



Lucara Diamond Corp.

MANAGEMENT PROXY CIRCULAR

(all information as at January 8, 2010 unless otherwise noted)

SOLICITATION OF PROXIES

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation of proxies being made by the management of Lucara Diamond Corp. (the “Corporation”) for use at the annual general and special meeting of the Corporation’s shareholders to be held on Friday, February 19, 2010, at the time and place and for the purposes set forth in the accompanying Notice of Annual General and Special Meeting of Shareholders (the “Notice”) or at any adjournment thereof (the “Meeting”). Management’s solicitation of proxies will primarily be by mail and may be supplemented by telephone or other means of communication to be made, without special compensation, by directors, officers and employees of the Corporation. The cost of solicitation by management will be borne by the Corporation. The Corporation may retain other persons or companies to solicit proxies on behalf of management of the Corporation, in which event customary fees for such services will be paid.

It is anticipated that this Circular, together with the Notice and a form of proxy (the “Proxy”) will first be mailed to shareholders of the Corporation on or about January 25, 2010.

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

APPOINTMENT OF PROXYHOLDER

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

The instrument appointing a proxyholder must be signed in writing by the registered shareholder, or such shareholder’s attorney authorized in writing. If the registered shareholder is a corporation, the instrument appointing a proxyholder must be in writing signed by an officer or attorney of the corporation duly authorized by resolution of the directors of such corporation, which resolution must accompany such instrument. **An instrument of proxy will only be valid if it is duly completed, signed, dated and received at the office of the Corporation’s registrar and transfer agent, Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1 by 10:00 a.m. (PST) on Wednesday, February 17, 2010 (or not less than 48 hours, excluding Saturdays, Sundays and holidays before any adjournments of the Meeting at which such Proxy is to be used), or it is deposited with the Secretary of the Corporation or the chairman of the Meeting prior to the time of voting at the Meeting.**

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

VOTING OF PROXIES

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

EXERCISE OF DISCRETION

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

VOTING BY BENEFICIAL (NON-REGISTERED) SHAREHOLDERS

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

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

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

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

REVOCATION OF PROXY

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

RECORD DATE

Shareholders registered as at January 8, 2010 (the "Record Date") are entitled to attend and vote at the Meeting. Shareholders who wish to be represented by proxy at the Meeting must, to entitle the person appointed by the Proxy to attend and vote, deliver their Proxies at the place and within the time set forth in the notes to the Proxy.

INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No director or executive officer of the Corporation, or any person who has held such a position since the beginning of the last completed financial year end of the Corporation, nor any nominee for election as a director of the Corporation, nor any associate or affiliate of the foregoing persons, has any substantial or material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting other than the election of directors and the proposal to replace the Corporation's existing 20% Fixed Stock Option Plan with a 10% Rolling Stock Option Plan.

VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at the date hereof, the Corporation had 215,756,931 Common Shares outstanding. The holders of Common Shares are entitled to one vote for each share held. The Corporation has no other classes of voting securities.

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

Name and Address	Number of Common Shares	Percentage
Lorito Holdings S.à.r.l. ("Lorito") ⁽¹⁾ Luxembourg	21,272,159 ⁽²⁾	9.86%
Zebra Holdings and Investments S.à.r.l. ("Zebra") ⁽¹⁾ Luxembourg	13,494,382 ⁽²⁾	6.25%

⁽¹⁾ Lorito and Zebra, who report their security holdings as joint actors, are private corporations owned by a trust whose settler is the Estate of Adolf H. Lundin. Together, Lorito and Zebra hold a total of 34,766,541 Common Shares, which represents 16.1% of the current outstanding Common Shares.

⁽²⁾ In addition to the Common Shares reflected in the above table, Lorito and Zebra each hold 2,601,218 Bonus Share Receipts which are convertible into an aggregate of 5,202,436 Common Shares. The conversion of the Bonus Share Receipts is subject to disinterested shareholder approval as more particularly described in this Circular under the heading "Particulars of Matters to Be Acted Upon – Approval for Issuance of Bonus Shares".

ELECTION OF DIRECTORS

Directors are elected annually and the Board of Directors of the Corporation (the "Board of Directors" or the "Board") has determined that the number of directors to be elected is eight (8). Unless authority to vote is withheld, the shares represented by the Proxies hereby solicited will be voted by the persons named therein **FOR** the setting of the number of directors at eight (8) and **FOR** the election of the nominees whose names are set forth below. Six (6) of the eight (8) nominees are presently members of the Board of Directors and the dates on which they were first elected or appointed are indicated below. Management does not contemplate that any nominee will be unable or unwilling to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed Proxy reserve the right to vote **FOR** another nominee in their discretion, unless the shareholder has specified in the Proxy that such shareholder's Common Shares are to be withheld from voting on the election of directors.

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

Name and Jurisdiction of Residence ⁽¹⁾	Principal occupations for last five years ⁽¹⁾	Served as director since	Number of voting securities owned (directly or indirectly) or controlled at present ⁽²⁾
CONIBEAR, Paul K. British Columbia, Canada	President and Chief Executive Officer of Tenke Mining Corp. from 2002 to July 2007; Senior Vice President, Corporate Development, Lundin Mining Corp. from July 2007 to present;	April 5, 2007	100,000
EDGAR, Brian D. British Columbia, Canada	President, Chief Executive Officer and Director of Dome Ventures Corporation; Director of a number of publicly traded companies;	April 5, 2007	Nil
LUNDIN, Lukas British Columbia, Canada	Chairman and Chief Executive Officer of the Corporation; Director and Officer of a number of publicly traded resource-based companies;	April 5, 2007	482,000
OTT, Lawrence E. ⁽³⁾ Colorado, USA	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	158,597
GURNEY, John J. ⁽³⁾ Capetown, South Africa	Formerly, Chairman of Motapa Diamonds Inc. (see below for further details);	July 3, 2009	73,685 ⁽⁴⁾
THOMAS, Eira ⁽³⁾ British Columbia, Canada	Executive Chairman, Stornoway Diamond Corporation from January 2009 to present (see below for further details);	August 4, 2009	8,600,000
LAMB, William British Columbia, Canada	President & COO of the Corporation (see below for further details)	N/A	NIL
CLARK, Richard P. British Columbia, Canada	President & CEO of Red Back Mining Inc. (see below for further details)	N/A	NIL

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

⁽²⁾ The information as to Common Shares owned has been provided by the respective director nominees themselves.

