	Centre/North	81	2.56	208	20	42	223	9,277
	South	7,019	2.96	20,771	19	3,946	183	722,207
	Total	7,100	2.95	20,979	19	3,988	183	731,484

(Note – rounded values were used within this table)

AK6 Project Diamond Indicated Resource to 400 m (+1.5 mm)

Class	Lobe	Volume X1000	SG	Tonnes x1000	Grade cpht +1mm	Carats x1000	USD/ ct	USD x1000
INDICATED to 400m	Centre/North	4,504	2.46	11,100	20	2,268	276	625,135
	South	14,553	2.76	40,128	15	6,088	231	1,404,296
	Total	19,057	2.69	51,228	16	8,356	243	2,029,432

(Note – rounded values were used within this table)

AK6 Project Diamond Indicated Resource to 400 m (+2.00 mm)

Class	Lobe	Volume X1000	SG	Tonnes x1000	Grade cpht +1mm	Carats x1000	USD/ ct	USD x1000
INDICATED to 400m	Centre/North	4,504	2.46	11,100	18	1,947	316	614,812
	South	14,553	2.76	40,128	13	5,157	268	1380,097
	Total	19,057	2.69	51,228	14	7,215	281	1,994,909

(Note – rounded values were used within this table)

Whittle Analysis and Mineral Reserve Estimate

The resource to reserve conversion was performed by conducting an open pit optimisation, using Whittle Four-X software. The outputs of this process include a mining schedule on which to base plant capacity, waste rock quantities, peak capacities and mining fleet parameters. A trade-off study on the capital cost, plant efficiencies and size-revenue curve, indicated that the optimum bottom size cut-off for the project is 1.5mm.

Mining recovery of 97% and dilution of 4.5% were applied in the optimisation to better simulate the physical operation. Plant recovery was set at 100%. Operating costs used in the Whittle optimisation are based on contract negotiations for outsourced mining and ore processing. Inter-ramp slope angles were derived from the geotechnical work reported in Section 18 of the AK6 Kimberlite Mine Technical Report. These angles have been flattened by six degrees in basalt and nine degrees in kimberlite and sandstones to make allowance for haul roads.

Due to the fact that the Whittle optimisation includes all the modifying factors – mining dilution, mining and process recoveries, costs and revenue – the ore contained in the Whittle shell is the mining reserve. It must be noted that this reserve is determined using a set of fixed parameters such as resource grade, diamond revenue, costs, etc. at the time of the optimisation. Should any of these parameters change significantly; the optimisation would need to be re-run, and the mineral reserve would consequently change.

The optimisation process was designed to maximise net present value. The pit design extends to 324m below surface and contains 36.2Mt ore (inclusive of 4.5% waste rock dilution from mining activities) at a grade of 17.32cpht (+1.5mm bottom size cut-off), yielding approximately 6.2 million carats. A total of 90.9Mt waste rock is contained in the final pit design (stripping ratio of 2.5:1).

Sensitivity analysis of the optimal pit shell was undertaken by analysing the effect on the pit shell of varying operating costs, exchange rates and diamond revenue. The selected Whittle shell is sufficiently robust to remain valid for at least 10% variances in these factors.

In addition to defining the optimal pit shell, a double revenue pit shell was defined. Double revenue sensitivity is performed to anticipate upswings in the future diamond market, providing a guide as to where the surface infrastructure, waste rock dumps, primary crusher, workshops etc. should be positioned in order to avoid the possibility of any future need for relocation. The double revenue pit for the AK6 pit extends to approximately 360m depth contains 41.1Mt ore, 6.7 million carats and 143.5Mt waste rock. No pit design is required for the double revenue exercise: it merely provides a limiting boundary for the placement of surface infrastructure.

The assessment of total grind criteria indicated that a once-through milling operation, generating approximately 65% -1.5mm in the mill product, would liberate approximately 99% of the overall in situ revenue at a 1.5mm bottom size cut-off.

The following table summarizes the mineral reserve defined by the Whittle optimization process.

AK6 Project Mineral Reserve Estimate (+1.5mm cut-off)						
Lobe/Facies	**Category**	**Tonnes**	**Grade (cpht)**	**Revenue (USD/ct)**	**Revenue (USD/tonne)**	**Carats**
North	Probable	1,348,462	26.61	276	73	358,810
Centre	Probable	8,160,227	19.61	276	54	1,600,071
South	Probable	24,899,972	16.63	231	38	4,140,000
South/High Yield	Probable	1,789,284	9.55	231	22	170,879
Total	**Probable**	**36,197,945**	**17.32**	**243**	**42**	**6,269,760**

4.1.1.1.12 Development

In June 2010, a definitive feasibility study updating previous work to a confidence level to support project approval was completed. The study detailed a cost effective technical solution with a process plant initially designed at a throughput rate of 2.5 million tonnes per annum ("mtpa") increasing to 4.0 mtpa after 4 years. This phased production approach, combined with contract mining reduces up-front capital required to bring this project on stream.

A formal decision was made in 2010 to proceed with the construction of the AK6 diamond mine which is estimated to require a capital investment of approximately US$120 – US$130 million (based on ZAR:US$ exchange rate of 7.00 to 7.50), which includes the process plant and all mine site and off-site infrastructure.

Project development activities commenced upon completion of the feasibility study with the selection of Dowding Reynard and Associates ("DRA") as the engineering, procurement and construction management contractor. The project development focus areas in 2010 were the critical path activities to ensure that ramp up to full production in the first quarter of 2012 is achieved. By year end engineering was 40% complete and all major equipment orders had been placed and procurement was 55% complete. The earthworks contract for the site civil works and the access road upgrade was awarded and the contractor mobilized to site in September 2010.

During 2010, parties affected by the mine development were relocated in accordance with the Botswana Land Board assessment report as a minimum. Relocation and resettlement claims were finalized to all parties' satisfaction.

Agreements were reached with Botswana Power Corporation for the supply of power to project and Debswana Diamond Company (PTY) Ltd, to use their existing construction camp. The bulk power line contract was put out to tender and the contract was awarded in March 2011, and grid power is anticipated to be available in July 2011 in time for early commissioning tasks.

Amendments to certain provisions of the mining license with the Government of the Republic of the Botswana ("GRB") were concluded. The mining license was amended to allow the sale of the entire AK6 production of diamonds either through open tender sales or exclusive contract, the removal of the commercial production start date and the mine lease area expanded.

As of the end of the 1st quarter of 2011, project execution is on schedule at overall 42% complete and 55% of the capital investment committed. The Corporation intends to continue with the construction during the remainder of 2011, with commissioning anticipated to commence in the fourth quarter 0f 2011 reaching full ramp up during the first half of 2012. Major operations contracts for mine operations and plant operations and maintenance are being adjudicated and ramp-up of Boteti manpower will continue during the remainder of 2011. All permits and licenses to operate are in place.

4.1.1.2 MOTHAE DIAMOND PROJECT – LESOTHO

The information in this section 4.1.1.2 which is of a scientific or technical nature has been derived in part from the technical report entitled "Mothae Kimberlite Project, Lesotho, Independent Technical Report" dated February 12, 2007 prepared by Dr. Norman Lock (BSc, PhD, CGeol FGS, MGSSA, PrSciNat) of MSA Geoservices (Pty) Ltd., who is a "qualified person" within the meaning of this term in National Instrument 43-101. A copy of the report is available on SEDAR at www.sedar.com.

4.1.1.2.2 Project Description and Location

Mothae Diamonds, which is owned 75% by Mothae Holdings and 25% by the GoL, holds a 100% interest in the Mothae Diamond Project. Mothae Holdings is operator of the Mothae Diamond Project and is currently funding 100% of project costs. 12.5% of such costs (or 50% of the GoL's interest in the Mothae Diamond Project) will be reimbursed by the GoL only from its share of dividends declared and paid by Mothae Diamonds and the remaining 12.5% interest is a free carried interest. During an initial pre-production test mining stage a royalty of 4% of the sales value of diamonds produced from the Mothae Diamond Project will be payable to the GoL. At full production, the royalty will increase to 8% of diamond sales value. The Mothae Diamond Project is comprised of a mining lease that is valid until September 2019 and renewable for a further period of ten years. The Mothae Diamond Project is subject to the Lesotho mining code as promulgated in the Mines and Minerals Act (Act No 4 of 2005).

The Mothae Diamond Project is located in the Maluti Mountains of Lesotho, approximately 150km northeast of Maseru the capital of Lesotho. The Mothae mining lease covers an area of 20.0 km^2.

4.1.1.2.3 Accessibility, Climate, Local Resource, Infrastructure and Physiography

The Mothae Diamond Project is located at an elevation of 2,900m above mean sea level and approximately latitude 28°58'S and longitude 28°48'E. Access is locally by gravel road from the main asphalt road through the mountains of northern Lesotho that passes the nearby Letseng Diamond Mine.

The Mothae Diamond Project is positioned on the undulating highland plateau of Lesotho that enjoys a cool subtropical continental climate with a summer rainy season from October to March and a cold, dry winter. Average precipitation may exceed 1,000mm and the temperature rarely exceeds 25°C in summer.

