



LUCARA

DIAMOND

**NOTICE OF MEETING AND MANAGEMENT PROXY CIRCULAR
ANNUAL GENERAL & SPECIAL MEETING OF SHAREHOLDERS
TO BE HELD ON
FRIDAY, MAY 8, 2020
FOR
LUCARA DIAMOND CORP.**



NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

The Annual General and Special Meeting (the "Meeting") of the shareholders of LUCARA DIAMOND CORP. (the "Corporation" or "Lucara") will be held at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, on Friday, May 8, 2020 at 10:30a.m. (Pacific Standard Time) for the following purpose:

1. To receive the audited consolidated financial statements for the year ended December 31, 2019, together with the report of the auditors;
2. To reappoint the auditor for the upcoming year and to authorize the directors to fix their remuneration;
3. To elect directors for the upcoming year;
4. To pass an ordinary resolution to approve certain amendments to the share unit plan, and the allotment of shares to be issued thereunder;
5. To pass an ordinary resolution to approve a Deferred share unit plan, and the allotment of shares to be issued thereunder;
6. To adopt an advisory resolution on executive compensation; and
7. To transact such further or other business as may properly come before the Meeting.

Your vote is important. If you held Lucara shares on Friday, April 3, 2020, you are entitled to receive notice of and vote at the Meeting or any postponement or adjournment thereof.

This Notice is accompanied by a Management Proxy Circular and a proxy form or a voting instruction form. The audited consolidated financial statements of the Corporation for the year ended December 31, 2019, have been provided separately to those shareholders who requested a copy. They are also available on the Corporation's website at www.lucaradiamond.com and on SEDAR at www.sedar.com.

If you are not able to attend the Meeting, please vote by using the proxy form or voting instruction form and return it according to the instructions provided before 10:30 a.m. (Pacific Time) Wednesday, May 06, 2020.

BY ORDER OF THE BOARD

(signed) "Eira Thomas"

Chief Executive Officer
Dated April 3, 2020



**Management Proxy Circular
Annual General & Special Meeting of Shareholders
Friday, May 8, 2020**

Dated April 3, 2020



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SECTION 1 – VOTING INFORMATION

GENERAL

You have received this Management Proxy Circular (the “Circular”) because you owned shares of **Lucara Diamond Corp.** (“Lucara” or the “Corporation”) on April 3, 2020, the record date. As a shareholder, you have the right to attend the annual meeting of shareholders on **Friday, May 8, 2020**, at the time and place in the accompanying notice (the “Meeting”) or at any adjournment or postponement thereof. The business of the meeting will be conducted at the place in the accompanying notice.

The Corporation encourages you to vote your shares by proxy in advance of the meeting, via mail, telephone or on the internet. In conducting the meeting on May 8th, the Corporation intends to follow the guidelines for physical distancing prescribed by the Public Health Agency of Canada to minimize the spread of the Coronavirus disease (COVID-19), as such guidelines are applicable as at the date of the Meeting. No management presentation will be made following the business of the Meeting.

Unless otherwise stated, the information contained in this Circular is given as at April 3, 2020 and all dollar amounts are expressed as Canadian dollars.

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

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

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

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

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

Registered Shareholder

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

Non-Registered (or Beneficial) Shareholder

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



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

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

MATTERS TO BE VOTED ON AT THE MEETING

At the meeting, shareholders will be asked to vote on the matters described in SECTION 2 of this Circular "BUSINESS OF THE MEETING".

HOW TO VOTE IF YOU ARE A REGISTERED SHAREHOLDER AND YOUR SHARES TRADE ON THE TSX

In Person

You should identify yourself to the representative from Computershare before entering the Meeting to register your attendance at the Meeting.

By Proxy

1. *By mail:*
Complete, sign and date your proxy form and return it in the envelope provided. Please see below "How to complete the Proxy Form if you are a Registered Shareholder with shares trading on the TSX" for more information.
2. *By telephone:*
Call 1-866-732-8683 (toll free in Canada and the United States) and follow the voting instructions. You will need your 15 digit control number which is noted on your proxy form. International holders wishing to vote by telephone can dial +1-312-588-4290 to place their vote.
3. *On the internet:*
Go to www.investorvote.com and follow the instructions on the screen. You will need your 15 digit control number which is noted on your proxy form.

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

Complete your voting instructions, sign and date your proxy form and return it so that it is received before **10:30 a.m. (Pacific Time) on Wednesday, May 06, 2020** or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time set for the adjourned or postponed Meeting. When you sign the proxy form (unless you appoint someone else, see below), you are authorizing the appointees, who are officers of Lucara, to vote your Common Shares for you at the Meeting. The Common Shares represented by a proxy form will be voted in favour or withheld from voting or voted against, as applicable, in accordance with your instructions on any ballot that may be called for at the Meeting. If you return your proxy form and do not indicate how you want to vote your Common Shares, your vote will be cast:

- FOR the appointment of PricewaterhouseCoopers LLP as auditors and authorizing the directors to fix their remuneration;
- FOR the election of each of the persons nominated for election as directors in this Circular;
- FOR the approval of certain amendments to the Corporation's share unit plan, and the allotment of up to 10,000,000 shares to be issued thereunder including the ratification of 779,090 share units granted under



the share unit plan;

- FOR the approval of a Deferred share unit plan (“DSU plan”), and the allotment of up to 4,000,000 shares to be issued thereunder including the ratification of 278,000 deferred share units granted under the DSU plan; and
- FOR the adoption of an advisory resolution on executive compensation as more fully described in this Circular.

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

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

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

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

How to Change or Revoke your Vote – if you are a Registered Shareholder with shares trading on the TSX:

If you wish to change a vote you made by proxy:

- complete a proxy form that is dated later than the proxy form you are changing and deposit it with Computershare so that it is received before 10:30 a.m. (Pacific Time) on Wednesday, May 6, 2020 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting; or
- vote again by telephone or on the internet before 10:30 a.m. (Pacific Time) on Wednesday, May 6, 2020 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting.