⁽³⁾ Each of Messrs. Conibear, Edgar and Lundin were elected to their present terms of office by a vote of shareholders of the Corporation at a meeting the notice of which was accompanied by a management proxy circular. Each of Drs. Ott and Gurney were appointed to the Board following completion of the Plan of Arrangement involving the Corporation and Motapa Diamonds Inc. on July 3, 2009. Ms. Thomas was appointed to the Board on August 4, 2009, at which time the Board set the number of directors at six (6).

⁽⁴⁾ Adamas Trustees Limited, in its capacity as the trustee of The John Gurney Trust, holds an aggregate of 6,242,775 shares in trust for the benefit of Dr. John Gurney and members of his family and for the benefit of such employees and associates of Mineral Services International as may be designated by the directors of Mineral Services International.

Dr. John J. Gurney, Director - Dr. John J. Gurney was the Chairman of Motapa Diamonds Inc. ("Motapa") and served in this capacity since Motapa's founding in March 1998 until Motapa's acquisition by the Corporation on July 3, 2009, via a Plan of Arrangement. Dr. Gurney has a PhD in geochemistry and a BSc (Honours) from the University of Cape Town, where he has served as a professor since 1984. Dr. Gurney is one of the world's leading authorities in the field of geochemical exploration for diamondiferous kimberlites. Through his research group at the University of Cape Town and within Mineral Services (an MS Group Business), Dr. Gurney continues to direct numerous projects to improve diamond exploration techniques. In addition to his expertise in kimberlite exploration, Dr. Gurney has extensive knowledge of marine and alluvial diamond deposits and experience in marketing, diamond valuation, diamond recovery processes and mine development procedures. Over the course of a distinguished 40 year academic career, Dr. Gurney has authored and co-authored more than a hundred research papers on diamonds and associated rocks and minerals.

Dr. Gurney has also been associated with successful diamond exploration programs, both on land and offshore, including the discovery of the kimberlites that comprise the Ekati™ diamond mine. He has consulted for many companies during his career and was world-wide diamond consultant to BHP Minerals from 1989 for over a decade through the period of its entry into the diamond business and the establishment of the Ekati™ mine. Between 1989 and 1998, he was the Chairman of Benguela Concessions, a marine diamond exploration and mining company listed on the Johannesburg Stock Exchange, and a director of Industrial and Commercial Holdings, a company listed on the Johannesburg Stock Exchange that held mineral rights to the Venetia diamond mine.

Dr. Lawrence E. Ott, Director - Dr. Lawrence E. Ott was Motapa's Chief Executive Officer and Managing Director, a position he held from December 1998 until Motapa's acquisition by the Corporation on July 3, 2009, via a Plan of Arrangement. 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.

Prior to 1998, Dr. Ott was Diamond Exploration Manager at BHP Diamonds Inc., in which capacity he oversaw all aspects of the feasibility study resource assessment that led to development of the Ekati™ diamond mine, and, together with Dr. Gurney, developed an international diamond exploration strategy for BHP Diamonds Inc. which included the formation of Motapa. Prior to joining BHP Diamonds Inc. in 1988, Dr. Ott held positions with Amoco Minerals Inc., Cyprus Mines Corp., Asamera Minerals Inc. and Utah International Inc.

Eira Thomas, Director - Ms. Thomas is a Canadian geologist. 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. 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 was the President, Stornoway Diamond Corporation ("Stornoway") from July 2003 to March 2007, its Chief Executive Officer from June 2008 to January 2009, and is currently Stornoway's Executive Chairman. In addition to Stornoway, Ms. Thomas is also a director of a number of other public companies and organizations, including Suncor Energy Ltd, Strongbow Exploration Inc., Fortress Minerals Corp., the Northwest Territories Chamber of Mines and the Prospectors and Developers Association of Canada.

William Lamb, President & COO – Mr. Lamb has over 16 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 as the General Manager for the Corporation. In July 2009, Mr. Lamb was appointed as President and COO of the Corporation.

Richard P. Clark - Mr. Clark holds a B.A. and a LLB from the University of British Columbia. He has been a member of the Lundin Group of companies since 1999, and was elected as a Director, President and Chief Executive Officer of Red Back Mining Inc. ("Red Back") in June 2000. As President and CEO of Red Back, Mr. Clark has overseen the acquisition and development of the Chirano gold deposit in Ghana and the Tasiast gold project in Mauritania, both in West Africa. Red Back has rapidly developed into an intermediate gold company, with production of 342,085 ounces of gold in 2009. Red Back is on track to increase annual production towards 800,000 ounces by 2012.

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

CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Corporate Cease Trade Orders or Bankruptcies

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

- (a) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
- (c) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

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

Individual Bankruptcies

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

Penalties or Sanctions

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

AUDIT COMMITTEE AND NATIONAL INSTRUMENT 52-110, *AUDIT COMMITTEES* ("NI 52-110") DISCLOSURE

The Audit Committee oversees the accounting and financial reporting processes of the Corporation and its subsidiaries and all audits and external reviews of the financial statements of the Corporation on behalf of the Board, and has general responsibility for oversight of internal controls, accounting and auditing activities of the Corporation and its subsidiaries. All auditing services and non-audit services to be provided to the Corporation by the Corporation's auditors are pre-approved by the Audit Committee. The Committee is responsible for examining all financial information, including annual and quarterly financial statements, prepared for securities commissions and similar regulatory bodies and the shareholders prior to filing or delivery of the same. The Audit Committee also oversees the annual audit process, the Corporation's internal accounting controls, the Code of Business Conduct and Ethics; any complaints and concerns regarding accounting, internal controls or auditing matters and the resolution of issues identified by the Corporation's external auditors. The Audit Committee has the authority with respect to the appointment, retention or discharge of the firm of independent auditors to be nominated for appointment by the shareholders and recommends to the Board the compensation of the auditors. The Audit Committee meets a minimum of four times per year. The Audit Committee Charter is attached as Exhibit II to this Circular.

Composition of the Audit Committee

The members of the Audit Committee are Messrs. Paul K. Conibear and Brian D. Edgar, and Ms. Eira Thomas. All members of the Audit Committee are independent and all are considered to be “financially literate” within the meaning of NI 52-110 in that they each have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.