The Mothae Diamond Project area is served by a modest infrastructure. A small airstrip at the Letseng Diamond Mine may be available by special arrangement. The only road route is sealed but follows a tortuous course up the

Moteng Pass into the mountains and may be subject to temporary closure due to landslides, winter snow, erosion or frost heave. The final 4.5km follows a steep gravel road recently re-surfaced by the Company. Power is available proximal to the project through from a line originally erected to serve the Letseng Diamond Mine. Surface (and underground) water is abundant in the area but will require expensive measures to pipe to the project.

Lesotho is a grassland country that is notable for the almost complete absence of natural trees, especially in the highlands. The high plateau at 3,000m altitude is characterised by alpine grassland with sporadic scrub in more sheltered areas and valleys. Boggy swamps are quite common in the mountains, especially at the heads of valleys and overlying kimberlite pipes; these usually comprise gravel, a thick soil horizon and surface peat.

4.1.1.2.4 History

The Mothae kimberlite pipe was discovered in 1961 by Basutoland Diamonds Ltd. The recovery of kimberlite indicator minerals in stream gravel wash downstream from the pipe was traced back to the source in a similar manner to other discoveries at that time. No reports of this work are available but it is reported that local artisanal miners worked the property for a period before any evaluation program commenced.

Colonel Jack Scott conducted diamond prospecting in Basutoland in the 1950s and 1960s with some technical success. Mothae was examined and several pits were excavated. The kimberlite material was processed through a portable, hand operated 4 foot rotary pan. The results were reported by Bleackley and Workman (1964) and Meaton (1966). At that time it appears that two separate kimberlite pipes were recognised ("Moteanyane" in the north and "Motai" in the south). Diamond recoveries were modest and appeared to diminish dramatically in the underlying harder "blue ground" kimberlite. Subsequently, Lonrho Ltd. carried out a more methodical evaluation that included excavating 12 pits of 6m diameter to 24m depth. A bi-lobate pipe of about 8.8 ha was mapped out at surface. The upper 180m of the pipe was delineated from pitting and drilling, and supplemented by ground magnetic surveying. No records of this work are available except the brief summary provided by Nixon in the book "Lesotho Kimberlites" published at the time of the First International Kimberlite Conference in 1973. These results cannot be relied upon and are not in accordance with National Instrument 43-101.

4.1.1.2.5 Geological Setting

Regional Geology

The rocks exposed in Lesotho, belong mainly to the upper part of the Karoo Supergroup (Carboniferous to Jurassic) which covers vast areas of south and central Africa. This widespread series of rocks consist of flat-lying conformable sandstones and shales extensively intruded by dolerite dykes and overlain by vast outpourings of basaltic lavas.

In Lesotho most of these rocks have been assigned to the Drakensberg Group, Clarens Formation and Molteno Formation. The Molteno Formation is composed of massive white grits and sandstones with occasional shaly layers (rarely carbonaceous) followed by red beds composed of varicoloured sandstones, alternating with red, green and purple shales, and mudstones. Carbonaceous beds are absent and reptile fossils are abundant. The overlying Clarens Formation (traditional Cave sandstone) is composed of massive, fine grained, aeolian sandstones. The Drakensberg Group (Stormberg lavas) comprises the fullest sequence of basaltic rocks (>1,600m) and dolerite intrusions exposed in southern Africa. These lavas are tholeiitic in composition and are chemically comparable to the dolerites with an indicated age range from 187 Ma to 155 Ma, or younger for the flows on the highest peak (Thaba Ntlenyana) at 3,482m.

The Kimberlite Intrusions

The concentration of kimberlite pipes and dykes in Lesotho is among the highest in the world. Many of these kimberlites have been studied because of the suite of mantle peridotites that they contain. Others have received

periodic economic investigation; interest in Lesotho diamonds includes the Letseng, Kao and Liqhobong kimberlites, in addition to the current study of Mothae.

The kimberlite intrusions in Lesotho post-date the Karoo Supergroup and have been generally accepted as of Cretaceous age (Haughton, 1969). However, the oldest age of a post-Karoo kimberlite in southern Africa (150 Ma at Swartruggens), is very close in age to the youngest Karoo basalt. An isotopic age of 87 Ma was obtained for the Mothae kimberlite (Davis, 1977) and other South African kimberlites group in the range 82 Ma to 96 Ma.

4.1.1.2.6 Exploration

Ground Geophysics

Ground geophysical surveys were undertaken in September 2006. Gravity, magnetic and frequency domain electromagnetic (FDEM) surveys were carried out over the Mothae kimberlite with the view to delineate the kimberlite/basalt pipe contact and any internal kimberlite phase variations that may be identifiable.

The gravity survey was conducted with data collection at 25m station intervals along 500m lines spaced 50m apart. Elevation was acquired from a Differential GPS. Bouguer gravity values were achieved using a basalt density of 2.8 t/m3.

A magnetometer was used in 'walk mode' at one second intervals along the 500m lines as for the gravity survey, with infill where required. Spatial positioning was recorded from a handheld GPS. The frequency domain electromagnetic ("FDEM") survey was undertaken. With a 40m coil separation, conductivity data were recorded at 10 m station intervals along 400m lines in the southern lobe and 250m lines in the northern lobe.

Survey results were gridded with a Kriging algorithm.

The gravimetric survey defined the kimberlite body convincingly. The gravity signature difference between the two lobes may be explained through depth of weathering or local variations in country-rock basalt density. The total horizontal derivative ("THD") of the Bouguer gravity map shows the kimberlite/basalt contact to closely coincide with that defined by the vertical loop electromagnetic ("VLEM") interpretation.

The Mothae kimberlite displays two magnetic units, corresponding to the northern and southern lobes; the two lobes are continuous at depth as also shown by the gravity and VLEM responses. The apparent magnetic break in the data could be due to basalt cover. The main kimberlite body is interpreted to narrow with depth, contrary to previous interpretation. Internal magnetic variation in the southern lobe is interpreted as possible multiple kimberlite intrusions.

The FDEM survey successfully delineated the kimberlite/basalt contact showing a high conductivity body continuous between the northern and southern lobes. Possible kimberlite phase variations are also discernible within the southern lobe.

The kimberlite/basalt contact and internal possible kimberlite phase boundaries have been delineated successfully with the application of these three geophysical techniques. Future planning of delineation drilling and sampling programmes can now be soundly based on the outcome of these surveys.

Pitting

Surface pitting and trenching has been undertaken to facilitate geological mapping. The objectives of this programme have been to establish the nature and thickness of the overburden to the kimberlite, to delineate the kimberlite/basalt contacts where possible and to characterize the kimberlite and any variations internal to the pipe.

Groundwater conditions typically precluded in situ inspection of kimberlite in pit exposures due to rapid ingress of water. Not even the cut-off drainage trench could reduce this flow which will require careful management during the proposed bulk sample programme.

The kimberlite has been characterised as fragmental, massive volcaniclastic kimberlite ("VK") with abundant xenoliths of basalt and common mantle material. Exposures were described as classic Tuffisitic Kimberlite Breccia ("TKB"); the distinctive magmaclastic texture comprises pelletal lapilli set in a fine grain inter-clast matrix with a mixture of country rock xenoliths.

Seven distinct kimberlite types (Type I to Type VII) have been recorded and mapped. Discrimination at this stage is largely based on the size, shape and abundance of the magmaclasts as well as the nature and abundance of basalt country rock xenoliths. Mantle peridotite inclusions are a recognisable and measurable component in some areas of the pipe.

Broken rounded peridotite in the north of the kimberlite clearly distinguishes the emplacement process frozen in exposed rockwall contact as turbulent diatreme activity in contrast to pyroclastic deposition from explosive volcanic processes. Close inspection of this locality also shows the intrusive nature of the kimberlite along the joints in the basalt with spawling or stoping of the basalt recognisable in places.

There are other localities exposed in the north trench that display numerous large rounded basalt and basement gneiss xenoliths, common highly altered mantle xenoliths and abundant very large ilmenite macrocrysts (up to 3 cm) enclosed in Type VI kimberlite. This material may represent the remnants of an early phase of TKB or hypabyssal kimberlite breccia (HKB) emplacement and could produce above average diamond tenor.

Detailed petrographic and other laboratory studies will be required to elucidate the detailed emplacement history of the Mothae kimberlites, at least to the extent that is required to understand the economic potential. The current interpretation shows a strong correlation between the geological mapping and ground geophysical interpretation.

4.1.1.2.7 Mineralisation

Economically diamondiferous kimberlites have to date only been found within Archaean Cratons associated with deep, cool mantle rocks. This observation has become known as "Clifford's Rule". Economically diamondiferous lamproites occur on the margins of these cratons. An Archaean Craton is that area of crystalline continental core (or Shield) greater than 2,500 Ma in age, which has remained essentially undisturbed by younger tectonism. The Mothae kimberlite is located in the southeast portion of the Kaapvaal Craton.

Kimberlite and lamproite originate at depth in the asthenosphere (150km to 300km) and the rapidly ascending magma entrains a variety of foreign rocks and minerals (xenoliths and xenocrysts) from the substrate. Among these minerals are garnet, ilmenite, chromite and diamond.