If you wish to revoke a vote you made by proxy:

- attend in person at the Meeting;
- send a notice of revocation in writing from you or your authorized attorney to the registered office of the Corporation, at Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3, so that it is received by the close of business (Pacific Time) on May 7, 2020 or, in the case of any adjournment or postponement of the Meeting, by the close of business on the last business day before the day of the adjourned or postponed Meeting;
- give a notice of revocation in writing from you or your authorized attorney to the Chair of the Meeting or the Corporate Secretary on the day of, but prior to the commencement of the Meeting; or
- in any other manner permitted by law.

HOW TO VOTE IF YOU ARE A NON-REGISTERED (OR BENEFICIAL) SHAREHOLDER AND YOUR SHARES TRADE ON THE TSX

By Proxy

In accordance with applicable securities law requirements, the Corporation has distributed copies of the meeting materials and the form of proxy and voting information form to the intermediaries and clearing agencies for



distribution to the non-registered shareholders. The Corporation intends to pay for intermediaries to forward the meeting materials and voting instruction forms to objecting beneficial owners.

Non-registered shareholders should carefully follow the instructions of their intermediary, including those regarding when and where the proxy or voting instruction form is to be delivered. There may be deadlines for non-registered shareholders that are earlier than the deadlines for proxies from registered shareholders set out above.

In order to vote using the voting instruction form:

- Non-objecting beneficial owners: Fill in the voting instruction form you received with this package and carefully follow the instructions provided. You can send your voting instructions by phone or by mail or through the internet.
- Objecting beneficial owners: Sign and date the voting instruction form your intermediary sends to you and follow the instructions for returning the form.

Your intermediary (your broker, investment dealer, bank, trust company, nominee or other intermediary) is responsible for properly executing your voting instructions.

Your intermediary is required to ask for your voting instructions before the Meeting. Please contact your intermediary if you did not receive a voting instruction form together with this Circular. You may change your voting instructions given to an intermediary by notifying such intermediary in accordance with the intermediary's instructions. Only registered shareholders have the right to revoke a proxy. A non-registered shareholder who has submitted voting instructions to an intermediary should contact their intermediary for information with respect to revoking their voting instructions.

Make sure your voting instruction form or proxy form, as applicable, is properly completed and that you allow enough time for it to reach Computershare if you are sending it by mail.

In Person

Lucara does not have access to the names or holdings of our Non-Registered (or Beneficial) shareholders. This means you can only vote your Common Shares in person at the Meeting if you have previously appointed yourself as the proxyholder for your Common Shares by inserting your name in the space provided on the voting instruction form, which you received from your intermediary, and submitting it as directed on the form.

Non-registered shareholders cannot use a voting instruction form to vote directly at the Meeting. If you are a non-registered shareholder and you wish to vote at the Meeting, you must appoint yourself as proxyholder by inserting your own name in the space provided on the voting instruction form sent to you and following all of the applicable instructions provided therein, including as follows:

- Non-objecting beneficial owners: Follow the instructions on the voting instruction form. You must request a legal proxy form granting you the right to attend the Meeting and vote, and return the proxy form to our transfer agent, Computershare, within the time periods specified.
- Objecting beneficial owners: Follow the instructions on the voting instruction form from your intermediary, and request a proxy form, which grants you the right to attend the Meeting and vote and return the proxy form to our transfer agent, Computershare, within the time periods specified.

Your voting instructions must be received by Computershare by 10:30 a.m. (Pacific Time) on Wednesday, May 6, 2020 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the time set for the adjourned or postponed Meeting. You should identify yourself to the representative from Computershare before entering the Meeting to register your attendance



at the Meeting.

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

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

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

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

WHO IS ENTITLED TO VOTE AND HOW THE VOTES ARE COUNTED

Each shareholder is entitled to one vote for each Common Share held as of the record date, April 3, 2020, on all matters at the Meeting. As of the record date, there are 396,896,733 issued and outstanding Common Shares.

Computershare counts and tabulates the votes. It does this independently of Lucara to make sure that the votes of individual shareholders are confidential. Computershare refers proxy forms to Lucara only when:

- it is clear that a shareholder wants to communicate with management;
- the validity of the proxy is in question; or
- the law requires it.

WHO ARE THE PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and senior officers of Lucara, Nemesia S.à.r.l (“Nemesia”) and Letko, Brosseau & Associates are the only persons or companies beneficially owning or exercising control or direction, directly or indirectly, over Common Shares carrying more than 10% of the voting rights attached to all Common Shares. Nemesia is a private corporation owned by a trust whose settlor is the Estate of Adolf H. Lundin. As of April 3, 2020, Nemesia holds 70,372,200 Common Shares, which represents approximately 17.73% of the current outstanding Common Shares. As of April 3, 2020, Letko, Brosseau & Associates holds 49,500,739 Common Shares, which represents approximately 12.47% of the current outstanding Common Shares.

SECTION 2 - BUSINESS OF THE MEETING

2.1 FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the year ended December 31, 2019 have been provided to shareholders who requested them and are available on Lucara’s website at www.lucaradiamond.com or at SEDAR at www.sedar.com. Management will discuss these consolidated financial results at the Meeting. No vote of shareholders is required with respect to this item of business.



2.2. APPOINTMENT AND REMUNERATION OF AUDITORS

The Board recommends the re-appointment of PricewaterhouseCoopers LLP Chartered Professional Accountants ("PwC"), Vancouver, British Columbia, as auditors of the Corporation to hold office until the termination of the next annual meeting of the shareholders.

As in past years, it is proposed that the remuneration to be paid to the auditors shall be determined by the Board. For further information on the external auditors including fees paid to the auditors in 2018 and 2019, please refer to page 27 of this Circular.

You may either vote for reappointing PwC as Lucara's auditor to hold office until the end of the next annual meeting and authorizing the directors to fix the auditor's remuneration or you can withhold your vote. If you do not specify how you want your shares voted, the named proxyholders intend to cast votes **FOR** reappointing PwC and authorizing the directors to fix PwC's remuneration.