Relevant Education and Experience of Audit Committee Members

Each member of the Audit Committee has extensive experience in dealing with financial statements, accounting issues, internal control and other related matters relating to public resource-based companies.

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 corporate and 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.

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.

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.

Audit Committee Oversight

Since the commencement of the Corporation’s most recently completed financial year, there has not been a recommendation of the audit committee to nominate or compensate an external auditor that was not adopted by the Board of Directors.

Reliance on Certain Exemptions

Since the commencement of the Corporation’s recently completed financial year, the Corporation has not relied on the exemptions contained in §2.4 (*De Minimis Non-audit Services*) or an exemption from NI 52-110, in whole or in part, granted under Part 8 (*Exemptions*) of NI 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter attached as Exhibit II to this Circular.

External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Corporation by its external auditor during the last two fiscal years ended July 31, 2009 and are presented in Canadian dollars.

Financial Year Ending	Audit Fees⁽¹⁾	Audit-Related Fees⁽²⁾	Tax Fees⁽³⁾	All Other Fees⁽⁴⁾
July 31, 2009	17,000	3,500	Nil	Nil
July 31, 2008	15,500	Nil	Nil	Nil

(1) The aggregate fees billed for audit services.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and are not disclosed in the ‘Audit Fees’ column.

(3) The aggregate fees billed for tax compliance, tax advice, and tax planning services.

(4) The aggregate fees billed for professional services other than those listed in the other three columns.

Exemption

As a Venture Issuer (a company whose securities are not listed or quoted on any of the Toronto Stock Exchange, a market in the United States of America, or a market outside of Canada and the U.S.A.), the Corporation is exempt from the requirements of Part 3, (*Composition of the Audit Committee*), and Part 5, Reporting Obligations, of NI 52-110. The Corporation is relying on the exemptions provided for in Section 6.1 of NI 52-110.

APPOINTMENT AND REMUNERATION OF AUDITORS

Management has recommended a change of auditors from Morgan & Company (who has served as auditors of the Corporation since October 2002). Accordingly, the Corporation's Audit Committee requested the resignation of Morgan & Company as the Corporation's auditors and appointed PricewaterhouseCoopers LLP ("PwC") as the new auditors of the Corporation to be effective January 1, 2010. No "reportable event" within the meaning of NI 51-102 - *Continuous Disclosure Obligations* occurred prior to or in connection with the change of auditors. A notice of change of auditors and response letter from each of the former and successor auditors are attached as Exhibit III *Reporting Package*, to this Circular pursuant to the requirements of NI 51-102. The notice and response letters have been reviewed and approved by the Audit Committee and ratified by the Board of Directors.

The Directors of the Corporation recommend the appointment of PwC as auditors of the Corporation to hold office until the termination of the next annual meeting of the Corporation. Unless otherwise instructed, the proxies given pursuant to this solicitation will be voted in favour of the appointment of PwC as auditors of the Corporation to hold office until the close of the next annual meeting of the Corporation, at a remuneration to be determined by the Board.

STATEMENT OF EXECUTIVE COMPENSATION

Named Executive Officers

For the purposes of this Circular, "Named Executive Officer" means: (a) each Chief Executive Officer, (b) each Chief Financial Officer, (c) each of the three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the Chief Executive Officer and Chief Financial Officer, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 CAD; and (d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, as at July 31, 2009.

During the financial year ended July 31, 2009, the Corporation had four Named Executive Officers (each a "NEO", and collectively, the "NEOs"), being: Lukas Lundin, Chief Executive Officer, William Lamb, President and Chief Operating Officer, Lawrence Ott, Vice President-Exploration, and Susan Neale, Chief Financial Officer.

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

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

Overview of Compensation Philosophy

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

Elements of Compensation

Executive compensation is comprised of three elements:

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

Composition of the Compensation Committee

The Compensation Committee, on behalf of the Board, monitors compensation for the executive officers of the Corporation. The Compensation Committee currently has three members: Ms. Eira Thomas and Messrs. Paul Conibear and Brian Edgar. All of the members of the Compensation Committee are independent. Since 2007, the Compensation Committee has maintained a mandate and meets as frequently as necessary in order to fulfill its responsibilities and in any event, at least annually.

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

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

Performance Factors

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

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

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

Role of Management in Determining Compensation

The accountability for decisions on executive remuneration is within the mandate of the Board with recommendations from the Compensation Committee; however, management has a key role in helping support the Compensation Committee in fulfilling its obligations. For example, the CEO and other senior members of the Corporation's management team provide a source of external data and analysis.

Recruiting and Retention

The Corporation recognizes that its compensation package has to be sufficient to attract and retain the right level of skill, expertise and talent in an increasingly competitive global market.

The structure of the remuneration package must be well-balanced across the short, medium and longer term elements, so that it is both attractive to the individual and cost effective for the Corporation. This balance is achieved by providing base salary at a reasonable median level as an anchor which makes the Corporation a realistic prospect for talented candidates. However, the short term incentive (discretionary bonuses) provides recruits with the opportunity to achieve superior total annual reward through their own delivery of excellence at individual and business levels. Finally, the longer term reward element (stock option grants), which is described in greater detail below, provides the opportunity to build ownership and growth in the medium and longer term future in line with the opportunities for success afforded to the shareholders.

Option-Based Awards

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

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

During fiscal year 2009, the Corporation granted an aggregate of 1,600,775 options to NEOs under the Corporation's Stock Option Plan in accordance with the performance measurements described above under the heading "Performance Factors".