4.1.1.2.8 Drilling and Exploration

Preliminary delineation drilling has been carried out by the Company and is described in Section 4.1.1.11 below.

4.1.1.2.9 Sampling Method and Approach

Exploration work involves the collection and analysis of samples for the recovery of kimberlitic indicator minerals ("KIM(s)"). Various KIM sample types have been collected to date.

Kimberlite has been excavated from pits to assist in the delineation of internal kimberlite phase variation and to assess diamond potential for optimisation of the proposed bulk sample program. Samples for hand specimen

description, petrographic description, Mantle Mapper™ processing, whole rock geochemistry and microdiamond recovery have been collected.

The Mothae Diamond Project is an evaluation project and the recovery of micro-diamonds and macro-diamonds will be the essential elements of the program.

Samples of kimberlite will be extracted by drilling or excavated from pits/trenches. The processing of these samples will be as follows:

- Caustic fusion analysis for microdiamonds
- Bulk sample treatment for macrodiamond grade
- Bulk sample treatment for diamond value.

4.1.1.2.10 Sample Preparation, Analysis and Security

Preparation of Samples in the Field

Deflation, loam and dry stream sediment samples involve the collection of dry sample material from the optimal sample location. The sample is dry sieved by hand to reduce the initial sample volume, generally using a 2 000 µm oversize sieve and 425 µm undersize sieve. Sieve sizes may, however, be varied depending on the particle size distribution of the sample medium.

Wet stream sediment samples are collected from suitable trap-sites in active drainages. The sample material is washed and sieved generally using a 710 µm oversize sieve and 300 µm undersize sieve. Heavy minerals are concentrated from the smaller screen fraction using a mechanical hand-jig. The oversize (710 µm to 2 000 µm) fraction is generally also concentrated on a 450mm diameter, 710 µm sieve. Where heavy minerals are observed in the oversize fraction they are also collected. Using this method, initial sample volumes may be reduced by a factor of more than 100. These samples are dried in the field and re-bagged prior to consignment.

Rock chip samples involve the collection of sample material from a selected lithological horizon, either derived from drill chips or surface outcrops using a geological hammer.

Laboratory Sample Preparation

All samples are submitted to an independent laboratory in Cape Town for processing and recovery of heavy mineral concentrates. These concentrates are then transferred for mineral extraction, surface texture descriptions, and (where appropriate) mineral analysis.

4.1.1.2.11 Bulk Sample Program

A 100,000 tonne bulk sampling program was carried out on the Mothae Diamond Project between January 2007 and May 2009. The objectives of this program were to validate the grade estimates of prior investigations, to collect a sufficient parcel of diamond to enable an initial assessment of diamond value, and to determine whether the diamond population of the Mothae kimberlite contained a significant component of Type IIa (nitrogen free) diamonds, which, if present, can potentially enhance the economic potential of a kimberlite. During the latter part of the bulk sampling program, a preliminary delineation drilling program was completed in order to create a preliminary model of the pipe and determine its tonnage potential. The bulk sampling and delineation drilling program is described below and has been compiled from internal Company technical reports. The results of this work and conclusions and estimates drawn therefrom have not been independently reviewed.

Bulk Sampling

A total of 99,959 wet tonnes (82,328 dry tonnes) of kimberlite were sampled and processed from 5 of the 6 kimberlite domains identified within the Mothae kimberlite. Samples were extracted using conventional truck and shovel mining. Near surface kimberlite at Mothae has been weathered to the extent that it is 'free-digging' and does not require drilling and blasting to extract or primary crushing to process.

Sample material was processed through a 30 tonne per hour dense media separation plant to produce a heavy mineral concentrate. All material less than 2mm was rejected to tailings, and all material greater than 18 mm was crushed and reprocessed. The heavy mineral concentrate was then divided into coarse (-16 mm to +8 mm), medium (-8 mm to +3.5 mm) and fine (-3.5 mm to +2 mm) fractions and these fractions passed over a continuous grease belt for diamond recovery. Material greater than 16 mm in size was hand sorted.

Recovered diamonds were classified on the basis of size, weight, crystal form, color, and clarity. Larger stones suspected of being Type IIa diamonds were tested using 3,000 angstrom wavelength ultraviolet light.

During the course of the sampling program, it was recognized that multiple passes of the heavy mineral concentrate through the process plant and grease belt was required to achieve acceptable diamond recovery. The processing protocol was modified accordingly, and grease belt tailings were processed through an X-ray diamond recovery unit as an audit. Poor diamond recoveries on a single pass over the grease belt are believed to result from mineral coatings on the diamonds which results in the need for additional scrubbing to ensure the diamonds are sufficiently clean to adhere to grease.

Industry standard security measures for kimberlite processing and diamond recovery were rigorously maintained throughout the program. Recovered diamonds were stored on site during diamond classification work and then removed from site to a secure location.

In total, the bulk sampling program yielded 8,899 diamonds with a total weight of 3,873.21 carats (based on the sum of individual stone weights). Grades obtained for individual samples range from 1.52 to 7.08 cpht on a dry tonnage basis. The average grade for the entire bulk sample is 4.70 cpht. The weight of diamonds per sample is based on the sum of individual weights determined for all stones recovered. The following table sets out the processing results for individual bulk samples.

Sample	Stones	Carats	Carats/stone	Wet sample weight (t)	Dry sample weight (t)	Dry sample grade (cpht)
C1A	90	27.86	0.31	2,035.29	1,837.05	1.52
C2A	310	117.11	0.38	5,023.31	4,163.82	2.81
C2B	211	75.47	0.36	1,936.18	1,616.89	4.67
C2C	681	380.85	0.56	9,965.10	8,192.51	4.65
C3A	750	301.22	0.40	9,569.02	7,781.52	3.87
G1	1,007	408.07	0.41	7,340.98	6,198.82	6.58
G1C	2,529	1,166.97	0.46	27,162,70	21,970.31	5.31
F1	1,162	444.26	0.38	7,469.90	6,273.60	7.08
F1C	1,519	715.79	0.47	18,753.24	15,389.95	4.65
A1A	372	129.83	0.35	5,340.76	4,565.28	2.84
E1A	255	99.61	0.39	5,362.84	4,338.33	2.30
RCA*	6	2.60	0.43	394.35	394.35	0.66
All/Mix**	7	3.57	0.51			
Total	**8,899**	**3,873.21**	**0.44**	**99,959.32**	**82,328.07**	**4.70**

*RCA = Recrush material (+ 16 mm DMS sink and 8 – 20 mm DMS float) treated between Phase 1 and Audit.
** All/Mix = General spillage, stones cannot be allocated to an individual sample.

Delineation Drilling Program

A 15 hole, 2,452m NQ core delineation drilling program was completed between December 2008 and February 2009. Drill core was logged on site with an emphasis on characterizing the nature of kimberlite / wall rock contacts and the nature of the transition from weathered kimberlite to unweathered kimberlite. In general, the contact between the kimberlite and adjacent wall rock was observed to be very sharp. Likewise, the transition from weathered free digging kimberlite to hard unweathered kimberlite was observed to be abrupt, commonly occurring over less than one meter. Variations in types of kimberlite present in each hole were also noted in the core logging program, particularly on holes that were positioned to cross the transition between various kimberlite domains identified at surface. Additional drilling and detailed core logging, geochemical analysis and petrographic analysis will be required to develop a model of the internal geology of the Mothae pipe.

Density measurements were systematically taken at 10m intervals to develop a density model of the pipe. Drill holes were surveyed using a magnetic survey tool. Results of down-hole surveys were adequate for measuring hole inclination variations, but produced erratic results for azimuth variations. The azimuth survey data were therefore not incorporated into development of the pipe shape model.

Drill hole and surface mapping information was input into GEMS modeling software to generate a pipe shape to a depth of 200m. The pipe was subdivided into 3 zones for the purpose of tonnage and grade modelling: 1) South Zone (encompassing kimberlite domains A, C, F and G), representing approximately 60% of the total volume of the body – the majority of the bulk samples taken to date derived from this zone; 2) North Zone (encompassing kimberlite domain E), comprising approximately 14% of the pipe – represented by one bulk sample (E1A); and 3) Neck Zone (encompassing kimberlite domain H and unassigned kimberlite), comprising approximately 26% of the body – not represented by any bulk samples. The estimated overall pipe volume to a depth of 200m is 16.25MCM, which includes 1.76MCM of near surface, weathered free digging kimberlite. Based on the density model developed from drill core measurements this volume of kimberlite represents 38.62 Mt, which includes 3.36 Mt of near surface, weathered free digging kimberlite.

This global tonnage estimate was made to enable the Company to better assess the potential of the Mothae kimberlite and does not constitute a resource estimate as defined by National Instrument 43-101. There can be no assurance that additional drilling will confirm this estimate of geologic potential or lead to the identification of a resource as defined by National Instrument 43-101.