2.3 ELECTION OF DIRECTORS

Nominees - Directors

The term of office of each of the present directors expires at the Meeting. Five of the nominees are existing directors of the Corporation. Two individuals who have not previously served as a director of Lucara are nominated for election to the Board to replace two long-serving directors who are retiring. The Board is recommending that the seven individuals nominated be elected at the Meeting. The Board has assessed the skills and experience that the directors standing for election offer and is satisfied the nominees meet the Board's requirements. Each director elected at the Meeting will serve as a director until the next annual meeting unless he or she resigns or is otherwise removed from office earlier.

You may either vote for the election of each of the below nominees or you can withhold your vote. If you do not specify how you want your shares voted, the named proxyholders intend to cast votes **FOR** the election of the below named nominees. If any proposed nominee is unable to serve as a director or withdraws his or her name, the named proxyholders reserve the right to nominate and vote for another individual in their discretion.

The Board has adopted a policy on Majority Voting that provides that the Chair of the Board will ensure that the number of shares voted in favour or withheld from voting for each director nominee is recorded and promptly made public after the meeting. If any nominee for director is not elected by at least a majority (50% + 1 vote) of the votes cast with regard to his or her election, the director must immediately tender his or her resignation to the Chair of the Board following the meeting, to take effect upon acceptance by the Board. The Board shall accept the resignation absent exceptional circumstances. To assist the Board in making a determination with regard to exceptional circumstances, the Board will refer the resignation to the Corporate Governance and Nominating Committee who will expeditiously consider the director's offer to resign and make a recommendation to the Board whether to accept the resignation. Within 90 days of the shareholders' meeting, the Board will make a final decision concerning the acceptance of the director's resignation (and reasons for rejecting the resignation if applicable) and announce that decision by way of a news release. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation. The policy applies only to uncontested elections, where the number of nominees as director is equal to the number of directors to be elected. If the director fails to tender his or her resignation as contemplated in the policy, the Board will not re-nominate the director. Subject to any corporate law restrictions, where the Board accepts the offer of resignation of a director and that director resigns, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position.

Information regarding each of the seven proposed nominees, as at April 3, 2020, is set out below. Further information on the proposed nominees is also found in this Circular, please see pages 46 and 47 for director



compensation received.

David DICAIRE

British Columbia, Canada
Age, 61

Committee and Attendance

Not Applicable

Independent:

Yes

Areas of Expertise

Diamond Industry
Environmental, Safety and Occupational Health
Mining Operations and Technical Skills
Technology

Director elect:

Nominated

Current Occupation

General Manager & VP Projects, Lundin Gold (resource company)

of voting securities owned:

0

Biography

Mr. Dicaire has over 40 years of experience in the mining, engineering and construction industry on a variety of global projects leading both Owner and EPCM teams. Prior to joining Lundin Gold in 2016, Mr. Dicaire was employed by Freeport-McMoRan Inc. from 2013 to 2016 as the Project Director for the highly successful US\$4.6 billion Cerro Verde Expansion Project in Peru. Prior to moving to Freeport, Mr. Dicaire was the General Manager, Project Development for South America for Xstrata Copper (now Glencore plc) based in Santiago, Chile. Mr. Dicaire's experience covers all facets of company and project management for all types of mining projects from studies, project execution and operations. Mr. Dicaire specializes in leading complex, large scale projects.

Other Public Boards

Nil

Paul CONIBEAR⁽¹⁾

British Columbia, Canada
Age, 62

Committee and Attendance

Board (Lead Director): 9 of 9
Compensation Committee (Chair): 5 of 5
Corporate Governance and Nominating Committee: 3 of 3

Independent:

Yes

Areas of Expertise

Environmental, Safety and Occupational Health
Finance & Financial Reporting
Human Resources & Compensation
Legal and Corporate Governance
Mergers & Acquisition
Mining Operations and Technical Skills
Risk Management
Strategic Planning
Technology

Director since:

April 2007

Current Occupation

Corporate Director

of voting securities owned:

383,000

Biography

Mr. Conibear has over 35 years of experience in the mining industry in Africa, North and South America and Europe. His background includes 21 years of project and construction management across a diverse range of minerals projects encompassing base and precious metal, coal, uranium and potash investments. For the last 20 years he has held public company executive management and director's positions, last serving as President and CEO of Lundin Mining Corp. from 2010 until his retirement in 2018. Mr. Conibear also served for several years as President & CEO of Tenke Mining Corp., where he was instrumental in progressing the world class Tenke



Fungurume copper/cobalt project towards its current position as a major mining operation in central Africa.

Other Public Boards

Josemaria Resources Inc. (TSX, Nasdaq Stockholm)

**Peter J.
O'CALLAGHAN**

British Columbia, Canada
Age, 61

Committee and Attendance
Not Applicable

Independent:
No

Areas of Expertise
Diamond Industry
Finance & Financial Reporting
Human Resources & Compensation
Legal & Corporate Governance
Mergers & Acquisitions
Risk Management
Strategic Planning
Technology

Director elect:
Nominated

Current Occupation
Partner, Blake, Cassels & Graydon LLP (law firm)

**# of voting securities
owned:**
0

Biography
Mr. O'Callaghan has practiced securities law for over 35 years, for the last 25 years he has practiced law at Blake, Cassels & Graydon LLP, with a particular focus on M&A and corporate finance, including public company acquisition and sale transactions and public and private financings. He has acted as independent counsel to investment dealers and boards of directors and independent committees of boards. He also has extensive experience negotiating and drafting shareholders' and joint venture agreements. Mr. O'Callaghan's clients are exclusively in or connected to the mining sector. He has acted for issuers and underwriters in respect of many mining transactions in Canada, the United States, South America, Africa, China and Australia.