SUMMARY COMPENSATION TABLE

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

Name and Principal Position	Year Ended July 31	Salary (\$)	Option-based Awards ⁽¹⁾ (\$)	Non-equity Incentive Plan Compensation (\$)	All Other Compensation (\$)	Total Compensation (\$)
				Annual Incentive Plans (\$)		
Lukas Lundin ^{(2) (4)} Chairman and Chief Executive Officer	2009	Nil	62,808	Nil	10,167	72,975
William Lamb ⁽³⁾ President and Chief Operating Officer	2009	152,172	94,954	Nil	50,000	297,126
Susan Neale ⁽⁴⁾ Chief Financial Officer	2009	Nil	36,470	Nil	50,804	87,274
Lawrence Ott ⁽⁵⁾ Vice President, Exploration	2009	Nil	42,213	Nil	87,500	129,713

- (1) The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statement purposes. The key assumptions used for this determination can be found in the notes to the 2009 consolidated financial statements. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options fair values were calculated in Canadian dollars and translated into United States currency using an exchange rate of 0.8124 for the November 2009 options grants and 0.8610 for the July 2009 option grants awarded to these individuals. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized.
- (2) Lukas Lundin was appointed President and Chief Executive Officer of the Corporation on August 20, 2007 and resigned as President on July 3, 2009. Subsequent to the most recently completed financial year, Mr. Lundin was appointed Chairman of the Board.
- (3) William Lamb was appointed President and Chief Operating Officer of the Corporation on July 3, 2009. During the period July 28, 2008 – July 3, 2009, Mr. Lamb was employed as General Manager to the Corporation. Effective July 1, 2009, Mr. Lamb's salary was increased from \$175,000 CAD per annum to \$210,000 CAD per annum. Effective January 1, 2010, Mr. Lamb's salary was increased from \$210,000 CAD per annum to \$270,000 CAD per annum. Mr. Lamb's salary was translated into United States currency using an average exchange rate of 0.8553 per Canadian dollar. The amount reflected under the column "All Other Compensation" represents a cash bonus paid to Mr. Lamb.
- (4) Ms. Neale and Mr. Lundin are employees of Namdo Management Services Inc. ("Namdo"). Namdo is a private corporation owned by Mr. Lukas Lundin. The Corporation paid Namdo the sum of \$205,267, plus reimbursement of expenses, at cost, for the period of August 1, 2008 to July 31, 2009. Namdo has approximately 17 employees and provides other facility administration and financial services for a number of public companies. Approximately \$50,804 or 25% are attributed to the salary paid by Namdo to Ms. Neale, Chief Financial Officer of the Corporation and \$10,167 or 5% are attributed to the salary paid by Namdo to Mr. Lundin, Chairman and CEO of the Corporation. The fees paid to Namdo were in Canadian dollars and translated into United States currency using an average exchange rate of 0.8553.
- (5) Lawrence E. Ott was appointed Vice President – Exploration of the Corporation on July 3, 2009. Dr. Ott provides geological and consulting services to the Corporation at a rate of \$12,500 per month. Dr. Ott's consulting arrangement came into effect on July 3, 2009. On July 3, 2009, Dr. Ott was issued options to purchase an aggregate of 950,775 shares of the Corporation; 543,300 shares at a price of \$1.39 CAD per share, which options expired on August 17, 2009, and 407,475 shares at a price of \$0.54 CAD per share, which options are exercisable to and until July 3, 2010 (together, the "Lucara Replacement Options") in accordance with the provisions of the Plan of Arrangement involving the Corporation and Motapa Diamonds Inc. The amount reflected under the column "All Other Compensation" represents consulting fees in the amount of \$12,500 and a cash bonus in the amount of \$75,000.

Pension Plan Benefits

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

Termination and Change of Control Benefits

Mr. William Lamb is a party to an employment agreement with the Corporation (the "Lamb Agreement") and Dr. Lawrence E. Ott is a party to a consulting agreement with the Corporation (the "Ott Agreement"). Both the Lamb Agreement and the Ott Agreement set forth certain instances where payments and other obligations arise on the termination of their respective agreement.

- (a) Pursuant to the terms of the Lamb Agreement, Mr. Lamb is entitled to receive a maximum of 12 month's salary in the event of termination without cause or in the event of a change of control of the Corporation to a non-affiliated entity, which as of the date of this Circular would be equivalent to \$270,000 CAD.
- (b) Pursuant to the terms of the Ott Agreement, Dr. Ott is entitled to receive a one-time payment of \$200,000 in the event the Ott Agreement is terminated on or before July 2, 2010. In the event of a change of control of the Corporation during the term of the Ott Agreement, Dr. Ott will be entitled to receive a one-time payment of \$400,000. In addition, the Ott Agreement provides that in the event of death or disability during the term of the agreement, Dr. Ott (or his beneficiary, as the case may be) shall be entitled to a single payment of \$200,000.

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

Stock Option Grants During the Most Recently-Completed Financial Year

The following table sets out the details of incentive stock options granted during the most recently completed financial year to the Named Executive Officers of the Corporation:

Name of Executive Officers and Position as at Financial Year-End	Securities Under Options Granted (#)	% of Total Options Granted to All Employees in the Financial Year	Exercise or Base Price (\$CAD/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$CAD/Security)	Date of Grant	Expiration Date
Lukas Lundin Chairman and Chief Executive Officer	200,000	10.5 ⁽¹⁾	0.48	0.48	July 6, 2009	July 6, 2012
William Lamb President and Chief Operating Officer	100,000	5.2 ⁽¹⁾	0.48	0.48	July 6, 2009	July 6, 2012
	250,000	13.2 ⁽¹⁾	0.50	0.49	Nov. 26, 2008	Nov. 26, 2011
Susan Neale Chief Financial Officer	100,000	5.2 ⁽¹⁾	0.48	0.48	July 6, 2009	July 6, 2012
Lawrence Ott Vice President, Exploration	543,300 ⁽²⁾	N/A	1.39	0.45	July 3, 2009	Aug. 17, 2009
	407,475 ⁽²⁾	N/A	0.54	0.45	July 3, 2009	July 3, 2010

(1) Based on an aggregate total of 1,900,000 stock options exercisable for 1,900,000 Common Shares, of which 1,650,000 were issued to directors, officers, employees and consultants of the Corporation on July 6, 2009, and 250,000 were issued to an officer of the Corporation on November 26, 2008. Excluded from the calculation was the issuance of an aggregate 3,019,835 options to optionholders of Motapa Diamonds Inc. ("Motapa") (the "Lucara Replacement Options"). The Lucara Replacement Options were issued pursuant to the terms of the Plan of Arrangement involving the Corporation and Motapa which was effective July 3, 2009, and are exercisable for up to an aggregate 3,019,835 Common Shares.

(2) On July 3, 2009, Dr. Ott was issued options to purchase an aggregate of 950,775 Common Shares; 543,300 Common Shares at a price of \$1.39 CAD per share, which options expired on August 17, 2009, and 407,475 Common Shares at a price of \$0.54 CAD per share, which options are exercisable to and until July 3, 2010 (together, the "Lucara Replacement Options") in accordance with the provisions of the Plan of Arrangement involving the Corporation and Motapa Diamonds Inc.