Diamond Grade Estimates

Diamond grades have been estimated for weathered kimberlite in the North and South Zones based on the bulk sample data presented in the above table. These are presented in the table below. The estimated grade for the South Zone is 4.09 cpht, calculated as an area weighted average of sample grades for each of domains A, C, F and G, respectively. The estimated grade for the North Zone is 2.30 cpht and is based entirely on sample E1A. Due to the increased hardness and likely reduced efficiency of diamond recovery from unweathered kimberlite, the sample grade values cannot be directly extrapolated to the unweathered portions of the respective kimberlite domains. Recoverable grade estimates for this material based on size distribution modelling and comparison to recoveries at the Letseng Diamond Mine are approximately 40% lower than those of the weathered kimberlite. No grade information is available for the Neck Zone. When combined with tonnage estimates, grade values yield an estimated total diamond content for the South and North zones of 0.69 million carats, of which 0.09 million carats occur within near-surface weathered kimberlite material.

Grade estimates and estimates of contained diamond do not constitute a resource estimate for the Mothae kimberlite as that term is defined by National Instrument 43-101. Estimates of diamond grade, contained carats and global tonnage for the Mothae kimberlite have been made by the Company to assess the geologic potential of the Mothae kimberlite so as to guide decisions about additional evaluation work. There is no assurance that continued evaluation work will confirm these estimates of geologic potential or that such work will result in defining a resource or reserve for the Mothae kimberlite as those terms are defined by National Instrument 43-101.

Diamond Size Distribution and Value Estimates

The parcel of diamonds recovered to from the Mothae bulk sample program (3,873.21 carats) displays a very coarse stone size distribution, reflected in a high proportion of large stones. The results suggest very similar frequencies of large stones (in the +5 to +20 carat categories) to what would be expected in the same mass of kimberlite from the Letseng Diamond Mine. This information, in conjunction with the recovery of a broken Type IIa diamond that originally exceeded 44 carats in size indicates very good potential for very large Type IIa diamonds similar to those recovered at Letseng. Test work undertaken to date indicates that overall approximately 24% of the examined Mothae diamonds are of the Type IIa variety. The highest proportion of Type IIa diamonds (43%) was observed in the largest size fraction examined (+23 Diamond Trading Company ("DTC") sieve class).

Valuation of the Mothae bulk sample diamond parcel by Galaxy Diamond Expertise SA ("Galaxy") in June 2009 yielded an average price of $437 per carat.

Diamond value modelling was undertaken by combining size frequency distribution models of the total parcel recovered to date from Mothae, with modelled diamond prices per DTC size category. This is important as actual parcel estimates do not account for the probable presence of large, potentially high value stones that can have a considerable influence on average diamond value. The modeled run of mine diamond value estimate by Galaxy in June 2009 is $559 per carat. In its June 2009 valuation and modeling work, Galaxy noted fragments of the large Type IIa stone which originally exceeded 44 carats (noted above) and observed that, had the stone not been broken, the modeled value estimate would be significantly higher.

Limitations of Bulk Sample Inferences and Estimates made from the Mothae Bulk Sampling Program

The inferences and estimates made from results of the bulk sampling program have the following limitations:

- The extent of delineation drilling is minimal for determining overall pipe volume and is inadequate to demonstrate internal geological continuity of various kimberlite domains that occur within the Mothae pipe. Additional drilling will be required to refine the overall pipe shape and associated volume calculations. Additional drilling and geological interpretation will be required to develop an internal geological model for the Mothae kimberlite and hence to establish the volume of different kimberlite domains present. This work will change the forecast grade estimate due to the variable grade of the different domains.
- Due to accessibility constraints a significant portion of the southern lobe was poorly represented in the bulk sample, resulting in uncertainty in grade estimates for this volumetrically important zone.
- All sampling for grade has occurred within the upper weathered kimberlite section of the pipe and the majority of this sampling has taken place in the southern lobe. Refinement of diamond grade estimates for the unweathered portion of the pipe, which has not yet been sampled, will require additional drilling and geological interpretation. It is anticipated that processing of unweathered kimberlite will result in reduced diamond liberation relative to weathered kimberlite, which will result in a reduced recoverable diamond grade. The extent of this grade reduction and its impact on diamonds size distribution and value is poorly constrained.
- The Neck Zone was not sampled and the grade of this material is not known.
- The current value estimates are based on valuations undertaken on a relatively small diamond parcel.
- Some breakage of large diamonds was noted, and test work with diamond simulants as well as observed breakage surfaces on approximately 30% of the recovered diamonds indicates that diamond breakage may have been significant.

- The diamond parcel recovered from bulk sampling is not large enough to determine the frequency and character of very large diamonds (+50 carats). In addition, the process and diamond recovery plant used in the bulk sample program was incapable of recovering stones greater than approximately 30 carats.

4.1.1.2.12 Trial Mining Program

The limitations of assessment of the Mothae Diamond Project's economic potential, as made from the bulk sampling program and prior work, are currently being addressed through a trial mining program which commenced in late May 2010. Prior to the initiation of trial mining significant modifications were made to the process plant to allow for recovery of large diamonds (up to approximately 40 mm in diameter) and to minimise diamond breakage.

The trial mining program is designed to sample and process up to 720,000t of kimberlite from various kimberlite domains which have been identified within the pipe to better constrain geological and diamond grade continuity, the abundance of the high value Type lla diamonds and achieve true price discovery through periodic diamond sales by open tender. Following a competitive bidding process for mining and process plant operations, a mining contract was awarded to Lesotho-based Thoytanyana Mining and Civil Works and a plant operation contract was awarded to Lesotho-based Minerals Operation Executive (Pty) Ltd. Key personnel in Lesotho have been recruited to manage the operations.

Test mining commenced in late May 2010 and continues. The upgraded process plant was commissioned using F domain kimberlite remaining on stockpile from the prior bulk sampling program and plant throughput achieved design capacity of 30,000t per month in August 2010. Mining and processing has focussed on the C domain kimberlite, which is currently interpreted to comprise the largest kimberlite domain of the Mothae pipe. A total of 187,518 dry tonnes of kimberlite have been processed as of the end of March 2011 resulting in recovery of 13,549 diamonds weighing a total of 6,016.57 carats. As in the prior bulk sampling program, the bottom cut off size for diamond recoveries is 2mm. In addition, a total of approximately 90,000 cubic meters of topsoil and residual overburden material have been stockpiled for processing at a later date.

The following table summarizes trial mining results to the end of March 2011.

Sample	Stones	Carats	Cts/Stone	Dry Tonnes	Grade (cpht)
F1D	111	77.65	0.70	1,592	4.88
C4A	1,446	756.71	0.52	29,649	2.55
C5A	3,084	1,111.25	0.36	48,542	2.29
C6A	502	248.09	0.49	7,296	3.40
C8A	3,510	1,439.85	0.41	49,152	2.93
C9A	3,815	1,927.65	0.51	40,370	4.77
G2A	991	455.37	0.46	10,917	4.17
Total	**13,459**	**6,016.57**	**0.45**	**187,518**	3.21

Sample C9A was completed in mid-March, producing 1,937.65 carats of diamonds from 40,370 dry tonnes of kimberlite for a sample grade of 4.80 cpht. Sample C9A produced 3 stones greater than 20 carats, 8 stones between 10 and 20 carats, 28 stones between 5 and 10 carats and 82 stones between 2 and 5 carats. The three largest stones from sample C9A weighed 48.54, 33.80 and 21.82 carats. The two largest of these stones represent broken halves of a single octahedron with an original weight of 82.34 carats.

It should be noted that the diamond recovery information is provisional; Mothae Diamonds is in the process of commissioning a grease recovery system at the mine site to audit x-ray recovery tailings. The results of this work will be incorporated into revised diamond recovery and grade information when complete.

Mothae Diamonds conducted its initial diamond sale by open tender in Antwerp during the later part of March 2011. A total of 42 sale lots, totalling 9,831.35 carats were sold for an average of $871.71/carat. Gross proceeds from the sale, which closed on March 28, 2011, totalled approximately $8,177,714.

4.1.1.3 KAVANGO PROJECT, NAMIBIA

Motapa Diamonds has a 100% interest in 10 exclusive prospecting licenses for precious stones in northeast Namibia. In December 2006, Motapa Diamonds granted Namdeb the right to earn a 51% interest in the licenses by committing to fund a work program of approximately $4.4 million by December 2011 and a second option to earn an additional 14% interest (for a total of 65%) by fully funding the project to completion of a bankable feasibility study within five years of electing to exercise its second option.

Exploration conducted by the Company on the Kavango, Kaudom and Kavango West license areas includes sampling, airborne and ground-based geophysics, and exploration drilling. In total over 6,200 heavy mineral samples were collected and processed for Kimberlitic Indicator Minerals ("KIMs"). A fixed wing airborne survey collected 32,000 line km of aeromagnetic data and five high resolution magnetic survey blocks were flown by helicopter over high interest areas defined by sampling. Ground geophysical surveys, mainly magnetic and gravity traverses, were undertaken over 69 airborne magnetic anomalies. A number of phases of exploration drilling to test geophysical anomalies have been conducted over the license groups. In total 37 reverse circulation holes have been drilled and 38 diamond core holes drilled. Reverse circulation chips and core have been sampled and processed for KIMs.

