

## SUMMARY OF DIFFERENCES - SHAREHOLDER RIGHTS CANADA AND SWEDEN APPLICABLE TO LUCARA DIAMOND CORP.

*Dated: July 1, 2014*

The following is a summary of the main differences between rights of shareholders in Lucara Diamond Corp. ("Lucara" or the "Company") based upon current British Columbia legislation, Canadian legislation, Canadian corporate governance principles and the Company's current notice of articles and articles as compared to the rights of shareholders generally under Swedish corporate law (in those parts applicable on companies whose shares are subject to trading on a regulated market) and Swedish corporate governance principles. The summary is of a general nature and it is not an exhaustive review of all potentially relevant differences between Canadian and Swedish law or corporate governance requirements.

### **The business of Lucara**

#### **CANADA**

The articles of incorporation do not restrict the Company from carrying on its business.

#### **SWEDEN**

Under the Swedish Companies Act, the objectives of a Swedish company must be set out in the articles of association. These objectives set out the limits within which the company can operate.

### **Shares**

#### **CANADA**

The Shares have been issued in accordance with the Business Corporations Act of British Columbia ("**BCBCA**"). The capital structure of the Company is composed of an unlimited number of common shares without par value (referred to as "**Shares**" in this prospectus).

#### **SWEDEN**

Under the Swedish Companies Act, a company may issue different classes of shares only if such share classes are specified in a company's articles of association. The articles shall also contain limitations on the minimum and maximum number of shares and of each share class.

### **Voting rights**

#### **CANADA**

Under the BCBCA, a corporation is required to maintain a central securities register in which it registers the name of each person to whom shares have been issued or transferred and the number of shares held by each of those persons. A registered shareholder can either attend the meeting and vote in person or appoint someone else to vote for his or her shares (a "**proxy holder**"). A shareholder appoints a proxy holder to attend and act on the shareholder's behalf at a meeting of shareholders by giving the proxy holder a completed and executed form of proxy. A proxy holder is required to vote for the shares in accordance with the shareholder's instructions.

A non-registered shareholder has beneficial ownership of his or her shares, but a bank, trust company, securities broker or other financial institution (an "**intermediary**") is the registered holder that holds the shares on behalf of the beneficial owner. The intermediary cannot vote with respect to the shares registered in its name unless it receives written voting instructions from the beneficial owner. If the beneficial owner requests and provides an intermediary with appropriate documentation, the intermediary must appoint the beneficial owner or nominee of the beneficial owner as proxy holder.

Unless the articles of a company provide otherwise, a shareholder or proxy holder who is entitled to participate in, including vote at, a meeting of shareholders may do so by telephone or by other means of communication if all shareholders and proxy holders participating in the meeting, whether by telephone, by other communication medium or in person, are able to communicate with each other.

### **SWEDEN**

Under the Swedish Companies Act, all shares carry one vote unless different share classes with different voting rights are provided for in the articles of association of the company. No share may however have a voting right which exceeds ten times the voting rights of any other share.

Shareholders registered in the share register as of the record date for a general meeting are entitled to vote at such general meeting (in person or by appointing a proxy holder). Shareholders with shares registered through a nominee must request to be temporarily registered as a shareholder of record on the record date in order to participate in a general meeting. The share register is kept by Euroclear and the record date for a general meeting shall be the fifth business day prior to the date of the meeting. Shareholders must also, if provided for in the articles of association, give notice of their intention to attend the shareholders' meeting.

## **Shareholder meetings**

### **CANADA**

Under the BCBCA, companies are required to hold an annual general meeting of shareholders at least once in each calendar year and not more than fifteen months after their annual general meeting for the preceding calendar year. A general meeting of a company must be held in British Columbia, unless a location outside British Columbia is permitted by the company's articles, approved by an ordinary resolution before the meeting or approved in writing by the Registrar. The Company's articles state that the directors may, whenever they think fit, call a meeting of shareholders to be held in British Columbia, Calgary, Alberta or Toronto, Ontario or at such other location as may be approved by the Registrar of Companies.

The holders of not less than 5% of the issued shares may also requisition the directors to call a general meeting of the shareholders for the purposes stated in the requisition, and if the directors do not, within 21 days after the date on which the requisition is received by the company, send notice of a general meeting, the requisitioning shareholders, or any one or more of them holding, in the aggregate, more than 2.5% of the issued shares of the company that carry the right to vote at general meetings, may send notice of a general meeting to be held to transact the business stated in the requisition. Special meetings of shareholders may be called by the Board at any time or by a court upon the application of a director or shareholder.

Under the BCBCA, shareholder action without a meeting may only be taken by written resolution signed by all shareholders who would be entitled to vote thereon at a meeting.