Stock Option Exercises During the most recently-completed financial year and year end

No options were exercised by any Named Executive Officer during the most recently-completed Fiscal year.

Outstanding Option-based Awards

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

Option-based Awards				
Name	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (CAD\$)	Option Expiration Date	Value of Unexercised In-the-money Options (\$) ⁽¹⁾
Lukas H. Lundin	100,000	1.22	December 3, 2010	Nil
	200,000	0.48	July 6, 2012	Nil
William Lamb	100,000	0.90	April 27, 2011	Nil
	250,000	0.50	November 26, 2011	Nil
	100,000	0.48	July 6, 2012	Nil
Susan Neale	70,000	1.22	December 3, 2010	Nil
	100,000	0.48	July 6, 2012	Nil
Lawrence E. Ott	543,300	1.39	August 17, 2009	Nil
	407,475	0.54	July 3, 2010	Nil

⁽¹⁾This amount is calculated based on the difference between the market value of the securities underlying the options at the end of the most recently completed financial year, which was \$0.45 CAD and the exercise or base price of the option.

Incentive Plan Awards – Value Vested or Earned During the Year

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

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

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

COMPENSATION OF DIRECTORS

No compensation was paid to directors of the Corporation in their capacity as members of the Board or of a committee of the Board of the Corporation or its subsidiaries, or as consultants or experts, during the Corporation's most recently completed financial year.

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

Name	Fees Earned (\$)	Option-based Awards ⁽¹⁾ (\$)	All Other Compensation (\$)	Total (\$)
Paul K. Conibear	Nil	125,616	Nil	125,616
Brian E. Edgar	Nil	72,940	Nil	72,940
John J. Gurney ⁽²⁾	Nil	31,404	Nil	31,404
Murray Sinclair ⁽²⁾	Nil	Nil	Nil	Nil
Sophia Shane ⁽²⁾	Nil	Nil	Nil	Nil

⁽¹⁾ The value of the stock option grants has been determined using the Black-Scholes models on the date of grant and is consistent with the determinations used for financial statements purposes. The key assumptions used for this determination can be found in the notes to the 2009 consolidated financial statements. It should be recognized that the actual future value will be based on the difference between the market value at the time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized. Option fair values were calculated in Canadian dollars and translated into United States currency using an exchange rate of .8670 for July 3, 2009 grants and .8611 for July 6, 2009 grants.

⁽²⁾ Effective July 3, 2009, Mr. John J. Gurney was appointed a director of the Corporation and Mr. Murray Sinclair and Ms. Sophia Shane ceased to be directors of the Corporation.

Outstanding Option-Based Awards

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

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the- money options (CAD\$) ⁽¹⁾
Paul K. Conibear	100,000	1.22	December 3, 2010	Nil
	400,000	0.48	July 6, 2012	Nil
Brian D. Edgar	100,000	1.22	December 3, 2010	Nil
	200,000	0.48	July 6, 2012	Nil
John J. Gurney	100,000	0.48	July 6, 2012	Nil
	67,912	0.72	July 3, 2010	Nil
	67,912	0.54	July 3, 2010	Nil
	9,055	0.24	July 3, 2010	1,902
	181,100	1.39	August 17, 2009	Nil
Murray Sinclair	Nil	Nil	Nil	Nil
Sophia Shane	Nil	Nil	Nil	Nil

⁽¹⁾ This amount is calculated based on the market value of the securities underlying the option at the end of the most recently completed financial year, which was \$0.45, CAD and the exercise price or base price of the option.

Incentive Plan Awards – Value Vested or Earned During the Year

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

Name	Option-based awards – Value vested during the year (CAD\$) ⁽¹⁾
Paul K. Conibear	Nil
Brian D. Edgar	Nil
John J. Gurney	1,902
Murray Sinclair	Nil
Sophia Shane	Nil

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

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLAN

The Corporation’s 20% Fixed Plan, described herein, is the only compensation plan under which equity securities of the Corporation are authorized for issuance.

**Equity Compensation Plan Information
(as at fiscal year ended July 31, 2009)**

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (CAD\$)	Number of securities remaining available for future issuance under the Plan (excluding securities reflected in column (a))
Equity Compensation Plans approved by securityholders	5,600,626	0.83	6,085,507
Total	5,600,626		6,085,507

- (1) During the fiscal year ended July 31, 2009, the Corporation granted options to purchase a total of 4,919,835 Common Shares, which includes the issuance of 3,019,835 options to optionholders of Motapa Diamonds Inc. (“Motapa”) (the “Lucara Replacement Options”). The Lucara Replacement Options were issued pursuant to the terms of the Plan of Arrangement involving the Corporation and Motapa which was effective July 3, 2009. All Lucara Replacement Options are governed by the terms and conditions of the Corporation’s 20% Fixed Plan.
- (2) During the fiscal year ended July 31, 2009, the Corporation did not issue any Common Shares as a result of the exercise of options granted pursuant to the Plan.
- (3) During the fiscal year ended July 31, 2009, the Corporation cancelled 229,209 stock options.

Stock Option Plan – 20% Fixed Plan

The Corporation’s current stock option plan (the “20% Fixed Plan”) governing the issuance of stock options was initially established by the Board on November 26, 2007 (approved by shareholders on January 9, 2008). At the Meeting, shareholders will be asked to consider and, if thought fit, approve an ordinary resolution to replace the 20% Fixed Plan with a 10% rolling stock option plan (the “10% Rolling Plan”), which, subject to TSX Venture Exchange approval, will replace the 20% Fixed Plan in its entirety. See “Particulars of Matters to be Acted Upon – Approval of 10% Rolling Stock Option Plan”.

The material terms of the 20% Fixed Plan as it currently exists can be summarized as follows:

1. The number of Common Shares subject to issuance pursuant to outstanding options, in the aggregate, cannot exceed 11,686,133 Common Shares of the Corporation.
2. Options that have been cancelled or that have expired without being exercised continue to be issuable under the 20% Fixed Plan.