Surface sampling on the Kavango licenses has constrained a significant KIM anomaly, referred to as the Omatako anomaly, which consists of mainly pyrope garnet and a subordinate amount of other KIMs including chrome diopside and diamond. The Omatako anomaly is ilmenite poor in contrast to the ilmenite rich Sekereti kimberlites which are barren. The composition of garnets recovered from down hole drill samples, for the most part, are similar to garnets recovered from surface deflation samples in the Omatako anomaly. On the Kavango licenses the KIMs recovered suggest that undiscovered diamond bearing kimberlite may be present in the area and there is evidence that at least some of the KIM grains recovered from the Omatako anomaly have a local source. This includes the recovery of garnets which display size, angularity and surface characteristics which are not consistent with regional or longer range transport and the recovery of mantle derived chrome diopside grains (chrome diopside does not survive well in the secondary environment and its presence is generally indicative of a proximal kimberlitic source). The KIMs composition recovered in the Kaudom licenses and the kimberlites intersected during drilling in Kaudom are akin to the compositions observed in the nearby Sekereti kimberlites and are indicative of a very low diamond potential.

The work carried out to-date over the Kavango licenses has led to identification of an area most likely to contain the source of the Omatako anomaly. This selected area has potential for the discovery of high-interest kimberlites. Further work planned for the evaluation of the Kavango licenses consists of the merging of the Namibian geological survey data and the airborne magnetic survey data carried out by the Company, completion of a high resolution airborne geophysical survey over the selected area of interest, anomaly prioritization, ground geophysical surveys and exploration and discovery drilling with associated sample collection. All exploration at Kavango is currently being funded by Namdeb.

4.2. Social and Environmental Policies

4.2.1. Corporate and Social Responsibility Charter

The Corporation has implemented a Corporate and Social Responsibility Charter, which reads as follows:

"Lucara Diamond Corp ("Lucara") will initiate and promote ongoing dialogue with a broad range of stakeholders across our operations, maintained in a spirit of transparency and good faith. Lucara recognizes that effective stakeholder engagement can create value and mitigate risk for both the company and its stakeholders. We

acknowledge that mining is, by definition, finite and therefore will work to provide lasting benefits in the communities where we live and work.

Lucara will:

- Work consultatively with community partners to ensure that our support matches their priorities;
- Ensure that our support is focused on sustainable community development rather than dependency;
- Impact positively on the quality of life of marginalized and disadvantaged members of the community;
- Seek opportunities to maximize employment and procurement for local communities through the provision of suitable training opportunities and resources; and
- Conduct our activities to meet or exceed accepted standards in the protection and promotion of human rights."

4.2.2. Environmental Policy

The Corporation has implemented an Environmental Policy, which reads as follows

"Lucara Diamond Corp ("Lucara") is committed to sustainable development, which requires that we seek ways to minimize the short and long term adverse impacts of our activities on the natural environment. We will achieve this through the development and approval of Environmental Impact Assessments (EIA's) and effective implementation of our Environmental Management Plans (EMP's) at each of our operations.

Lucara promotes environmental awareness with all employees, contractors and visitors and encourages them to conduct themselves in ways that minimize their environmental impact. We actively seek opportunities for mitigation of adverse impacts on the environment through effective and efficient waste management, water use, energy use, biodiversity conservation, and implementation of our closure plans.

Lucara will:

- Conduct all our activities in substantial compliance with our EIA's and EMP's, applicable legislation and other requirements to conserve and protect the environment, employees and the communities that are affected by our operations;
- Apply international best practices in the absence of legislation or more stringent local criteria, guided by Equator Principles and IFC guidelines, where Lucara believes these are needed to advance environmental protection and to minimize environmental risks;
- Integrate management of the environment into company business practices and planning;
- Protect the environment through the wise use of resources and prevention of adverse environmental impacts, including pollution prevention;
- Implement, maintain and improve appropriate management systems and programs to achieve effective and efficient waste management, water use, energy use, biodiversity conservation, and implementation of our closure plans and to continually improve environmental performance through a process of regular reviews;
- Ensure that all operations are aware of this Corporate Policy and develop local policies and procedures that embody and support Lucara's corporate objectives; and
- Communicate openly with governments, employees, local communities and the public to sustain mutual understanding of Lucara's environmental commitments and performance."

ITEM 5 RISKS AND UNCERTAINTIES

The Company's projects are subject to various risks and uncertainties, including but not limited to, those listed below.

Operations of the Company are speculative due to the high risk nature of its business which includes acquisition, financing, exploration and development of diamond properties. Material risk factors and uncertainties, which should be taken into account in assessing the Company's activities, include, but are not necessarily limited to, those set below. Any one or more of these risks and others could have a material adverse effect on the Company.

No Operating Profit – Need for Additional Funds - Dilution

The Company has no history of profitable operations and has negative cash flow from operating activities. The Company has no assurance that additional funding will be available to it for further development and exploration of its various mineral projects, when required. Further development and exploration depends upon the Company's ability to obtain financing through equity or debt financing, joint ventures or other means. While the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be successful in obtaining additional financing in the amount and at the time required and, if available, that it can be obtained on terms satisfactory to the Company. Such means of financing typically results in dilution of a shareholder's interest, either directly as a result of issuing equity securities or indirectly through dilution of an interest in one of the Company's projects.

Failure to obtain equity or debt financing on a timely basis may cause the Company to postpone its exploration and development plans or forfeit rights in some of its projects.

Economic Conditions

Unfavourable economic conditions may negatively impact the Company's financial ability. Unfavourable economic conditions could also increase the Company's financing costs, decrease estimated income from prospective mining operations, limit access to capital markets and negatively impact the availability of credit facilities to the Company.

Uncertainties Related to Mineral Resource Estimates

There is a high degree of uncertainty attributable to the calculation of mineral resources and corresponding grades being mined or dedicated to future production. Until resources are actually mined and processed, no assurance can be given to the actual quantity of mineral resources and grades. Any material change in the quantity of resources, grades or stripping ratio may affect the economic viability of the Company's properties. In addition, there is no assurance that recoveries in small-scale laboratory tests will be duplicated in larger-scale tests under on-site conditions, or during production. Determining the economic viability of a diamond project is complicated and involves a number of variables. It involves extensive geo-statistical analysis due to the highly variable nature of diamond distribution in kimberlite pipes and the fact that both diamond grade and average diamond value play important roles in determining the viability of any given diamond project. Since no two diamonds are exactly alike, a significant parcel of diamonds is needed to gain confidence levels on diamond size distribution and average diamond value necessary to make any realistic decisions regarding future development.

Diamond Prices and Marketability

The mining industry, in general, is intensely competitive and there is no assurance that, even if commercial quantities of diamonds are discovered, a profitable market will exist for the sale of diamonds produced. The value of the Company's shares, its financial results and its mining activities are significantly affected by the price and marketability of diamonds. Factors beyond the control of the Company may affect the price and marketability of any diamonds produced and which cannot be accurately predicted, such as market fluctuations, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of diamonds and environmental protection, any combination of which factors may result in the Company not receiving an adequate return on investment capital. Prices received for diamonds produced and sold are also affected by numerous factors beyond the Company's control such as international economic and political trends, global or regional consumption and demand and supply patterns. There is no assurance that the sale price of diamonds produced from any diamond deposit will be such that they can be mined at a profit.

Licenses, permits and approvals

The Company's operations require licenses, permits and approvals from various governmental authorities. The Company believes that it currently holds and is presently complying in all material respects with all necessary licenses and permits under applicable laws and regulations to conduct its current operations. However, such licenses and permits are subject to change in various circumstances and certain permits and approvals are required to be renewed from time to time. Additional permits or permit renewals will need to be obtained in the future. The granting, renewal and continued effectiveness of these permits and approvals are, in most cases, subject to some level of discretion by the applicable regulatory authority. Certain governmental approval and permitting processes are subject to public comment and can be appealed by project opponents, which may result in significant delays or in approvals being withheld or withdrawn.

There can be no guarantee the Company will be able to obtain or maintain all necessary licenses and permits as are required to explore and develop its properties, commence construction or operation of mining facilities and properties under exploration or development or to maintain continued operations that economically justify the cost.

Currency Risk

The Company's business is mainly transacted in South African Rand, Botswana Pula and U.S. dollar currencies. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction.

Foreign Operations Risk

The Company's current significant projects are located in Botswana and Lesotho. Each of these countries exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. There is no assurance that future changes in taxes or such regulation in the various jurisdictions in which the Company operates will not adversely affect the Company's operations. Although the operating environments in Botswana and Lesotho are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest.

Changes in mining or investment policies or shifts in political attitudes may also adversely affect the Company's business.

Mineral Exploration and Development

The business of exploring for diamonds and mining is highly, speculative in nature and involves significant financial and other risks which even careful evaluation, experience and knowledge may not eliminate. There is no certainty that expenditures made or to be made by the Company in exploring and developing diamond properties in which it has an interest will result in the discovery of commercially mineable deposits. Most exploration projects do not result in the discovery of commercially mineable deposits. While discovery of a diamond bearing deposit may result in substantial rewards, few properties which are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a site. There can be no guarantee that exploration programs carried out by the Company will result in the development of profitable mining operations.