## **SWEDEN**

Under the Swedish Companies Act, the board of directors is responsible for convening general meetings but holders of not less than 10% of all shares in the company may request that an extraordinary general meeting is convened. If so requested, the board has two weeks to issue a notice to convene the general meeting failing which the shareholder can request that the Companies Registration Office convenes the meeting. General meetings shall be held in the municipality in which the board of directors holds its registered office or in another municipality in Sweden if specified in the articles of association.

The general meeting shall be opened by the chairman of the board or such person as the board has decided. Moreover, the Swedish corporate governance code stipulates that the chairman of the board of directors together with a quorum of directors, as well as the chief executive officer, shall attend general meetings. The chairman of the general meeting shall be nominated by the nomination committee and elected by the general meeting.

Minutes from general meetings shall be available on the company's website no later than two weeks after the meeting.

## **Notices**

### **CANADA**

Unless waived by the shareholders, a company must send notice of the date, time and location of a general meeting of the company at least the prescribed number of days but not more than two months before the meeting date. For public companies, the prescribed number of days for notice is 21 days, or any longer period specified in the company's articles. If no number of days is set out in the company's articles, then the minimum amount of notice is 21 days.

### **SWEDEN**

Under the Swedish Companies Act, a general meeting of shareholders must be preceded by a notice. The notice of the annual general meeting of shareholders must be given no sooner than six weeks and no later than four weeks before the date of the meeting. In general, notice of extraordinary general meetings must be given no sooner than six weeks and no later than three weeks before the meeting. The notice shall be announced in a press release, published in the Swedish Official Gazette and on the company's website. The company must also publish in a daily newspaper with nationwide circulation a short form message containing information regarding the notice and where it can be found. The notice shall include an agenda listing each item that the meeting is to resolve upon.

Pursuant to the Swedish corporate governance code, a company shall, as soon as the time and venue of a general meeting have been decided publish such information on the company's website. With respect to annual general meetings, such publication shall be made no later than in conjunction with the third quarterly report.

## **Record date**

### **CANADA**

The record date for a meeting of shareholders is set by the Board. The Company is required to file on SEDAR a notice of record date and meeting date at least 25 days before the record date for the meeting. The record date must not precede the date on which the meeting is to be held by more than two months, or in the case of a general meeting requisitioned under the BCBCA by more than four months. The record date must not precede the date on which the meeting is held by fewer than 21 days.

## **SWEDEN**

Under the Swedish Companies Act the record date for a general meeting is the fifth work day (*i.e.* not a holiday) prior to the date of the meeting.

## **Issue of shares**

### **CANADA**

Under the TSX regulations, shareholder approval is required in those instances where the number of securities issued or issuable exceeds 25% of the number of securities of the issuer which are outstanding, on a non-diluted basis.

Under the BCBCA:

- (1) subject to the notice of articles and articles of a company, shares may be issued at such times and to such persons and for such consideration as the directors may determine;
- (2) shares issued by the company are non-assessable, and the holders are not liable to the company or to its creditors in respect thereof; and
- (3) a share shall not be issued until the consideration for the share is fully paid in money or in property or past services and the directors must not attribute to past services or property a value that exceeds the fair market value of those past services or that property, as the case may be.

### **SWEDEN**

Under the Swedish Companies Act, resolutions on new share issues are as a main rule passed by the shareholders at a general meeting. A general meeting may also authorize the board of directors to issue new shares for period no longer than until the next annual general meeting. Furthermore, the board of directors may also resolve to issue new shares without such authorization, provided that the resolution is conditioned upon the shareholders' approval at a general meeting.

New shares may be issued against payment in cash, in kind or by way of set-off.

When issuing new shares the limitations on maximum number of shares and share capital set out in the company's articles of association need to be adhered to, unless a general meeting decides to amend the articles.

## **Pre-emption rights**

### **CANADA**

The articles of Lucara do not contain any pre-emption rights.

### **SWEDEN**

Under the Swedish Companies Act, shareholders have pre-emption rights (*Sw. företrädesrätt*) to subscribe for new shares issued in proportion to their shareholdings as of a certain record date for the new share issue. Pre-emption rights to subscribe for new shares do not apply in respect of shares issued for consideration in kind or shares issued pursuant to convertibles or warrants previously granted by the company. The pre-emption rights to subscribe for new shares may also be set aside by a resolution passed by two thirds of the votes cast and shares represented at the general meeting resolving upon the issue. The corresponding majority threshold applies to a decision by a general meeting to authorize the board to decide upon new share issues with deviation from shareholders' pre-emption rights.