Other Public Boards
Nil

Marie INKSTER

Ontario, Canada
Age, 48

Committee and Attendance
Board: 9 of 9
Audit Committee (Chair): 5 of 5

Independent:
Yes

Areas of Expertise
Environmental, Safety and Occupational Health
Finance & Financial Reporting
Human Resources & Compensation
Legal and Corporate Governance
Mergers & Acquisition
Risk Management
Strategic Planning
Technology

Director since:
June 2014

Current Occupation
CEO, Lundin Mining Corp. (resource company)

**# of voting securities
owned:**

Biography
Ms. Inkster has been President, CEO & Director of Lundin Mining since October 2018. She



180,000

previously served as Chief Financial Officer from May 2009 after joining the Company in September 2008 as Vice President, Finance. Prior to joining Lundin Mining, Ms. Inkster held senior positions in a number of publicly traded companies, including five years with LionOre Mining International Ltd where she served as Vice President, Controller at the time of its acquisition by Norilsk Nickel in July of 2007. Ms. Inkster has 20 years of experience in public company management, public and private equity and debt fundraising, corporate transactions and public company reporting.

Other Public Boards

Lundin Mining Corporation (TSX/Nasdaq Stockholm)

Lukas LUNDIN⁽¹⁾

Geneva, Switzerland
Age, 61

Committee and Attendance

Board (Chairman): 9 of 9

Independent:

No

Areas of Expertise

Finance & Financial Reporting
Human Resources & Compensation
Mergers & Acquisition
Mining Operations and Technical Skills
Strategic Planning

Director since:

April 2007

Current Occupation

Chair of the Board of the Corporation and Chair of a number of resource companies.

of voting securities

owned:
4,215,000

Biography

Mr. Lundin graduated from the New Mexico Institute of Mining and Technology (engineering) in 1981. In 1982, Mr. Lundin headed International Petroleum Corporation's oil and gas operations and was based in Dubai, U.A.E. for 6 years. From 1990 to 1995, he was President of International Musto Exploration Limited and was responsible for Musto's acquisition of the Bajo de la Alumbrera deposit. His uninhibited pursuit of highly prospective properties around the world has resulted in numerous resource discoveries, including the multi-million ounce Veladero gold discovery. Mr. Lundin has also led several companies through highly profitable business acquisitions and mergers such as Lundin Mining Corporation's \$3.3 billion merger with EuroZinc Mining, the \$2 billion sale of Tanganyika Oil Company Ltd. and, in 2010, the \$9.2 billion sale of Red Back Mining Inc. He currently sits on the Board of several publicly traded companies.

Other Public Boards

Lundin Mining Corporation (TSX/Nasdaq Stockholm)
NGEx Resources Inc. (TSX/Nasdaq Stockholm)
Lundin Petroleum AB (Nasdaq Stockholm)
Lundin Gold Inc. (TSX/Nasdaq Stockholm)
Filo Mining Corp. (TSX-V/OMX)
International Petroleum Inc. (TSX/Nasdaq First North) *1

Note *1: In 2020, Mr. Lundin will not be standing for re-election as a Board member of International Petroleum Inc.

**Catherine
McLEOD-SELTZER**

British Columbia, Canada
Age, 60

Committee and Attendance

Board: 9 of 9
Audit Committee: 5 of 5
Corporate Governance and Nominating Committee: 3 of 3
Safety, Health, Environment and Community Relations Committee (Chair): 4 of 4

Independent:

Yes

Areas of Expertise

Diamond Industry



Environmental, Safety and Occupational Health
Finance & Financial Reporting
Human Resources & Compensation
Legal and Corporate Governance
Mergers & Acquisition
Risk Management
Strategic Planning

Director since:
February 2018

Current Occupation
Chair of Kinross Gold Corporation and Co-Chair of Bear Creek Mining Corp.

of voting securities owned:
4,400,000 (direct)
100,000 (indirect)

Biography
Ms. McLeod-Seltzer has been directly involved in more than \$4 billion in corporate transactions in the past 25 years and has been instrumental in helping build a number of successful mineral companies, including, Arequipa Resources, Francisco Gold, Miramar Mining, Bear Creek Mining, Stornoway Diamonds and Peru Copper Inc. Ms. McLeod-Seltzer was named Mining Man of the Year by The Northern Miner in 1999, and in 1997 she was given the "Award for Performance" by the Association of Women in Finance. She has also held positions on the Financial Post's "Power 50". Ms. McLeod-Seltzer is currently Chairman of Bear Creek Mining Corp and the Independent Chair of the Kinross Gold Board of Directors. She is a recognized leader in the minerals industry for her ability to create growth-focused companies that generate significant shareholder value.

Other Public Boards
Bear Creek Mining Corp. (TSX-V)
Flow Capital Corp. (TSX-V)
Kinross Gold Corporation (TSX/NYSE)

Eira THOMAS

London, UK
Age, 51

Committee and Attendance
Board: 9 of 9
Safety, Health, Environment and Community Relations Committee: 3 of 4

Independent:
No

Areas of Expertise
Diamond Industry
Diamond Sales and Marketing
Environmental, Safety and Occupational Health
Finance & Financial Reporting
Human Resources & Compensation
Legal and Corporate Governance
Mergers & Acquisition
Mining Operations and Technical Skills
Risk Management
Strategic Planning
Technology

Director since:
August 2009

Current Occupation
President, CEO and Director of the Corporation as of February 25, 2018

of voting securities owned:
5,298,000

Biography
Ms. Thomas is a Canadian geologist with over twenty-five years of experience in the Canadian mining industry, including her previous roles as Vice President, Aber Resources, now Dominion Diamond Corp., CEO of Stornoway Diamond Corp., and CEO of Kaminak Gold Corporation. In 2007, Ms. Thomas founded Lucara Diamond Corporation, with partners Lukas Lundin and Catherine McLeod-Seltzer; since February 2018, Ms. Thomas has served as President and CEO of Lucara. In 2008, Ms. Thomas was one of only four Canadians that year to be named to the "Young Global Leaders", by the World Economic Forum, and in 2007 she was selected as one of Canada's 'Top 100 Most Powerful Women'. Ms. Thomas is currently a director of Suncor Energy Inc. where she chairs the Governance Committee.