Title Matters

Any changes in the laws of Botswana, Lesotho or Namibia relating to mining could have a material adverse effect to the rights and title to the interests held in those countries by the Company. No assurance can be given that applicable governments will not revoke or significantly alter the conditions of applicable exploration and mining authorizations nor that such exploration and mining authorizations will not be challenged or impugned by third parties.

Infrastructure

Exploration, development, mining and processing activities depend on the availability of adequate infrastructure. Reliable roads, bridges, power and water supply are important determinants which affect capital and operating costs. Unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

Uninsured Risks

The mining business is subject to a number of risks and hazards including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability. The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Competition

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Company's ability to acquire prospective properties in the future.

Current and Future Legal Proceedings

Due to the nature of its business, the Company may be subject to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of its business. The results of these legal proceedings cannot be predicated with certainty due to the uncertainty inherent in litigation, including the effects of discovery of new evidence or advancement of new legal theories, the difficulty of predicting decisions of judges and juries and the possibility that decisions may be reversed on appeal. There can be no assurance that these matters will not have a material adverse effect on the Company's business. See Item 9 "Legal Proceedings and Regulatory Actions".

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with other public companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transactions. If a conflict of interest arises, the Company will rely on its code of ethics policy and applicable corporate legislation to which all directors and officers are subject.

These provisions state that where a director has such a conflict, that director must, at a meeting of the company's directors, disclose his interest and refrain from voting. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Key Personnel

The Company is depending on a relatively small number of key employees, the loss of any of whom could have an adverse effect on the Company. The Company does not have key person insurance on these individuals.

Share Price Volatility

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities.

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 General Description of Capital Structure

The authorized share capital of the Company consists of an unlimited number of Common Shares without par value. As at the date of this AIF a total of 362,634,050 Common Shares were issued and outstanding.

The holders of Common Shares are entitled to receive notice of and attend all meetings of shareholders with each Common Share held entitling the holder to one vote on any resolution to be passed at such shareholder meetings. The holders of Common Shares are entitled to dividends if, as and when declared by the board of directors of the Company. The Common Shares are entitled upon liquidation, dissolution or winding up of the Company to receive the remaining assets of the Company available for distribution to shareholders.

6.2 Dividends

There are no restrictions which prevent the Company from paying dividends. The Company has not paid dividends on its Common Shares and it has no present intentions of paying any dividends on its Common Shares, as it anticipates that all available funds will be invested to finance the growth of its business. The directors of the Company will determine if and when dividends should be declared and paid in the future, based on the Company's financial position at the relevant time.

ITEM 7 MARKET FOR SECURITIES

7.1 Exchange Listing

The Common Shares are currently trading on the TSX-V under the symbol "LUC".

7.2 Trading Price and Volume

The following table provides information as to the monthly high and low trading prices and respective aggregate monthly volumes of the Common Shares traded on the TSX-V during the 12 months of the most recently completed financial year:

Month	High ($)	Low($)	Volume
January 2010	1.07	1.00	1,920,740
February 2010	1.07	1.00	2,233,220
March 2010	1.08	0.95	3,881,532
April 2010	1.18	0.94	6,043,586
May 2010	1.02	0.71	4,761,013
June 2010	0.98	0.76	11,447,883
July 2010	0.82	.0.65	2,531,254
August 2010	0.96	0.79	1,456,841
September 2010	0.96	0.84	321,539
October 2010	0.95	0.81	2,848,938
November 2010	0.95	0.84	1,963,749
December 2010	1.02	0.90	4,549,810

7.3 Escrowed Securities

There are no securities held in escrow.

ITEM 8 DIRECTORS AND OFFICERS

8.1 Name, Address, Occupation and Security Holding of Directors and Officers

The Board of Directors of the Company is currently comprised of eight directors who are elected annually. Each director holds office until the next annual meeting of shareholders or until his successor is duly elected unless his office is earlier vacated in accordance with the by-laws of the Company. The names, provinces and countries of residence of each of the directors and officers of the Corporation as at December 31, 2010, their respective positions and offices held with the Company, their principal occupations within the preceding five years and the number of securities of the Company owned by them as at the date of this AIF is set forth in the following table:

Name, residence and current position(s) held in the Company [(1)]	Principal occupations for last five years [(1)]	Served as director since
LAMB, William **British Columbia, Canada** **President/ CEO and Director**	President & CEO of the Corporation (see below for further details)	February 19, 2010
CLARK, Richard P. **British Columbia, Canada** **Director**	President & CEO of Red Back Mining Inc. from June 2002 – September 2010 (see below for further details); Director of a number of other publicly traded resource-based companies, including Kinross Gold Corporation	February 19, 2010
CONIBEAR, Paul K. **British Columbia, Canada** **Lead Director**	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. (see below for further details)	April 5, 2007
EDGAR, Brian D. **British Columbia, Canada** **Director**	Executive Chairman of Metalline Mining Company; Director of a number of other publicly traded companies (see below for further details)	April 5, 2007
GURNEY, John J. **Capetown, South Africa** **Director**	Emeritus Professor at the University of Cape Town; Chairman of Mineral Services International; Formerly, Chairman of Motapa Diamonds Inc. (see below for further details)	July 3, 2009
LUNDIN, Lukas H. **British Columbia, Canada** **Chairman and Director**	Businessman; Director and Officer of a number of other publicly traded resource-based companies (see below for further details)	April 5, 2007
OTT, Lawrence E. **Colorado, USA** **Vice President, Exploration and Director**	Vice President – Exploration of the Corporation; Formerly, Chief Executive Officer and Managing Director of Motapa Diamonds Inc. (see below for further details)	July 3, 2009
THOMAS, Eira **British Columbia, Canada** **Director**	Chairman, Stornoway Diamond Corporation (see below for further details)	August 4, 2009
GEORGE, Anthony **British Columbia, Canada** **Vice President, Development**	Vice President, Development of the Corporation; Chief Operating Officer of Aura Minerals Inc. from June 2007 to November 2009 (see below for further details)	N/A
CAMPBELL, James A. H. **Irene, South Africa** **Vice President, New Business**	Vice President, New business of the Corporation since January 3, 2011; Managing Director of African Diamonds plc from October 2006 until December 2010 (see below for further details)	N/A
NEALE, Susan **British Columbia, Canada** **Chief Financial Officer**	Chief Financial Officer of the Corporation; Chief Financial Officer of Quest Capital Corp, a publicly listed asset backed lender based in Vancouver, British Columbia from 2002 to 2006 (see below for further details)	N/A

Name, residence and current position(s) held in the Company [1]	Principal occupations for last five years [1]	Served as director since
ROMO, Rodrigo I. **British Columbia, Canada** **Corporate Secretary**	Corporate Secretary of the Corporation; Corporate Secretary of a number of other publicly traded resource-based companies within the Lunding Group of Companies since July 2009. In-house Securities and Corporate Paralegal for Quorum Management & Administrative Services Inc. (September 2001 to July 2009) and Corporate Secretary for Emgold Mining Corporation and ValGold Resources Ltd. (until November 2009) (see below for further details)	N/A

[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.

William Lamb – Mr. Lamb has over 18 years experience in the mining operations and project development industry. Having obtained a NHD in Extraction Metallurgy for the Technicon of the Witwatersrand, he worked for Rand Mines, gaining production experience in the gold, platinum, chrome and coal sectors. In 1994 Mr. Lamb joined De Beers working as a research officer in the Johannesburg based research laboratories. Three years later he joined Kvaerner Metals as their lead process design engineer, responsible for all metallurgical design aspects of the non-ferrous division. After focusing on heavy mineral concentration design, Mr. Lamb returned to De Beers as their Dense Medium Service Specialist. Mr. Lamb transferred to De Beers Canada Inc in 2002 as their Metallurgical Superintendent, responsible for process design and certain project management aspects of the Canadian projects. In 2005 Mr. Lamb took up the role of Process Manager for the Victor mine in Northern Ontario. After completing an MBA through the Edinburgh Business School, Mr. Lamb joined the Lundin Group in May 2008.

Richard P. Clark - Mr. Clark is a former lawyer who practiced mining and securities law in British Columbia from 1987 to 1993. For the past ten years Mr. Clark has been a senior executive with the Lundin Group of Companies. In 2004 he became President and CEO of Red Back and under his leadership Red Back grew into one of the top performing gold companies which ultimately resulted in a $7.1 billion takeover by Kinross Gold Corporation in September 2010.

Paul K. Conibear **-** Mr. Conibear has over 25 years of experience in mining projects in several African countries, North America, and a number of South American countries. His background includes 18 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 10 years he has held public company executive management and director's positions with the Lundin group of companies, most notably serving for several years as President and CEO of Tenke Mining Corp. where he was instrumental in progressing the world class Tenke Fungurume copper/cobalt project towards its current position as a major mining operation in central Africa.

Brian D. Edgar **-** Mr. Edgar has been active in public markets for over 25 years. A graduate of the University of British Columbia law school, Mr. Edgar practiced corporate and securities law in Vancouver for 16 years before retiring in October 1992 to establish Rand Edgar Investment Corp., an investment/banking, venture capital company in the business of providing early stage venture capital to high growth companies and in providing advisory services concerning corporate structuring, finance, business strategies, private and public securities offerings and relations with regulatory authorities, lawyers, accountants and technical consultants. Mr. Edgar serves on the Board of a number of public companies.