## **Dividends**

### **CANADA**

Under the BCBCA, a corporation may pay a dividend in money or property or by issuing fully paid shares of the corporation. A corporation shall not declare or pay a dividend if there are reasonable grounds for believing that: (i) the corporation is insolvent; or (ii) the payment of the dividend would render the corporation insolvent.

### **SWEDEN**

Under the Swedish Companies Act, payments of dividends require a shareholder resolution at a general meeting. A resolution to pay dividends may, with some exceptions, not exceed the amount recommended by the board of directors. Dividends may only be made if, after the payment of the dividend, there is sufficient coverage for the company's restricted equity and the payment of dividends is justified, taking into consideration the equity required for the type of operations, the company's need for consolidation and liquidity as well as the company's financial position in general. Each shareholder appearing in share register as of the record date for the dividend is entitled to receive the dividend distribution. Dividends are normally distributed to the shareholders through Euroclear.

## **Distribution of assets on liquidation**

### **CANADA**

Under the BCBCA, a corporation may voluntarily liquidate by special resolution. Once authorized to voluntarily liquidate, the corporation, by ordinary resolution, may appoint a BCBCA qualified liquidator to distribute any remaining property of the corporation, after the discharge of its obligations, among the shareholders according to their respective rights.

### **SWEDEN**

Under the Swedish Companies Act, a company can enter into voluntary liquidation following a resolution by simple majority vote among the shareholders at a general meeting. All shares carry equal rights in a liquidation unless otherwise provided for in articles of association.

The Swedish Companies Act also stipulates that a company shall enter into compulsory liquidation in a capital deficiency situation and in certain other situations.

## **Certain extraordinary corporate actions**

### **CANADA**

Under the BCBCA, certain extraordinary corporate actions, such as certain amalgamations, continuances, and sales, leases or other dispositions of all or substantially all of the undertakings of a corporation other than in the ordinary course of business, and other extraordinary corporate actions such as liquidations, dissolutions and (if ordered by a court) arrangements, are required to be approved by special resolution. Under the BCBCA, a special resolution needs to be approved by a "special majority", which means the majority specified in a company's articles, being at least two-thirds and not more than three-quarters of the votes cast by those shareholders voting in person or by proxy at a general meeting of the company's shareholders.

### **SWEDEN**

Under the Swedish Companies Act, a statutory merger requires a shareholder resolution passed at a general meeting. The majority requirements for a valid resolution depends on the type of companies involved, however

not less than two-thirds of the votes cast and the shares represented at the meeting. A voluntary liquidation requires a resolution passed at a shareholders meeting supported by more than half of the votes cast, unless otherwise provided in the articles of association of the company. A material change of the operations conducted by the company may require a change of the company's objects and purposes in the articles of association, see Section "*Amendment to the articles or the by-laws*" below.

## **Restrictions on change of control**

### **CANADA**

The Company does not have any shareholder rights plans in effect.

### **SWEDEN**

Not applicable for Swedish companies with shares listed on a regulated market.

## **Mandatory takeover bids/ squeeze-out rules**

### **CANADA**

The BCBCA together with Canadian securities laws, contain the procedural requirements for takeover bids and going-private transactions. If a bid is accepted by more than 90% of the shares of any class of shares to which the take-over bid relates, other than shares held at the date of the take-over bid by or on behalf of a nominee for, the offeror or its affiliate, the offeror is entitled to acquire the shares held by any dissenting offerees.

If the acquiring company elects to proceed by way of takeover bid but fails to acquire the requisite percentage of the shares to permit a force-out of the minority, the company may elect to squeeze out the minority through an alternative statutory process if it acquires a certain threshold percentage of the company's issued and outstanding shares.

### **SWEDEN**

Under Swedish law an obligation to launch a mandatory takeover bid applies when a party becomes the owner of 30% or more of the votes in a company with shares listed on a regulated market.

Under the Swedish Companies Act, a shareholder holding more than 90% of the shares in a company is entitled, on a compulsory basis, to buy-out the remaining shares from the other shareholders in the company. On the other hand, a minority shareholder is also, in such situation, entitled to demand that the majority shareholder purchases his or her shares.

## **Redemption provisions**

### **CANADA**

Under the BCBCA, a corporation may liquidate and dissolve by special resolution of the shareholders or by court order.

After giving the appropriate notice and adequately providing for the payment or discharge of all its obligations, the Company will distribute its remaining property, either in money or in kind, among its shareholders according to their respective rights.

Dissenting shareholders are entitled to be paid the fair value of their Shares in accordance with the BCBCA. If a dissenting shareholder elects to demand payment of the fair value of their Shares, the shareholder may apply to the court for a determination of the fair value of such shares.