Other Public Boards
Suncor Energy Inc. (TSX/NYSE MKT)

Notes to Profiles of the Nominated Directors re Corporate Cease Trade Orders/Bankruptcies:

- (1) *RB Energy Inc. (“RBI”) commenced proceedings under the Companies’ Creditors Arrangement Act (the “CCAA”) in 2014. CCAA proceedings continued in 2015 and a receiver was appointed in May 2015. The TSX de-listed RBI’s common shares in November 24, 2014 for failure to meet the continued listing requirements of the TSX. Messrs. Lundin and Conibear were never directors, officers or control persons of RBI but they were directors of one of the amalgamating companies that formed RBI, Sirocco Mining Inc. (“Sirocco”). On January 31, 2014, Mr. Lundin and Mr. Conibear resigned as directors of Sirocco at which time Sirocco was financially solvent. However, as a result of the amalgamation of Canada Lithium and Sirocco to form RBI, Messrs. Lundin and Conibear were directors of an issuer within the period of 12 months preceding it filing for CCAA protection.*

Legend Stock Exchanges:

TSX	= Toronto Stock Exchange
TSX-V	= TSX Venture Exchange
Nasdaq First North	= Nasdaq First North
Nasdaq Stockholm	= Nasdaq Stockholm Exchange
OMX	= OMX Nasdaq
NYSE	= New York Stock Exchange
NYSE American	= New York American Stock Exchange
OTCQB	= OTC Markets Group

Advance Notice

On March 21, 2013, the Board approved an advance notice policy for nominations of directors by shareholders in certain circumstances, which was approved by the shareholders of the Corporation on June 21, 2013 and is posted on the Corporation’s website. As at the date of this Circular, Lucara has not received notice of any director nominations in connection with the Meeting. Accordingly, at this time, the only persons eligible to be nominated for election to the Board at the Meeting are the above nominees.

2.4 APPROVAL OF AMENDMENTS TO SHARE BASED COMPENSATION PLANS

Currently Lucara has three forms of incentive, share-based compensation plans: a share unit plan, a stock option plan and a deferred unit plan. Lucara’s Share Unit Plan was approved by shareholders on May 13, 2015 (the “Share Unit Plan”). The Share Unit Plan provides for a maximum amount of 4,000,000 common shares to be issued pursuant to the vesting of share units granted under the Share Unit Plan. Certain of the share units granted in February 2020 for 2019 executive performance exceeded the number of share units available for grant under the Share Unit Plan. As a result, these “excess” grants of 779,090 share units, on such terms as set out in the table below, will be subject to receipt of shareholder approval for the proposed increase in the number of common shares reserved for issuance under the Share Unit Plan. In the event shareholder approval is not received, these share units will be cancelled.

Name of Grantee	Date of Grant	No. of Share Units	Vesting Terms
Eira Thomas	February 26, 2020	600,000	February 26, 2023; and performance conditions attached to PSUs
Zara Boldt	February 26, 2020	375,000	February 26, 2023; and performance conditions are attached to PSUs
Total Share Units Granted		975,000	
Within plan room		(195,910)	
Total Share Units in Excess of Plan Room		779,090	

Lucara also has a Stock Option Plan (the “Option Plan”) which was initially approved by shareholders on May 13, 2015, with amendments subsequently approved by shareholders on May 10, 2019. Under the terms of the Option



Plan, a maximum of 20,000,000 common shares are reserved for issuance upon the exercise of stock options. A summary of the Option Plan can be found on page 47 of this Circular.

In 2019, recommendations with respect to director and executive compensation were received from an external compensation consultant (see Section 4 – Executive Compensation). After carefully considering these recommendations, the Board determined that a greater amount of long-term incentive compensation for executives should take the form of Restricted Share Units (“RSUs”) and Performance Share Units (“PSUs”), with a lesser use of stock options as a form of executive compensation. Lucara’s existing Share Unit Plan provides participants with an incentive to enhance shareholder values by providing a form of compensation that is tied to the market value of the Corporation’s shares. The Corporation uses the Share Unit Plan to align participant’s interests with that of shareholders including through the use of performance share units and time-vested restricted share units.

On March 18, 2020, the Board approved certain amendments to the Share Unit Plan. These amendment clarify that the Compensation Committee has the ability to make annual recommendations to the Board for grants of share units; the proposed amendments also allow for the claw-back of subsequently granted share units in the instances described in the summary of the Share Unit Plan (the “Proposed Amendments”) which include the recipient of the share unit being terminated for cause, or found to have acted with gross negligence, willful misconduct, fraud or in connection with a restatement of financial statements. A copy of the Share Unit Plan, marked to show the Proposed Amendments, is included in Appendix B.

In February 2020, the Board also adopted a Deferred Share Unit Plan (the “DSU Plan”) to provide a share-based form of compensation to directors. A copy of the DSU Plan, under which the issuance of shares by Lucara is subject to shareholder approval, is attached as Appendix C to this Circular.

Presently, a total of 24,000,000 common shares are reserved for issuance under Lucara’s Share Unit and Option Plans. Subject to receipt of shareholder approval for the new DSU Plan and the amendments to the Share Unit Plan, the Corporation is proposing to reallocate, but not to increase the total number of common shares reserved for issuance under the Corporation’s share-based compensation plans as follows:

Type of Plan	Current Allocation	Proposed Allocation	As a % of issued and outstanding
RSU / PSU	4,000,000	10,000,000	2.5%
DSU	-	4,000,000	1.0%
Stock Option	20,000,000	10,000,000	2.5%
Total	24,000,000	24,000,000	6.0%

As of the date of this Circular, there are a total of 2,946,527 share units outstanding under the Share Unit Plan, consisting of 2,365,527 RSUs and 581,000 PSUs which represents approximately 0.7% of the Corporation’s current issued and outstanding Common Shares. A total of 278,000 DSUs have been granted to directors, subject to shareholder approval of the DSU Plan at the May 8, 2020 Meeting. A total of 4,564,000 stock options have been granted as of the date of this Circular.

The TSX has conditionally approved the issuance of 10,000,000 unallocated share units under the Share Unit Plan and 4,000,000 share units under the DSU Plan, subject to receipt from the Corporation of evidence of shareholder approval. The TSX has also conditionally approved the proposed reduction and reallocation from the Option Plan, such that the total number of common shares reserved for issuance pursuant to the Corporation’s share-based compensation plans remains unchanged at 24,000,000.