Dr. John J. Gurney **-** Through his research activities at the University of Cape Town, Dr. Gurney has a reputation as a leading authority in the field of geochemical exploration for diamondiferous kimberlites. He also has extensive experience of marine and alluvial diamond deposits, diamond valuation and marketing and of mine development procedures. He acquired these during over 30 years involvement at consultant and executive levels in diamond exploration and diamond producing companies.

Lukas H. Lundin - Mr. Lundin is known for recognizing value and superior global investment opportunities in the natural resource sector. His uninhibited pursuit of highly prospective properties around the world has resulted in numerous resource discoveries, including the multi-million ounce Veladero gold discovery. Mr. Lundin has also led several companies through highly profitable business acquisitions and mergers such as Lundin Mining's $3.3 billion merger with EuroZinc Mining, the $2 billion sale of Tanganyika Oil Company Ltd. and most recently the $7.1 billion sale of Red Back Mining Inc. Mr. Lundin is a graduate of the New Mexico Institute of Mining and Technology. He currently sits on the Board of a number of publicly traded companies.

Dr. Lawrence E. Ott - Dr. Ott holds an MSc in Geology from Montana Tech and a PhD in Geology from the University of Idaho and is a member of the Australian Institute of Mining and Metallurgy. He has over 20 years international experience in mineral exploration and production, including diamond exploration and resource development in Canada, French Guiana and Australia, gold exploration and mining in the United States and west Africa and base metal and coal exploration in the United States.

Eira Thomas - Eira Thomas is a respected Canadian geologist with a highly successful career in the mining industry. She served as a geologist with Aber Resources Ltd. (now Harry Winston Diamond Corporation) from 1992 to 1997, leading the field exploration team that discovered the Diavik Diamond Project pipes in the Northwest Territories in 1994 and 1995. She was promoted to Vice-President Exploration for Aber in 1997, a post she held for two years. She served as a director of Aber Diamond Corporation from April 1998 to August 2006. Ms. Thomas is also a director of a number of other public companies and organizations.

Anthony George - Mr. George is a mining engineer with over 27 years of experience in operations, design and construction. He commenced his career with De Beers in South Africa and later transferred to De Beers in Namibia where he was mine manager of the open-pit Auchas mine prior to moving to Canada to take up a senior position with Iron Ore Company of Canada in Labrador. Thereafter, Mr. George held the position of Manager – Mining with AMEC Inc. where he was project manager for several international projects. Mr. George rejoined De Beers in 2003 where he was mine manager on the team that brought the Victor open pit diamond project through feasibility, engineering and construction. Prior to joining the Company, Mr. George was Chief Operating of Aura Minerals Inc., a company focused on the acquisition, exploration, development and operation of gold and base metal projects in the Americas.

James A. H. Campbell - Mr. Campbell was appointed Vice President, New Business of the Company effective January 3, 2011. Prior to joining the Company, Mr. Campbell worked as Managing Director of African Diamonds plc from October 2006 until December 2010 and was instrumental in paving the way for the award of a Mining License for the AK6 project. Prior to joining African Diamonds plc, Mr. Campbell was with De Beers for over twenty years, culminating in being General Manager responsible for resource delivery in the Global Mining and Exploration group. Mr. Campbell holds a degree in Mining & Exploration Geology from the Royal School of Mines (Imperial College, London University) and an MBA with distinction from Durham University. Mr. Campbell is a Fellow of the Institute of Mining, Metallurgy & Materials, Chartered Engineer (UK), Chartered Scientist (UK), a Professional Natural Scientist (RSA) and a member of the Institute of Directors of South Africa.

Susan Neale – Ms. Neale is a certified general accountant with over 20 years experience in the resource industry and in financial services industry. Prior to joining the Lundin Group of Companies in 2007, Ms. Neale served as Chief Financial Officer from 2002 to 2006 for Quest Capital Corp, a publicly listed asset backed lender based in Vancouver. Prior to that Ms. Neale held senior accounting positions with the same company from 1991 (formerly Viceroy Resource Corporation) during that time the company was actively involved in acquiring, exploring, financing, developing and operating gold producing properties.

I. Rodrigo A. Romo – Mr. Romo is the Corporate Secretary of a number of resource-based companies within the Lunding Group of Companies. Prior to joining the Lundin Group of Companies, Mr. Romo was the in-house Securities and Corporate Paralegal for Quorum Management & Administrative Services Inc. ("Quorum"), a private company, which provides management, administrative, legal, geological and other services to a number publicly

traded mineral exploration companies. Mr. Romo also acted as the Corporate Secretary for two of the Quorum group of companies, namely, Emgold Mining Corporation and ValGold Resources Ltd.

Certain directors and officers of the Company have other business interests and do not devote all of their time to the affairs of the Company. See "Conflicts of Interest" below.

The directors and officers of the Company hold, as a group, a total of 12,982,054 Common Shares, representing approximately 3.58% of the number of Common Shares issued and outstanding as at the date hereof.

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 P. Clark	Brian D. Edgar (Chair) Eira Thomas Paul K. Conibear

8.2 Corporate Cease Trade Orders or Bankruptcies

Except as noted below, 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.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

8.3 Penalties or Sanctions

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.

8.4 Personal Bankruptcies

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.

The foregoing information, not being within the knowledge of the Company, has been furnished by the respective directors, officers and any control shareholder of the Company individually.

8.5 Conflicts of Interest

The Company's directors and officers may serve as directors or officers of other companies or have significant shareholdings in other resource companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or the terms of such participation. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties, thereby allowing for their participation in larger programs, the involvement in a greater number of programs or a reduction in financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of Canada, the directors or the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and the financial position at that time.

The directors and officers of the Company are aware of the existence of laws governing the accountability of directors and officers for corporate opportunity and requiring disclosure by the directors of conflicts of interest and the Company will rely upon such laws in respect of any directors' and officers' conflicts of interest or in respect of any breaches of duty by any of its directors and officers. All such conflicts will be disclosed by such directors or officers in accordance with the *Business Corporations Act (British Columbia)* and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law. Other than as disclosed above, the directors and officers of the Company are not aware of any such conflicts of interest in any existing or contemplated contracts with or transactions involving the Company.

ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

9.1 Legal Proceedings

Upon completion of the AFD Arrangement Agreement which resulted in the Company holding an undivided 100% indirect ownership interest in the AK6 Mine, the Company retained certain liabilities related to legal proceedings initiated by two former directors of AFD against AFD alleging entitlement to a 3% NSR on production from the AK6 Mine. The Company believes that the claim is without merit and will continue AFD's previous efforts to vigorously defend the claim.

9.2 Regulatory Actions

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable

investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

ITEM 10 AUDIT COMMITTEE

10.1 Overview

The audit committee of the Company's Board of Directors is principally responsible for:

- recommending to the Company's Board of Directors the external auditor to be nominated for election by the Company's shareholders at each annual general meeting and approving the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Company's annual financial statements, MD&A and press releases regarding earnings before they are reviewed and approved by the Board of Directors and publicly disseminated by the Company; and
- reviewing the Company's financial reporting procedures with respect to the public disclosure of financial information extracted or derived from its financial statements.

10.2 Audit Committee Charter

The Company's Board of Directors has adopted an audit committee charter (the "Charter") which sets out the audit committee's purpose, procedures, organization, powers, roles and responsibilities. The complete Charter is attached as Schedule A to this AIF.

10.3 Composition of the Audit Committee

Below are the details of each audit committee member, including his/her name, whether he/she is independent and financially literate as such terms are defined under National Instrument 52-110 – Audit Committees ("NI 52-110") and his/her education and experience as it relates to the performance of his/her duties as an audit committee member. The qualifications and independence of each member is discussed below and in the Company's Management Proxy Circular dated April 15, 2011, prepared in connection with the Company's annual meeting of shareholders scheduled to be held on May 13, 2011, a copy of which is available under the Company's profile on the SEDAR website at www.sedar.com.

Member Name	Independent[1]	Financially Literate[2]	Education and Experience Relevant to Performance of Audit Committee Duties
Paul K. Conibear (Chair)	Yes	Yes	Mr. Conibear is a professional engineer with more than 25 years of experience in the mining industry. Mr. Conibear has also served as an executive officer, director and audit committee member of several public resource-based companies.
Brian D. Edgar	Yes	Yes	Mr. Edgar is a retired corporate and securities lawyer and mining executive with a Law Degree from the University of British Columbia with approximately 35 years of public company experience. Mr. Edgar practiced in the area of corporate/securities law in private practice for 16 years and is co-owner of a private investment and venture capital firm and as such, has been involved in the financial analysis of many projects and companies. Mr. Edgar has served as an executive officer, director and audit committee chair of several other public resource-based companies. Through his education and experience, Mr. Edgar has experience overseeing and assessing the performance of companies and public accountants with respect to the preparation, auditing and evaluation of financial statements.

Member Name	Independent[1]	Financially Literate[2]	Education and Experience Relevant to Performance of Audit Committee Duties
Eira Thomas	Yes	Yes	Ms. Thomas is a professional geologist with approximately 20 years experience in the diamond industry. Ms. Thomas has served as an executive officer, director and audit committee member of several other public resource-based companies.