A listed company can file a Notice of Intention to Make a Normal Course Issuer Bid with the TSX seeking approval for the company to purchase by normal market purchases up to, when aggregated with all other purchases by the listed issuer during the same trading day, the greater of 25% of the average daily trading volume of the Shares and 1,000 securities, up to a maximum in a 12 month period of the greater of 5% of the outstanding Shares or 10% of the Public Float.

## **SWEDEN**

Under the Swedish Companies Act, a company with shares listed on a regulated market is permitted to repurchase a maximum of 10% of all outstanding shares in the company. A resolution to repurchase shares must be taken either by a qualified majority vote among the shareholders at a general meeting or, following authorization from the general meeting with same majority vote, by the board of directors.

A general meeting may also resolve upon the redemption of the company's shares through which the share capital of the company will be reduced. This is a more formal and complex process, which as a main rule involves also notice to the company's creditors.

## **Amendments to the articles or by-laws**

### **CANADA**

Changes to the articles of a company under the BCBCA will be affected by the type of resolution specified in the articles of a company, which, for many alterations, including change of name or alterations to the articles, could provide for approval solely by a resolution of the directors. In the absence of anything to the contrary in the articles, most corporate alterations will require the approval by special resolution of the shareholders. Alteration of the special rights and restrictions attached to issued shares requires, in addition to any resolution provided for by the articles, consent by a special resolution of the holders of the class or series of shares affected. A proposed amalgamation or continuation of a corporation out of British Columbia requires a special resolution as described above.

### **SWEDEN**

Under the Swedish Companies Act, an amendment of the articles of association requires a shareholder resolution at a general meeting. The majority requirement for a valid resolution depends on the type of alteration. However, not less than two-thirds of the votes cast and of the shares represented at the meeting will be required. The board of directors is not allowed to make amendments to the articles of association. Any amendment to the articles will have to be registered with the Swedish Companies Registration Office.

## **Directors and the board of directors**

### **NUMBER OF DIRECTORS**

### **CANADA**

Under the BCBCA, a public company must have no fewer than three directors. The directors are elected at the annual meeting of Lucara Diamond shareholders for a term expiring at the end of the next annual meeting. Under the BCBCA, the directors may also, if the articles so provide, appoint one or more additional directors, who shall

also hold office for a term expiring at the end of the next annual meeting, provided that the total number of directors so elected shall not exceed one third of the number of directors elected at the previous annual meeting.

The articles of the Company provide that, so long as the Company is a public company, it shall have the greater of three and the number of directors set by ordinary resolution.

### **SWEDEN**

Under the Swedish Companies Act, a public company shall have a board of directors consisting of at least three board members and the chairman of the board may not be the managing director of the company. More than half of the directors shall be resident within the European Economic Area (unless otherwise approved by the Swedish Companies Registration Office). The actual number of board members shall be determined by a shareholders' meeting, within the limits set out in the company's articles of association.

Under the Swedish corporate governance code, not more than one director may also be a senior executive of the relevant company or a subsidiary. In addition, a majority of board members shall be independent of the company and its management and two of these members shall also be independent of major shareholders in the company.

### **NOMINATION, APPOINTMENT AND REMOVAL OF DIRECTORS**

#### **CANADA**

Under the BCBCA and the Company's articles, the shareholders of the Company may remove a director before the expiration of that director's term of office by special resolution. However, where the holders of any class or series of Shares of a corporation have an exclusive right to elect one or more of the directors, a director so elected may only be removed by a special separate resolution of those shareholders, or by a separate resolution of those shareholders passed by a lesser majority, if the articles of the company so provide.

#### **SWEDEN**

Under Swedish law, the board of directors shall, except for any employee representatives, be elected by the annual general meeting of shareholders, unless the articles of association provide otherwise. The members of the board of directors are usually elected for the period until the end of the next annual general meeting of shareholders, unless a longer term of up to four financial years is set out in the articles of association. It is possible for a board member to be re-elected for a new term of office.

Companies to which the Swedish corporate governance code applies shall have a nomination committee. In addition to nominating directors, the nomination committee shall nominate the chairman of the board of directors and the auditors and shall also propose fees to each director and to the auditors. The nomination committee's proposals are to be presented in the notice of the general meeting and on the company's website. At the same time, the nomination committee is to issue a statement on the company's website explaining its proposals and providing more information about the candidates proposed for election or re-election.

Under the Swedish corporate governance code, the annual general meeting of shareholders shall either appoint the members of a nomination committee or pass a resolution specifying how the members are to be appointed. The nomination committee shall have at least three members, the majority of which shall be independent of the company and its management. One of the independent members shall also be independent of the company. One of the independent members shall also be independent of the largest shareholder. The chief executive officer and other senior executives may not be members of the nomination committee.