3. The number of Common Shares subject to issuance upon the exercise of options granted under the 20% Fixed Plan by one Optionee or all Optionees providing investor relations services is subject to the following limitations:
 - (a) no Optionee can be granted options during a 12 month period to purchase more than:
 - (i) 5% of the issued shares of the Corporation unless disinterested shareholder approval has been sought (such approval has not been sought), or
 - (ii) 2% of the issued shares of the Corporation, if the Optionee is a consultant, and
 - (b) the number of shares subject to options held by all Optionees providing investor relations services does not exceed 2% in the aggregate.
4. Unless the 20% Fixed Plan has been approved by disinterested shareholders, options granted under the 20% Fixed Plan, together with all of the Corporation's previously established and outstanding stock options, stock option plans, employee stock purchase plans or any other compensation or incentive mechanisms involving the issuance or potential issuance of its shares, shall not result, at any time, in
 - (a) the number of shares reserved for issuance pursuant to stock options granted to insiders exceeding 10% of the shares outstanding at the time of granting,
 - (b) the grant to insiders, within a one year period, of options to purchase that number of shares exceeding 10% of the outstanding shares, or
 - (c) the issuance to any one insider and such insider's associates, within a one year period, of shares totalling in excess of 5% of the outstanding shares.
5. The exercise price of the options will not be lower than the lowest price permitted by the TSX Venture Exchange.
6. The options may be exercisable for up to five years.
7. Subject to the Board of Directors' discretion, Options will have a minimum vesting period of two years: 1/3 of the Options vesting upon the date of grant; 1/3 of the Options vesting on the first anniversary of the grant; and the remaining 1/3 vesting on the second anniversary of the grant. Notwithstanding the foregoing, all Options granted to Eligible Persons will have, at a minimum, a vesting period over a minimum of 18 months and will not have vesting schedules which permit a majority of the shares to be released early in the vesting period rather than equally on a quarterly basis. Options granted to Consultants providing Investor Relations Services shall vest in stages over a 12 month period with a maximum of one-quarter of the Options vesting in any three month period.
8. If there is a 'change of control' of the Corporation (due to a take-over bid being made for the Corporation or similar events), all unvested options, subject to obtaining any required approval from the Exchange, shall vest immediately.
9. The options can only be exercised by the Optionee (to the extent they have already vested) for so long as the Optionee is a director, officer or employee of, or consultant to, the Corporation or any subsidiary or is an employee of the Corporation's management corporation and within a period thereafter not exceeding the earlier of:
 - (a) the original expiry date;
 - (b) 30 days after ceasing to be an Optionee, other than for cause;
 - (c) 30 days after ceasing to be an engaged in Investor Relations Activities; and
 - (d) if the Optionee dies, within one year from the Optionee's death.

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

10. The options are not assignable except to a wholly-owned holding company.
11. No financial assistance is available to Optionees under the 20% Fixed Plan.
12. Disinterested shareholder approval must be obtained prior to the reduction of the exercise price of options granted to insiders of the Corporation.
13. Shares issued on the exercise of an option within four months of granting will be subject to restrictions on resale under the Exchange's policies.

Any amendments to the 20% Fixed Plan or outstanding stock options are subject to the approval of the Exchange and, if required by the Exchange, of the shareholders of the Corporation, possibly with only 'disinterested' shareholders being entitled to vote. An amendment to an outstanding stock option will also require the consent of the Optionee.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

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

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

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

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

In accordance with the Governance Guidelines, the Corporation has chosen to disclose its system of corporate governance in its Management Proxy Circular. Exhibit I to this Circular sets forth the steps taken by the Corporation in order to comply with the Governance Guidelines and its system of corporate governance now in force. Further disclosure required by National Instrument 52-110 - Audit Committees, relating to the Corporation's Audit Committee, including the Audit Committee Charter, the Composition of the Audit Committee, Relevant Education and Experience of Audit Committee members and External Auditor Service Fees, are disclosed in Exhibit II and elsewhere in this Circular.

MANAGEMENT CONTRACTS

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

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

During the fiscal year ended July 31, 2009, none of the insiders of the Corporation nor any proposed nominee for election as director, nor any associate or affiliate of said persons has had any material interest, direct or indirect, in any transaction, which has materially affected or will materially affect the Corporation or any of its subsidiaries.

PARTICULARS OF MATTERS TO BE ACTED UPON

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

On January 8, 2010, the Board of Directors of the Corporation adopted a new stock option plan (the "10% Rolling Plan"), subject to acceptance by the Exchange and approval by the shareholders of the Corporation.

The 10% Rolling Plan is intended to replace the Corporation's existing 20% Fixed Plan, which as described above, currently limits the number of options available to a fixed number to a maximum of 20% of the Corporations issued and outstanding shares as approved by shareholders at any particular time. As the Corporation moves into a new phase in its development, the proposed 10% Rolling Plan will allow the Corporation more flexibility to grant additional options to directors, officers, employees and consultants, as additional compensation, and as an opportunity to participate in the success of the Corporation. The granting of such options is intended to align the interests of such persons with that of the shareholders.

The 10% Rolling Plan will remain substantially the same as the 20% Fixed Plan it replaces, other than after approval, the maximum number of Common Shares which may be issued pursuant to options previously granted and outstanding and those granted under the 10% Rolling Plan will be a maximum of 10% of the issued and outstanding Common Shares at the time of the grant.

The policies of the Exchange require that rolling plans, such as the proposed 10% Rolling Plan, be approved by shareholders on a yearly basis. Assuming the 10% Rolling Plan is approved by the shareholders and receives regulatory approval, the 10% Rolling Plan will replace the 20% Fixed Plan and all options granted from and after shareholder approval will be subject to the terms of the 10% Rolling Plan. All outstanding options under the 20% Fixed Plan will be rolled into the 10% Rolling Plan. If the 10% Rolling Plan is not approved by the shareholders, the 20% Fixed Plan will continue in full force and effect.

The full text of the 10% Rolling Plan will be available for review at the Meeting.

Approval Required

Shareholders will be asked at the Meeting to pass an ordinary resolution adopting the 10% Rolling Plan which permits the issuance of up to 10% of the issued and outstanding Common Shares of the Corporation from time to time. To be effective, the resolution must be passed by a simple majority of the votes cast thereon by shareholders present in person or by proxy at the Meeting. If the resolution to approve the 10% Rolling Plan is not approved by shareholders of the Corporation, the 20% fixed Plan will continue in place and options will continue to be granted pursuant to the terms of the 20% Fixed Plan. The following is the text of the ordinary resolution to be considered at the Meeting:

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

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

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

The persons named as proxies in the enclosed Proxy intend to cast the votes represented by proxy in favour of the foregoing

resolution unless the holder of Common Shares who has given such proxy has directed that the votes be otherwise cast.