You may either vote for approval of the following resolution or you can vote against. Unless otherwise instructed, the named proxyholders will vote **FOR** the approval of Amended Share Unit Plan Resolution.



“BE IT RESOLVED that:

- i) *The Proposed Amendments to the Share Unit Plan as described in the Circular are hereby authorized and approved whereby the number of Common Shares of the Corporation reserved for issuance under the Share Unit Plan, shall be increased from 4,000,000 to 10,000,000 subject to final acceptance by the TSX, and the ratification of 779,090 share units granted under the Share Unit Plan, on such terms as set out in the table above, is hereby authorized and approved;*
- ii) *any one director or officer of the Corporation is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Corporation or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions.”*

2.5 APPROVAL OF THE DEFERRED SHARE UNIT PLAN

The Board of Lucara adopted the DSU Plan February 2020, to promote a greater alignment of long-term interests between Directors of the Corporation and the shareholders of the Corporation; and to provide a compensation system for Directors that, together with the other Director compensation mechanisms of the Corporation, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board.

The DSU Plan permits non-executive Directors to elect to receive all or a portion of their director’s fees in the form of DSUs and permits the Board to make other grants of DSUs to non-executive Directors from time to time. The DSUs are redeemed for shares of Lucara or cash upon the Director ceasing to serve as a director with Lucara, subject to the terms and conditions of the DSU Plan.

As described above and in the description of Director Compensation in section 5 which begins on page 46 below, the Board adopted a DSU Plan in February 2020 as a form of share-based compensation for the Corporation’s non-executive directors. The full text of the DSU Plan can be found in Appendix C.

Shareholders are being asked to approve the DSU Plan and the allotment of up to 4,000,000 common shares to be issued upon redemption of DSUs and the ratification of 278,000 deferred share units granted under the DSU plan, on such terms as set out in the table below. If shareholder approval is not obtained, the DSU Plan will remain in place but DSUs will only be redeemed for cash and no shares may be issued from treasury with respect to such DSUs, unless and until shareholder approval is obtained.

Name of Grantee	Date of Grant	No. of DSUs
Richard Clark	February 26, 2020	35,000
Paul Conibear	February 26, 2020	83,000
Brian Edgar	February 26, 2020	39,000
Marie Inkster	February 26, 2020	41,000
Lukas Lundin	February 26, 2020	41,000
Catherine McLeod-Seltzer	February 26, 2020	39,000
Total DSUs		278,000

You may either vote for approval of the following resolution or you can vote against. Unless otherwise instructed, the named proxyholders will vote **FOR** the approval of DSU Plan Resolution.

“BE IT RESOLVED that:

- iii) *The adoption of a Deferred Share Unit Plan, as described in the Circular and including the allotment of up to 4,000,000 common shares to be issued upon redemption of DSUs and the ratification of*



278,000 DSUs granted under the Deferred Share Unit Plan, on such terms as set out in the table above, is hereby approved; and

- iv) *any one director or officer of the Corporation is hereby authorized and directed to do all such acts and things and to execute and deliver, under the corporate seal of the Corporation or otherwise, all such deeds, documents, instruments and assurances as in his or her opinion may be necessary or desirable to give effect to the foregoing resolutions.”*

2.6 ADVISORY RESOLUTION ON EXECUTIVE COMPENSATION

As part of Lucara’s commitment to strong governance practices, the Board has provided shareholders with an opportunity to cast an advisory vote on the Board’s overall approach to executive compensation (Say on Pay) at its annual meeting. Lucara’s approach to executive compensation was approved by 86.12% of the shares voted at the 2019 annual meeting. Again, this year, the Corporation is providing shareholders with a non-binding advisory vote on Say on Pay. The Executive Compensation section of this Circular provides details on Lucara’s compensation programs. As outlined in this section, the objectives of these programs are to structure compensation to recruit, retain and motivate qualified, high caliber executives and also to link compensation to the performance of the Corporation.

You may either vote for approval of the following Say on Pay resolution or you can vote against. The Board recommends that you vote for this resolution. If you do not specify how you want your shares voted, the named proxyholders intend to cast votes **FOR** the adoption of the advisory resolution on executive compensation.

“BE IT RESOLVED that on an advisory basis and not to diminish the role and responsibilities of the Board of Directors, that the shareholders accept the approach to executive compensation disclosed in this Circular delivered in connection with the 2020 annual meeting of shareholders.”

Because the vote is advisory it will not be binding upon the Board. However, the Compensation Committee of the Board will review and analyze the results of the vote and take into consideration such results as part of its ongoing review of executive compensation.

SECTION 3 - CORPORATE GOVERNANCE

3.1 STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Lucara is committed to a high standard of corporate governance. The directors believe that a high standard of governance is important for the successful operation of the business and creation of shareholder value. The following provides information about the Corporation’s Board and sets out governance practices now in force.

3.2 MANDATE OF THE BOARD OF DIRECTORS

The Board has a formal mandate (see Appendix A) that lists specific responsibilities including to:

- Approve the strategic direction of the Corporation
- Identify principal risks of the Corporation’s business and ensure implementation of appropriate risk management systems
- Ensure the Corporation has management of the highest caliber
- Oversee Lucara’s communication policy with its shareholders and the public generally.

The Board discharges its responsibilities either directly or through its committees.



Strategic Planning

The Board works with management to develop the Corporation's strategic direction. The strategic planning process involves the development of a long term (5 year) strategic plan, the establishment of annual budgets and two-year financial plans, and an annual review of the strategic plan. Management is responsible for preparing information in these areas and presenting it to the Board for discussion and approval.

In addition, the Board on an ongoing basis throughout the year discusses with management strategic issues including competitive developments and corporate opportunities. The Board measures the success of the strategic plan by assessing performance results against annual corporate objectives.