**MAJORITY VOTING POLICY**

The Board has adopted a policy on majority voting (the “**Majority Voting Policy**”) that provides that each director of the Company should be elected by the vote of a majority of the Shares, represented in person or by proxy, at any meeting for the election of directors.

The Chair of the Board will ensure that the number of shares voted in favor or withheld from voting for each director nominee of the Company is recorded and promptly made public after the relevant meeting. If any nominee for director receives, from the shares voted at the meeting in person or by proxy, a greater number of shares withheld than shares voted in favor of his or her election, the director must immediately tender his or her resignation to the Chair of the Board following the meeting, to take effect upon acceptance by the Board. The Board shall accept the resignation absent exceptional circumstances. To assist the Board in making a determination with regard to exceptional circumstances, the Board will refer the resignation to the Corporate Governance and Nominating Committee who will expeditiously consider the director’s offer to resign and make a recommendation to the Board whether to accept the resignation. Within 90 days of the shareholders’ meeting, the Board will make a final decision concerning the acceptance of the director’s resignation and announce that decision by way of a news release.

The Majority Voting Policy applies only to uncontested elections, where the number of nominees as director is equal to the number of directors to be elected.

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

**ADVANCE NOTICE POLICY**

On March 21, 2013, the Board of Directors adopted an advance notice policy (the “**Advance Notice Policy**”). The purpose of the Advance Notice Policy is to provide shareholders, directors and management of the Company with direction on the nomination of directors. The Advance Notice Policy fixes a deadline by which holders of record of Shares of the Company must submit director nominations to the Company prior to any annual or special meeting of shareholders and sets forth the information that a shareholder must include in the notice to the Company for the notice to be in proper written form.

Pursuant to the Advance Notice Policy, nominations of persons for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors: (a) by or at the direction of the Board, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the BCBCA, or a requisition of the shareholders made in accordance with the provisions of the BCBCA; or (c) by any person (a “**Nominating Shareholder**”): (A) who, at the close of business on the Notice Date (as defined below) and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Policy.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form in accordance with the provisions of the Advance Notice Policy.

To be timely, a Nominating Shareholder's notice must be made: (a) in the case of an annual meeting of shareholders, not less than 30 days nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date (the "Notice Date") on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement; and (b) in the case of a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made. In no event shall any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a shareholder's notice as described above.

To be in proper written form, a Nominating Shareholder's notice must set forth particulars as to each person whom the Nominating Shareholder proposes to nominate for election as director, including their name, age, address, principal occupation, and the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice.

No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Policy; provided, however, that nothing in the Advance Notice Policy shall be deemed to preclude discussion by a shareholder (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the BCBCA. The Chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

## **REMUNERATION**

### **CANADA**

According to the articles of the Company, the directors shall be paid such remuneration for their services as the Board may from time to time determine. If the Board so decides, the remuneration, if any, of the directors will be determined by the shareholders. The directors shall also be entitled to be reimbursed for reasonable expenses they may incur in and about the business of the Company.

The compensation package for directors is intended to provide a competitive level of remuneration reflective of the responsibilities, accountability and time commitments of the Board members. Executive officers of the Company who also act as directors of the Company do not receive any additional compensation for services rendered in such capacity, other than as paid by the Company to such executive officers in their capacity as executive officers. There is no formal policy for the granting of options to directors. Options may be granted from time to time upon the recommendation of the compensation committee.

## **SWEDEN**

Under the Swedish Companies Act, the remuneration to the board of directors shall be determined by the annual general meeting of shareholders, specifying the amount for each director. For companies complying with the Swedish corporate governance code, the nomination committee's proposal to the annual general meeting of shareholders shall include a proposal regarding the remuneration to each member of the board.

In addition, the board of directors shall, pursuant to the Swedish corporate governance code, have a remuneration committee. The remuneration committee shall prepare the board of directors' resolutions regarding executive compensation and shall also monitor and evaluate the company's principles and levels of remuneration to the executive management, including programs for variable compensation. The code also stipulates that variable compensation paid in cash to the executive management shall be subject to predetermined limits regarding the total outcome and that the board of directors in such cases shall consider (i) to make payment conditional on the performance proving to be sustainable over time, and (ii) to introduce the right to reclaim remuneration that has been paid on the basis of information which later proves to be manifestly misstated. Furthermore, all share and share-price related incentive schemes for the executive management shall be approved by a general meeting.

## **POWERS OF THE BOARD OF DIRECTORS**

### **CANADA**

Directors of corporations governed by the BCBCA have fiduciary obligations to the corporation. Under the BCBCA, directors, when exercising the powers and performing the functions of directors, must act honestly and in good faith with a view to the best interests of the corporation and exercise the care, diligence and skill that a reasonably prudent individual would exercise in comparable circumstances.