B. Approval for Issuance of Bonus Shares

On November 10, 2009, the Corporation entered into Share Sale Agreements with De Beers Prospecting Botswana (Pty) Limited ("De Beers") for the acquisition (the "Acquisition") of a 70.268% interest in Boteti Exploration (Pty) Ltd. ("Boteti"). Boteti holds a 100% interest in the AK6 Diamond project in Botswana. The Acquisition was completed on December 17, 2009.

During the course of the negotiations with De Beers, the Corporation agreed that it would procure the issuance of Irrevocable Bank Guarantees to De Beers in the aggregate amount of US\$49 million, being the purchase price under the Share Sale Agreements. The Guarantees were subsequently negotiated with, and were ultimately provided by, Bank Julius Baer & Co. Ltd. ("Bank Julius Baer"). Bank Julius Baer required security before it would issue the Irrevocable Bank Guarantees. That security was provided in the form of General Pledge and Assignment Agreements (the "General Pledge Security") made by each of Lorito Holdings S.à.r.l ("Lorito") and Zebra Holdings and Investments S.à.r.l ("Zebra") in favour of Bank Julius Baer on behalf of the Corporation. Zebra and Lorito are private corporations owned by a trust whose settler is the estate of the late Adolf H. Lundin (the "Trust"). The General Pledge Security was in an amount equal to the amount of the Irrevocable Bank Guarantees, being US\$49 million.

In consideration for providing the General Pledge Security the Corporation agreed to issue an aggregate of 12,191,200 Common Shares of the Corporation (the "Bonus Shares") to Lorito and Zebra. The number of Bonus Shares was calculated in accordance with the guidelines set out in TSX Venture Exchange ("Exchange") Policy 5.1. At the time the General Pledge Security was negotiated, however, it was determined that if the full allotment of Bonus Shares was issued to Lorito and Zebra, who report their security holdings as joint actors, a new "control person" (as that term is defined in Exchange policies), could have been considered to be created. Therefore, upon receipt of Exchange acceptance, an aggregate 6,988,764 Bonus Shares and 5,202,436 Bonus Share Receipts convertible, upon receipt of disinterested shareholder approval, into 5,202,436 Bonus Shares were issued to Lorito and Zebra.

As at December 21, 2009, before the issuance of the Bonus Shares, as noted above, Zebra and Lorito directly held 10,000,000 (4.79%) and 17,777,777 (8.52%), respectively, of the voting securities of the Corporation, and therefore, the Trust had direction or control over an aggregate 27,777,777 (13.3%) of the voting securities of the Corporation. After the issuance of the 6,988,764 Bonus Shares, Zebra and Lorito directly held 13,494,382 (6.25%) and 21,272,159 (9.86%), respectively, of the voting securities of the Corporation, and therefore, the Trust had direction or control over an aggregate 34,766,541 (16.1%) of the voting securities of the Corporation.

Upon conversion of the Bonus Share Receipts, and based on the Corporation's issued and outstanding Common Shares as at the date of this Circular, Zebra and Lorito will directly hold 16,095,600 (7.28%) and 23,873,377 (10.80%), respectively, of the voting securities of the Corporation, and the Trust will have direction or control over an aggregate 39,968,977 (18.1%) of the voting securities of the Corporation.

The assistance of Lorito and Zebra was instrumental in enabling the Corporation to transact the Acquisition. Management therefore recommends that shareholders vote in favour of the ordinary resolution. If the conversion of the Bonus Share Receipts is not approved by shareholders the Bonus Share Receipts will be cancelled.

The text of the ordinary resolution that will be put forward at the Meeting to approve the conversion of the Bonus Share Receipts and the resultant issuance of an additional 5,202,436 Bonus Shares is as follows:

"BE IT IS RESOLVED as an ordinary resolution of disinterested shareholders that the conversion of 5,202,436 Bonus Share Receipts, held by Lorito Holdings S.à.r.l and Zebra Holdings and Investments S.à.r.l., into 5,202,436 common shares of the Corporation, all as more particularly described in the Management Proxy Circular, be and it is hereby authorized and approved".

In accordance with Exchange policies, none of Lorito, Zebra and their associates and affiliates, as those terms are defined in Exchange policies, is permitted to vote their shares in respect of this resolution. **The persons named as proxies in the enclosed Proxy intend to cast the votes represented by proxy in favour of the foregoing resolution unless the holder of Common Shares who has given such proxy has directed that the votes be otherwise cast.**

ANY OTHER MATTERS

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

ADDITIONAL INFORMATION

The Board approves the Corporation's annual consolidated financial statements and annual management's discussion and analysis ("MD&A"), quarterly reports to shareholders and the content of the Corporation's other significant public disclosure documents. These and other prescribed documents are available on Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com. The Corporation has also established and maintains a corporate website at www.lucaradiamond.com that includes, among other things, an investor relations section containing past annual and quarterly reports and press releases. Financial information regarding the Corporation is provided in the annual financial statements and annual MD&A for the period ended July 31, 2009. Shareholders may contact the Corporation to request copies of the financial statements and MD&A as follows:

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

CERTIFICATE

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

DATED the 8th day of January, 2010.

BY ORDER OF THE BOARD

(Signed) William Lamb
President and Chief Operating Officer

EXHIBIT I

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

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

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

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

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

EXHIBIT I, SCHEDULE A – OTHER DIRECTORSHIPS

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

Name of Director	Public Company Board Membership
Paul K. Conibear	Atacama Minerals Corp. (TSX-V); NGEEx Resources Inc. (formerly, Canadian Gold Hunter Corp.) (TSX).
Brian D. Edgar	Red Back Mining Inc. (TSX); ShaMaran Petroleum Ltd. (formerly, Bayou Bend Petroleum)(TSX-V); Denison Mines Corp. (TSX-AMEX); Dome Ventures Corporation (TSX-V); Lundin Mining Corp. (TSX/OMX); Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.)(TSX-V).
Lukas H. Lundin	Lundin Mining Corp. (TSX-OMX); Atacama Minerals Corp. (TSX-V); NGEEx Resources Inc. (formerly, Canadian Gold Hunter Corp.)(TSX); Fortress Minerals Corp. (TSX-V); Black Pearl Resources Inc. (formerly, Pearl Exploration and Production Ltd.)(TSX-V), Denison Mines Corp. (TSX-AMEX); Red Back Mining Inc. (TSX), Lundin Petroleum AB (OMX), Vostok Nafta Investment Ltd. (OMX-Nordic)
Eira M. Thomas	Stornaway Diamond Corporation (TSX); Suncor Energy Inc. (TSX), Strongbow Exploration Inc. (TSX-V); Fortress Minerals Corp.(TSX-V).
Lawrence E. Ott	N/A
John J. Gurney	N/A
William Lamb	Salares Lithium Inc. (formerly P2P Health Systems Inc.) (TSX-V)
Richard P. Clark	Red Back Mining Inc. (TSX); Atacama Minerals Corp. (TSX-V); Corriente Resources Inc. (TSX/AMEX); Fortuna Silver Mines Inc. (TSX-V)