Risk Oversight

The Board has implemented a risk management process. At each quarterly meeting of the Audit Committee, a risk report is reviewed and monitored which includes:

- identification and description of risks
- the impact of the identified risks
- classification of the risk as high/medium/low
- an action plan to mitigate the impact of the risk
- identification of the "owner" of the risk i.e. the employee who owns the risk and is responsible for implementing controls and developing ways to mitigate the risk

In addition, the Safety, Health, Environmental and Community Relations Committee (the "SHECR Committee") assists the Board in its oversight of Lucara's operations (including the operations of its active subsidiaries) by monitoring management's performance in managing and mitigating risks involved with safety, health, environment and the local community. The Committee is also involved in the review and issuance of a Sustainability Report which is published on an annual basis and provides a detailed overview of risks/material issues including context, potential impact and management's approach.

3.3 INDEPENDENCE

A majority of Lucara's current directors are independent; four of the seven nominees for election to the Board are independent.

Assessing Independence of Directors

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

The Board has reviewed the nominated directors and determined that three of the nominees are not independent. Eira Thomas, Lukas Lundin and Peter O'Callaghan are not independent for the following reasons: Ms. Thomas is Lucara's current President & CEO; Mr. Lundin is Lucara's Chair of the Board and as Chair, he is involved with the Corporation on corporate development opportunities which could be regarded as having an indirect material relationship. Mr. O'Callaghan is a partner at Blakes, Cassels and Graydon, LLP ("Blakes"), a law firm which provides legal services to the Corporation and as a result, Mr. O'Callaghan does not meet the test for independence as set out in NI 52-110, Section 1.5(2)(b).

Structures and Processes to Facilitate Independence from Management

The Board believes that the following structures and processes facilitate the functioning of the Board independently of management:

- *Chair and Lead Director*
The Chair of the Board position is separate from the CEO position. As noted above, it has been determined by the Board that the Chair of the Board, Mr. Lundin, is not independent. On the recommendation of



the Corporate Governance and Nominating Committee, the Board has appointed a Lead Director, Mr. Conibear, to facilitate the independent function of the Board. In the position description for the Chair setting out the responsibilities of the Chair, it is specified that if the Chair is not independent that such responsibilities will be carried out by the Lead Director. In addition, the Lead Director provides leadership for the Board's independent directors.

- *Meetings of Independent Directors and Without Management*
To facilitate open and candid discussion among directors, a practice of holding two "in camera" sessions or meetings is normally followed for quarterly Board meetings. The first in camera session is without management present and the second is only with independent directors present. The in-camera meetings of independent directors are presided over by the Lead Director. The Audit Committee regularly holds sessions with the Corporation's external auditors without management present to discuss the audit and cooperation from management; "in camera" sessions are typically held at the end of each Audit Committee meeting as well. In 2019, a majority of the Compensation, Governance and SHECR Committee meetings also included an "in camera" session as part of the Committee's regular business.
- *Committee Membership*
In 2019, the following committees were composed entirely of independent directors: Audit Committee, Corporate Governance and Nominating Committee and the Compensation Committee.

Should all of the nominated directors be elected at the Meeting, it is anticipated that Mr. David Dicaire (independent) will be appointed to the Audit Committee to serve with Ms. Marie Inkster (Chair, independent) and Ms. Catherine McLeod-Seltzer (independent); Mr. Dicaire will also be appointed to the SHECR Committee. Should Mr. Peter O'Callaghan be elected, it is anticipated that he will be appointed to both the Corporate Governance and Nominating Committee and the Compensation Committee. As described above, Mr. O'Callaghan is not considered to be independent of the Corporation due to his employment as a partner at a law firm which provides legal services to the Corporation. Assuming Mr. O'Callaghan's appointment to both the Corporate Governance and Nominating Committee and the Compensation Committee, a majority of the committee members (two out of the three) will be independent.

- *Independent Advisor*
Directors may, with the authorization of the Chair or the Corporate Governance and Nominating Committee, engage independent advisors at the expense of the Corporation.

3.4 SIZE OF BOARD

On an annual basis, the Corporate Governance and Nominating Committee considers the size of the Board. If it believes changes are warranted it makes a recommendation to the Board. No changes to the size of the Board are proposed for 2020, but two individuals who have not previously served on the Lucara Board, Mr. Dicaire (independent) and Mr. O'Callaghan (not independent), are nominated for election to the Board, to replace Mr. Clarke and Mr. Edgar, both long-serving directors who are retiring. The Board considers that 7 directors, a majority of whom are independent, is an appropriate size which facilitates open dialogue among directors and effective decision making but also ensures there are sufficient directors with the appropriate experience and skills, such as in-depth mining and diamond experience, to fulfill its responsibilities.

3.5 SERVING ON OTHER BOARDS

Lucara's directors do not serve on the boards of its competitors. Many do serve on other mining public company boards which may assist these directors in their performance of their duties to the Corporation as such other mining companies may have similar business, regulatory and social issues as Lucara. The public company directorships held by the nominees for this year's election of directors are included in the Directors' information section beginning on page 11.



3.6 MEETING ATTENDANCE

The Board held nine meetings in 2019. The Audit Committee meets at least every quarter to review the Corporation's financial statements and MD&A. Other committees typically meet three to four times per year to carry out their mandates. Committees of the Board held a total of seventeen meetings in 2019. The number of meetings and attendance records for all Board and Committee meetings held during 2019 are included in the Directors' information section beginning on page 11.

3.7 POSITION DESCRIPTIONS

The Board has developed and approved a written position description for the Chair of the Board. The Chair's primary responsibilities are to: act as the effective leader of the Board and ensure that the Board's agenda will enable it to successfully carry out its duties; provide leadership to the independent directors; organize the Board to function independently of management; preside as chair at Board meetings and communicate with all board members to coordinate their input; ensure the accountability of board members; provide for the effectiveness of the Board. The Chair acts as the primary liaison between the Board and management. As noted earlier, the Chair is not independent, and as such, these responsibilities are carried out by the Lead Director.

A general position description for all chairs of the Board's committees has been approved by the Board. The mandates of each committee are also approved by the Board. These mandates provide the committee chairs with specific responsibilities relating to the committee that they chair. On an annual basis, each committee mandate is reviewed by the applicable committee and changes are recommended to the Board for approval if applicable.