The Board is responsible for the stewardship of the business and for acting in the best interests of the Company and its shareholders. The specific duties of the Board are contained in the Board of Directors' Mandate. A copy of the Mandate of the Board of Directors is attached as Appendix B to the Company's Management Proxy Circular dated March 20, 2014.

### **SWEDEN**

Under the Swedish Companies Act, the board of directors is responsible for the organization of the company and shall monitor the financial situation of the company and the group. The board shall appoint a managing director and issue instructions to such director setting out the responsibilities of the board and managing director. The board shall also issue instructions in reporting obligations in order for the board to fulfill its duties.

The managing director is responsible for the day-to-day management of the company in accordance with law, which normally includes appointing the other senior executives. The managing director shall be resident within the European Economic Area (unless otherwise approved by the companies' registration office).

## **RIGHT TO INDEMNIFICATION**

### **CANADA**

Under the BCBCA, a corporation may indemnify a director or officer, a former director or officer, an individual who is or was a director or officer of another corporation, at the request of the company or at a time when the corporation is or was an affiliate of the company, or an individual who, at the request of the company, is or was, or holds or held a position equivalent to that of, a director or officer of a partnership, trust, joint venture or other unincorporated entity (an "**Indemnifiable Person**"). An Indemnifiable Person may be indemnified against all judgments, penalties or fines awarded or imposed in, or amounts paid in settlement of, proceedings at which he or

she is made party or may be liable by reason of being or having been a director or officer, or holding or having held a position equivalent to that of a director or officer, of the company or an associated corporation.

A company will be prohibited from paying an indemnity if:

- (1) the party did not act honestly and in good faith with a view to the best interests of the Company;
- (2) the proceeding was not a civil proceeding and the party did not have reasonable grounds for believing that his or her conduct was lawful; and
- (3) the proceeding is brought against the party by the Company or an associated company.

A corporation may, with the approval of a court, also indemnify an Indemnifiable Person who is a complainant in respect of a derivative action for the costs incurred by the complainant in prosecuting or defending the legal proceeding.

### **SWEDEN**

The Swedish Companies Act does not contain any specific provisions requiring that the articles of association provide for indemnification of board members, officers or other persons. Instead, Swedish companies can have professional indemnity insurance in place for its board members and officers.

The annual general meeting of shareholders shall resolve on the discharge of the board of directors and managing director from liability. An action for damages on behalf of the company may be available in certain circumstances against a founder, board member, managing director, auditor or shareholder of the company. Such an action may be instituted where at a general meeting of shareholders the majority, or a minority comprising the owners of at least one-tenth of all shares, has supported the proposal that such an action be instituted. The action for damages in favor of a company may also be conducted by owners (in their own name) of at least one-tenth of all shares.

## **Financial statements, auditor's reports, auditors and audit committee**

### **CANADA**

Under the BCBCA, the directors of the Company must place before the shareholders at every annual meeting (a) comparative financial statements as prescribed in respect of the latest completed financial year; and (b) if the date on which the annual financial statements are published is more than 6 months after the beginning of the corporation's current financial year, financial statements for the period that began at the beginning of the corporation's current financial year, financial statements for the period that began at the beginning of the corporation's current financial year and ended on a date that is not more than 6 months before the date on which the annual financial statements are published. At the request of any shareholder attending an annual general meeting of shareholders, it must be read to the meeting the report of the auditor on those financial statements.

Issuers are required to prepare and file on SEDAR its annual financial statements and annual management discussion and analysis along with the report of the auditor, if any, within the prescribed period of time following financial year-end. Issuers are required to prepare and file on SEDAR its quarterly financial statements and interim management discussion and analysis within the prescribed period of time following the end of the first, second and third financial quarter.

The audit committee of the Company was appointed by the Board pursuant to provisions of the BCBCA and the articles of the Company. The primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board. The audit committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard. The audit committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the audit committee to ensure that management has done so.

## **SWEDEN**

Under the Swedish Companies Act, the annual general meeting shall adopt the balance sheet and the profit and loss statement. Further, it makes decisions in respect of the disposition of the company's profit or loss (such as payment of dividends). Swedish companies with shares listed on a regulated market are required to make their annual reports public not later than four months after the end of each financial year.

The annual report, together with the auditor's report, must be presented at the annual general meeting which according to the Swedish Companies Act is to be held within six months after the end of the financial year.

Auditors are appointed by a general meeting of shareholders, whereby a registered accounting firm may be appointed as auditor. The Swedish corporate governance code requires that the board of directors shall at least once annually meet the company's auditor without any member of the executive management present.