Legend:
 AMEX = American Stock Exchange
 TSX = Toronto Stock Exchange
 TSX-V = TSX Venture Exchange
 OMX = OMX Nordic Stock Exchange (previously, the Stockholm Stock Exchange)

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

Below is the attendance record of each director for all Board and Committee meetings held during the period from August 1, 2008 and July 31, 2009:

Directors	Board		Audit		Compensation		Corporate Governance/ Nominating	
	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾	# of meetings attended	Total # of meetings ⁽¹⁾
Lukas H. Lundin	6	7	-	-	-	-	-	-
Paul K. Conibear	6	7	4	4	2	2	2	2
Lawrence E. Ott ⁽²⁾	0	0	-	-	-	-	-	-
John J. Gurney ⁽²⁾	0	0	-	-	-	-	-	-
Eira Thomas ⁽³⁾	0	0	-	-	-	-	-	-
Brian D. Edgar	6	7	4	4	2	2	2	2
Sophia Shane ⁽⁴⁾	7	7	-	-	-	-	-	-
Murray Sinclair ⁽⁴⁾	2	7	0	4	0	2	0	2

Notes:

- (1) Represents number of meetings the Director was eligible to attend.
- (2) Drs. Ott and Gurney were appointed directors of the Corporation effective July 3, 2009.
- (3) Ms. Thomas was appointed a director effective August 4, 2009.
- (4) Ms. Shane and Mr. Sinclair resigned as directors effective July 3, 2009.

EXHIBIT II



Lucara Diamond Corp. (the "Company")

AUDIT COMMITTEE CHARTER

(as adopted by the Board of Directors (the "Board") on November 26, 2008)

1.0 Purpose of the Committee

1.1 The Audit Committee represents 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 National 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

Exhibit II

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; and
- (p) periodically review the adequacy of its charter and recommend 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.

Exhibit III

REPORTING PACKAGE

NOTICE OF CHANGE OF AUDITOR
LUCARA DIAMOND CORP.
(the "Company")


Please be advised that the Company has asked its auditor, Morgan & Company, Chartered Accountants, of Suite 1488 – 700 West Georgia Street, Vancouver, British Columbia, V7Y 1A1 (the "Former Auditor") to resign from office effective January 1, 2010, and that PricewaterhouseCoopers, LLP, of, 250 Howe Street, Suite 700, Vancouver, British Columbia, V6C 3S7 (the "Successor Auditor") has agreed to act as the Company's auditor commencing on January 1, 2010.

The Company reports that there have been no reservations and no reportable events (as such term is defined by National Instrument 51-102) in the auditor's report of the Former Auditor on the Company's financial statements for the completed fiscal year ended July 31, 2009.

The resignation of the Former Auditor and the appointment of the Successor Auditor were considered and approved by the audit committee of the Company and ratified by its board of directors.

DATED as of the 8th day of January 2010.

LUCARA DIAMOND CORP.



Susan Neale, Chief Financial Officer



January 8, 2010

To:

BRITISH COLUMBIA SECURITIES COMMISSION

ALBERTA SECURITIES COMMISSION

MANITOBA SECURITIES COMMISSION

ONTARIO SECURITIES COMMISSION

AUTORITÉ DES MARCHÉS FINANCIERS

Dear Sirs:

RE: LUCARA DIAMOND CORP. (THE "COMPANY")

As required by National Instrument 51-102, we have reviewed the information contained in the Company's Notice of Change of Auditor dated January 8, 2010 and, as the former auditor for the Company, we agree with all the statements contained in such notice and also confirm that such notice does not have to be updated.

Our understanding is that the Notice of Change of Auditor will read as follows:

"Please be advised that the Company has asked its auditor, Morgan & Company, Chartered Accountants, of Suite 1488 – 700 West Georgia Street, Vancouver, British Columbia, V7Y 1A1 (the "Former Auditor") to resign from office effective January 1, 2010, and that PricewaterhouseCoopers, LLP, of , 250 Howe Street, Suite 700, Vancouver, British Columbia, V6C 3S7 (the "Successor Auditor") has agreed to act as the Company's auditor commencing on January 1, 2010.

The Company reports that there have been no reservations and no reportable events (as such term is defined by National Instrument 51-102) in the auditor's report of the Former Auditor on the Company's financial statements for the completed fiscal year ended July 31, 2009.

The resignation of the Former Auditor and the appointment of the Successor Auditor were considered and approved by the audit committee of the Company and ratified by its board of directors."

.../2



- 2 -

We understand that the Notice of Change of Auditor, along with this letter and a similar letter from PricewaterhouseCoopers, LLP will be provided to the Company's registered shareholders with the meeting materials relating to the Company's next general meeting of shareholders.

Yours very truly,

Morgan & Company

CHARTERED ACCOUNTANTS

ADL/cw

January 8, 2010

British Columbia Securities Commission
Alberta Securities Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorite Des Marches Financiers

Dear Sirs:

We have read the statements made by Lucara Diamond Corp. in the attached copy of Change of Auditor Notice dated January 8, 2010, which we understand will be filed pursuant to Section 4.11 of the National Instrument 51-102.

We agree with the statements in the Change of Auditor Notice dated January 8, 2010 except that we have no basis to agree or disagree with the following statements:

“The Company reports that there have been no reservations and no reportable events (as such term is defined by National Instrument 51-102) in the auditor’s report of the Former Auditor on the Company’s financial statements for the completed fiscal year ended July 31, 2009.”

Yours very truly,



Chartered Accountants