Notes:

(1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Company which could, in the view of the Board of Directors, reasonably interfere with the exercise of a member's independent judgment, or is otherwise deemed to have a material relationship under NI 52-110.

(2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

10.4 Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year the Company has not relied on the exemption in Section 2.4 (De Minimis Non-Audit Services), Section 3.2 (Initial Public Offerings), Section 3.4 (Events Outside Control of Member), Section 3.5 (Death, Disability or Resignation of Audit Committee Member) of NI 52-110 or an exemption from NI 52-110, in whole or in part, granted under Part 8 (Exemptions) of NI 52-110.

10.5 Reliance on the Exemption in Subsection 3.3(2) or Section 3.6

Since the commencement of the Company's most recently completed financial year the Company has not relied on the exemption in subsection 3.3(2) (Controlled Companies) or Section 3.6 (Temporary Exemption from Limited Exceptional Circumstances) of NI 52-110.

10.6 Reliance on Section 3.8

Since the commencement of the Company's most recently completed financial year the Company has not relied on the exemption in Section 3.8 (Acquisition of Financial Literacy) of NI 52-110

10.7 Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an internal auditor which was not adopted by the Company's Board.

10.8 Pre-Approval Policies and Procedures

All audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

10.9 External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditors during the last two fiscal years.

Fiscal Year Ending	Audit Fees C$[1]	Audit-Related Fees C$[2]	Tax Fees[3]	All other Fees[4]
December 31, 2010	55,000	16,975	Nil	3,304
December 31, 2009	17,000	4,768	Nil	27,940
July 31, 2009	15,5000	Nil	Nil	Nil

(1) Audit fees represent the aggregate fees billed by the Company's auditors for audit services.

(2) Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company'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 Company'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 Company's auditors other than services reported under clauses (1), (2) and (3) above.

In December 2009, the Company changed its financial year end from July to December 31. As a result of the change, the Company had a five month transitional financial period ended December 31, 2009. This change was made to align the Company's reporting periods with its subsidiaries.

Effective January 1, 2010, Morgan & Company (who has served as auditors of the Company since October 2002), resigned and PricewaterhouseCoopers LLP ("PwC") were appointed as the new auditors of the Company. No "reportable event" within the meaning of NI 51-102 - *Continuous Disclosure Obligations* occurred prior to or in connection with the change of auditors.

The consolidated financial statements as at July 31, 2009 and for the year then ended were audited by Morgan & Company who expressed an opinion without reservation on those consolidated financial statements in their report dated November 24, 2009.

PwC, prepared an Independent Auditors' Report dated April 27, 2010 in respect of the Company's consolidated audited financial statements as at December 31, 2009, and the consolidated statements of operations and comprehensive loss, deficit and cash flows for the five month period ended December 31, 2009. PwC have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

PwC, prepared an Independent Auditors' Report dated April 18, 2011, in respect of the Company's consolidated audited financial statements as at December 31, 2010. PwC have advised the Company that they are independent in accordance with the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the best of the Company's knowledge, none of the directors, officers or principal shareholders of the Company, and no associate or affiliate of any of them, has or has had any material interest in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Company.

ITEM 12 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia, Canada.

ITEM 13 MATERIAL CONTRACTS

There were no other contracts, other than those entered into in the ordinary course of business, that were material to the Company and that were entered into between January 1, 2010 and up to the date of this AIF or that were entered into prior to January 1, 2002 and remained in effect during 2010, other than as follows:

(a) Implementation Agreement dated October 4, 2010 between the Company and African Diamonds Plc ("AFD") pursuant to which the Company acquired all of the issued and outstanding securities 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.

ITEM 14 INTERESTS OF EXPERTS

The qualified persons as defined by NI 43-101 who have supervised the preparation of the technical reports or authored portions of the technical reports disclosed in this AIF are as follows:

- Dr. Norman Lock (BSc, PhD, CGeol FGS, MGSSA, PrSciNat.) of MSA Geoservices (Pty) Ltd., in respect of the Independent Technical Report dated February 12, 2007 on the Mothae Diamond Project

- Messrs. Ian McGeorge (BSc (Hons) Geol. MSc, CGeol, FGS, Pri.Sci.Nat.), Mike Lynn (BSc (Hons) Geol, MSc), Johannes Ferreira (MSc, DEA Geostatistics, Pri.Sci.Nat.) and Rob Croll (BSc (Min Eng), QV) of MSA Geoservices (Pty) Ltd., in respect of the 43-101 Technical Report on the AK6 Mine dated March 25, 2010

- Messrs. Ian McGeorge, Consulting Geologist (BSc (Hons), Geol. MSc, CGeol, FGS), Mike Lynn, Senior Project Manager (BSc (Hons), Geol, MSc), Johannes Ferreira, Consulting Geostatistician (MSc, DEA Geostatistics, PrSciNat) and Rob Croll, Consulting Engineer (BSc (Min Eng)), Dave Blair, Consulting Environmental Scientist (BSc (Hons) Zool., Pri.Sci.Nat) and Dr. Kym Morton, Consulting Hydrogeologist (PhD FGS FSAIMM, Pri.Sci.Nat), in respect of the NI 43-101 Technical Report revision and update on the AK6 Kimberlite Mine, Botswana, dated December 31, 2010.

To the best of the Company's knowledge and belief, no person or company named or referred to under this Item beneficially owns, directly or indirectly, 1% or more of any class of the Corporation's outstanding securities.

ITEM 15 ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR website at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, securities authorized for issuance under equity compensation plans and corporate governance practices using the disclosure requirements in National Instrument 58-101, *Disclosure of Corporate Governance Practices* is contained in the Company's Management Proxy Circular dated April 15, 2011, prepared in connection with the annual meeting of shareholders of the Company to be held on May 13, 2011. Additional financial information is provided in the audited consolidated financial statements of the Company for the years ended at December 31, 2010 and 2009 together with auditors' report thereon and the notes thereto, and MD&A for the year ended December 31, 2010.

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SCHEDULE "A"

Lucara Diamond Corp.

(the "Company")

AUDIT COMMITTEE CHARTER

1.0 Purpose of the Committee

1.1 The Audit Committee represents the Company's board of directors (the "Board") in discharging its responsibility relating to the accounting, reporting and financial practices of the Company and its subsidiaries, and has general responsibility for oversight of internal controls, accounting and auditing activities and legal compliance of the Company and its subsidiaries.

2.0 Members of the Committee

2.1 The Audit Committee shall consist of no less than three Directors. The members of the Committee shall be selected annually by the Board and shall serve at the pleasure of the Board.

2.2 At least one Member of the Audit Committee must be "financially literate" as defined under Multilateral Instrument 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

3.0 Meeting Requirements

3.1 The Committee will, where possible, meet on a regular basis at least once every quarter, and will hold special meetings as it deems necessary or appropriate in its judgment. Meetings may be held in person or telephonically, and shall be at such times and places as the Committee determines. Without a meeting, the Committee may act by unanimous written consent of all members.

3.2 A majority of the members of the Committee shall constitute a quorum.

4.0 Duties and Responsibilities

The Audit Committee's function is one of oversight only and shall not relieve the Company's management of its responsibilities for preparing financial statements which accurately and fairly present the Company's financial results and conditions or the responsibilities of the external auditors relating to the audit or review of financial statements. Specifically, the Audit Committee will:

(a) have the authority with respect to the appointment, retention or discharge of the independent public accountants as auditors of the Company (the "auditors") who perform

the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Board through the Audit Committee;

(b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;

(c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;

(d) review and discuss with management and the auditors the Company's audited financial statements and accompanying Management's Discussion and Analysis of Financial Conditions ("MD&A"), including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles and report on them to the Board;

(e) review and discuss with management the Company's interim financial statements and interim MD&A and report on them to the Board;

(f) pre-approve all auditing services and non-audit services provided to the Company by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to the Company that are prohibited by applicable law or regulation;

(g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board;

(h) periodically review the adequacy of the Company's internal controls and ensure that such internal controls are effective;

(i) review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on the Company's financial reports, and report on them to the Board;

(j) oversee and annually review the Company's Code of Business Conduct and Ethics;

(k) approve material contracts where the Board of Directors determines that it has a conflict;

(l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the audit or other accounting matters;

(m) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at the Company's expense to advise on material issues affecting the Company which the Audit Committee considers are not appropriate for the full Board;

(n) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;

(o) review and monitor all related party transactions which may be entered into by the Company;

(p) review and discuss with management the Company's Annual Information Form, including all financial information contained therein or incorporated by reference, and report on it to the Board; and

(q) periodically review the adequacy of its charter and recommendations any changes thereto to the Board.

5.0 Miscellaneous

5.1 Nothing contained in this Charter is intended to extend applicable standards of liability under statutory or regulatory requirements for the directors of the Company or members of the Committee. The purposes and responsibilities outlined in this Charter are meant to serve as guidelines rather than as inflexible rules and the Committee is encouraged to adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

6 Effective Date

6.1 Adopted by the Board on October 1, 2007, as amended December 22, 2010.

END OF SCHEDULE "A"