Companies with shares listed on a regulated market must have an audit committee, unless the assignments of such committee are carried out by the board of directors. The audit committee shall (i) monitor the company's financial reporting; (ii) monitor the efficiency of the company's internal control, internal audit and risk management; (iii) keep itself informed regarding the audit of the annual report and consolidated financial statements; (iv) review and monitor the auditor's impartiality and independence, paying particular attention to whether the auditor provides the company with services other than auditing services; and (v) assist in the preparation of a proposal to the general meeting for a resolution regarding the election of auditors.

## **Corporate governance reports and website**

### **CANADA**

Companies listed on the TSX must provide corporate governance information in their management information circular (usually referred to as a proxy circular). The circular is distributed together with the Company's notice of annual shareholders' meeting and is filed on SEDAR. There is no requirement to have the management information circular reviewed by the Company's auditors, and unless the Company elects to use the "notice-and-access" provisions under Canadian securities laws, there is no requirement to include the management information circular on the Company's website. The content of the management information circular is regulated by Canadian securities laws, and the circular must, among other things, include a discussion of the Company's compliance with the Canadian corporate governance principles. Although there are currently no legal requirements regarding the information on the Company's website, the Company does include information useful to investors.

### **SWEDEN**

Swedish companies with shares listed on a regulated market are obliged by law to prepare an annual corporate governance report, with information about, among other things, the key elements of the internal control systems, information about major shareholders, information about the board of directors and its committees and any mandates for the board of directors to issue new shares or acquire treasury shares.

The Swedish corporate governance code requires that the company states which rules of the Swedish corporate governance code it has not complied with and to explain the reasons for each case of non-compliance, and describe the solution it has adopted instead. The company must also have a section on its website devoted to corporate governance matters, where the company's three most recent corporate governance reports are to be posted, together with, among other things, the articles of association, information about upcoming shareholders' meetings and minutes from general meetings held during the past three years.

## **Shareholder remedies and special audit rights**

### **CANADA**

The most common shareholder remedies under the BCBCA are the oppression remedy, derivative actions, dissent rights and court-appointed inspections.

#### ***Oppression Remedy***

The oppression remedy permits a court to grant relief to a shareholder if the powers of the directors of the company, or any of its affiliates, are, or have been exercised in a manner that is oppressive or unfairly prejudicial to the interests of any shareholder. The oppression remedy is available to shareholders of the company and to other persons, if the court considers such other persons to be appropriate. Oppressive and unfairly prejudicial conduct is a broad concept that can cover a wide variety of actions undertaken by directors, management and other shareholders. If a court is satisfied that there has been oppression or unfairly prejudicial conduct, it "may make any interim or final order it considers appropriate" including orders that remedy the specific conduct complained of, orders requiring the company or other shareholders to purchase the wronged shareholder's shares, orders appointing a receiver or receiver manager, and orders for liquidation and dissolution.

#### ***Derivative Actions***

Under the BCBCA, parties with appropriate standing, including shareholders, can apply to bring or defend an action in the name of the company. The primary distinction between actions giving rise to a derivative action by the company and those giving rise to an oppression claim by a shareholder is that the former involve harm to the company or to the shareholders as a whole while the latter involve harm to one shareholder or a group of shareholders, but not all. As is the case with an oppression remedy, the court may make any order it considers appropriate.

#### ***Dissent Rights***

In certain circumstances, shareholders of a BCBCA company are entitled to dissent from some fundamental action undertaken by the company which has otherwise obtained the necessary shareholder approval. Examples of these circumstances include amalgamations, a sale of all or substantially all of the company's assets, or a resolution to alter the articles of the company relating to restrictions on the powers of the company or on the business it is permitted to carry on. A dissenting shareholder must give adequate notice of dissent following which the company must provide notice to proceed with its intended action. The dissenter's shares must then be purchased by the company at fair market value. In the event that the parties cannot agree on what constitutes fair market value either the company or the dissenter can apply to court to determine the appropriate fair market value.

#### ***Inspections***

Upon application by shareholders representing in aggregate at least one-fifth of the issued shares of the company, a court may appoint an inspector to conduct an investigation of a BCBCA company. In order to grant such an application, the court must have reasonable grounds to believe there was oppressive, fraudulent or dishonest conduct. The powers of the inspector will be set out in the enabling court order and can include the power to

compel the production of accounting and other records and to examine under oath any receiver, receiver-manager, director, officer, employee, banker, auditor or agent of the company or of any of its affiliates. An inspector appointed under the BCBCA must make a final report to the court and send a copy of that report to the company and to any other person the court orders

## **SWEDEN**

### ***Special examination***

Under the Swedish Companies Act, a shareholder may submit a proposal for an examination through a special examiner. The proposal shall be submitted to an annual general meeting, or to any general meeting for which the matter is included in the notice to attend the general meeting. The scope of the examination shall be defined in the proposal, and may relate to the company's management and accounts during a specific period of time in the past, or certain measures or circumstances within the company. If the proposal is supported by owners of at least one-tenth of all shares, or at least one-third of the shares represented at the general meeting, the Swedish Companies Registration Office shall appoint one or more examiners. The Swedish Companies Registration Office shall give the company's board of directors the opportunity to submit its comments prior to the appointment of a special examiner. The examiner shall submit a report regarding the examination, which shall be made available to the shareholders and presented at the general meeting. Persons who are no longer shareholders, but who were included in the voting register prepared for the general meeting at which the issue of the appointment of a special examiner was addressed, shall also have the right to read the report.

### ***Minority shareholders' auditor***

A shareholder may propose that a minority shareholders' auditor shall be appointed. The proposal shall be submitted to a general meeting at which the election of auditors is to take place, or at a general meeting where the proposal is included in the notice to attend the general meeting. The Swedish Companies Registration Office shall appoint such auditor upon the request of any shareholder, if the proposal is supported by at least one-tenth of all shares in the company, or at least one-third of the shares represented at the general meeting. The company's board of directors shall be afforded the opportunity to comment prior to the appointment of an auditor. The appointment shall relate to the period of time up to and including the next annual general meeting. The auditor shall participate in the audit together with other auditors.

## **Company's obligation to disclose changes in its share capital**

The Company is required to file a report with the TSX within ten days of the end of each month in which any change to the number of outstanding or reserved listed securities has occurred (including a reduction in such number that results from a cancellation or redemption of securities).

Due to the Company's listing on the NASDAQ OMX Stockholm, the Company is required, under Swedish law, to report any changes in the number of shares or votes. Such disclosure shall be made on the last trading day of the calendar month in which the increase or decrease of shares or votes occurred.

## **Distribution of information to the Canadian and Swedish markets**

The content and format of the disclosure obligations of Canadian issuers is mandated under National Instrument 51-102 and other National Instruments. The Canadian Securities Administrators have implemented National Policy 51-201 – Disclosure Standards to provide “best disclosure” practices in order that everyone investing in securities will have equal access to information that may affect their investment decisions. Canadian securities legislation

prohibits a reporting issuer from selective disclosure or informing any person or company in a special relationship with a reporting issuer, other than in the necessary course of business, of a material fact or a material change before that material information has been generally disclosed. Securities legislation also prohibits anyone in a special relationship with a reporting issuer from purchasing or selling securities of the reporting issuer with knowledge of a material fact or material change about the issuer that has not been generally disclosed.

The Company maintains a disclosure policy to ensure that communications to the investing public about the Company are (i) timely, factual and accurate and (ii) broadly disseminated in accordance with all applicable legal and regulatory requirements. The disclosure policy extends to all employees, consultants and the Board of the Company and its subsidiaries and those individuals authorized to speak on behalf of the Company or its subsidiaries.

Due to the Company's listing on the NASDAQ OMX Stockholm, the Company will be subject to the rules on disclosure of the NASDAQ OMX Stockholm Rulebook for Issuers. Financial reports and press releases will be published on the Company's website at [www.lucaradiamond.com](http://www.lucaradiamond.com) and by its news distributors. Financial reports and press releases are also filed on SEDAR at [www.sedar.com](http://www.sedar.com). The information will be in English only.

## **Swedish insider reporting rules**

In addition to any reporting requirements under applicable Canadian laws, persons holding an insider position (Sw. *insynställning*) in Lucara are, by reason of its listing on the NASDAQ OMX Stockholm, required to report their holdings of Shares and other financial instruments to the Swedish Financial Supervisory Authority (the "SFSA"). Such reporting shall be made in accordance with the Swedish Act on Reporting Obligations for Certain Holdings of Financial Instruments (SFS 2000:1087). These reports are publicly available on the SFSA's website [www.fi.se](http://www.fi.se). In addition, the same act stipulates a trading ban for the chief executive officer, the deputy chief executive officer(s), the members and deputy members of the Board, and the external auditor and deputy auditor of the Company during the thirty days preceding the publication of the Company's ordinary quarterly interim reports (including the day of publication).

Furthermore, by reason of its listing on the NASDAQ OMX Stockholm, the Company must publish information on any acquisitions or transfers resulting in the portion of the Shares or votes in the Company held by the Company itself reaching, exceeding or falling below 5, 10, 15, 20, 25, 30, 50,  $66\frac{2}{3}$ , or 90% of the aggregate number of Shares or voting rights in the Company. The Company is also subject to additional disclosure rules of NASDAQ OMX Stockholm.