The Board and the CEO have developed a written position description for the CEO. The CEO has responsibility for general supervision of the business and affairs of the Corporation, subject to the authority of the Board. The CEO is also responsible for making recommendations to the Board regarding the implementation, performance and monitoring, as the case may be, of each of the items referred to in the Board Mandate. Generally, the Board has delegated to the CEO the authority to transact business or approve matters that are in the ordinary course of business provided these matters do not exceed material levels of expenditures on the part of the Corporation. The Board has established clear limits of authority for the CEO, which are described in the Corporation's Policy of Authorizations.

3.8 ASSESSMENT OF BOARD PERFORMANCE

At the beginning of the year, the Corporate Governance and Nominating Committee distributes a Board effectiveness assessment to directors. This assessment questions members as to their level of satisfaction with the functioning of the Board, its interaction with management and the performance of the standing committees of the Board. Board members conduct peer reviews and a self-assessment regarding their effectiveness as a Board member as part of this assessment process. To ensure the assessment process is candid, the individual assessments are returned on a confidential basis to the Chair of the Corporate Governance and Nominating Committee with a copy to the Corporate Secretary. The results are compiled for the Corporate Governance and Nominating Committee. The Committee reviews and discusses the results and makes recommendations to the Board regarding any action that may be deemed necessary or advisable to ensure the Board continues to function effectively and adequately perform its mandate. The Board aims for a 100% compliance rate for completion of the assessment by directors, which was achieved this year. The peer reviews and self-assessments by directors are considered as part of the director nomination process. The results of the assessment process held in Q1 2020 indicated that the directors believed that the Board and the Board Committees functioned effectively. However, the majority of directors were of the view that the addition of individuals with technical skills and experience related to project development could be beneficial to the Corporation while maintaining an effective board size of 7. The nomination of Mr. Dicaire is expected to address this competency.

The effective performance of the Board is also monitored by the completion of its annual workplan and completion by the Committees of their annual workplans. These workplans are reviewed annually and list standard items to be dealt with at each Board or committee meeting and any additional items for that year.



3.9 ORIENTATION AND CONTINUING EDUCATION

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

With regard to continuing education for Board members, the Corporate Governance and Nominating Committee's mandate is to provide for such education for all directors with the assistance of management. As part of the annual director assessment process, directors are canvassed for their input on what additional information would assist them in increasing their effectiveness as directors. The Corporate Governance and Nominating Committee considers directors' responses and makes recommendations.

Directors are regularly informed by the CEO, verbally and through a written monthly directors' report, of strategic issues affecting Lucara, including the competitive environment, the Corporation's performance and developments, including risks that could materially impact the Corporation. Directors are also provided with information regarding legislative changes and governance trends. The Corporation arranges for legal counsel and industry experts to provide status updates and education. In May 2019, an industry expert presented to the Board on Environment Social Governance (ESG) issues, and in November 2019 the Board was updated on the Nasdaq Stockholm rules and regulations.

3.10 NOMINATION OF DIRECTORS

The Corporate Governance and Nominating Committee, which is presently composed of all independent Board members, has the responsibility for proposing nominees for directors to the Board. To assist them in this exercise the Board has approved *Guidelines for the Composition of Lucara's Board* (the "Guidelines"). These guidelines specify certain qualities, listed below, for consideration when evaluating the composition of the Board and when nominating potential candidates. When tabling these Guidelines, the Board acknowledged that the qualities listed were not intended to be exhaustive and were not listed in terms of their importance. In addition, the Guidelines require the Corporate Governance and Nominating Committee to seek diversity in perspectives, by considering qualified candidates with relevant education and experience of any age, gender and background. Also, to ensure adherence to the *Board and Executive Officer Gender Diversity Policy*, which is outlined below, the Guidelines require that the Committee actively seek out highly qualified women to include in the pool from which Board nominees are chosen. For 2019, technology skills and diamond market experience were added to the list of criteria. In 2020, the Corporate Governance and Nominating Committee, taking all of the above into account, have proposed to the Board, and the Board has approved, the nomination of two new directors to Lucara's Board. The new nominees will replace two existing board members; detailed information on the proposed nominees can be found in the director information starting on page 11.

Key skills & experience criteria for Lucara Board members:

- Financial accreditation and/or financial literacy
- Sound business experience and expertise
- Corporate governance experience
- Industry specific experience and knowledge
 - Mining
 - Environment



- Safety and Occupational Health
 - Technology
 - Diamond Market Experience
- Experience in corporate operations
- Financing, M&A experience
- Strong board skills, such as:
 - Integrity
 - Networking abilities
 - Interpersonal skills
 - Ability to think strategically and act independently
- Independent, as such term is defined by the Canadian Securities Administrators
- Not previously bankrupt
- Prior personal history that is acceptable to regulators
- Willing to devote sufficient time and effort to board duties

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

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

The Corporate Governance and Nominating Committee requests directors on an annual basis to complete a matrix identifying their experience against a key set of skills and experience deemed desirable for Lucara Board members. This matrix is used as a tool by the Board in assessing needs in the context of the nomination process. The individual directors' skills are included in the Directors' information beginning on page 11.

3.11 GENDER DIVERSITY- EXECUTIVE OFFICERS AND BOARD

In 2014, the Board adopted a *Board and Executive Officer Gender Diversity Policy* (the "Diversity Policy"). This policy formalizes the following vision for Lucara:

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

As noted above, with regard to gender diversity and the Board, measures taken to ensure the policy is effectively implemented include the commitment imposed on the Corporate Governance and Nominating Committee to actively seek out highly qualified women to include in the pool from which Board nominees are evaluated and chosen. This commitment is documented in the Guidelines for the Composition of Lucara's Board.

With regard to gender diversity and senior management, measures taken to ensure the policy is effectively implemented is the mandate set out in the Diversity Policy that management of Lucara shall, as part of the hiring process of executive officers, actively seek out women, having the necessary skills, knowledge and experience, to evaluate as potential candidates. The Diversity Policy also states that the ultimate decision by management to recommend a candidate for appointment as an executive officer shall be made on merit and the contribution the candidate can bring to the position.

The Corporate Governance and Nominating Committee tracks the following information on an annual basis and presents it to the Board:



Current Status of Representation of Women – Lucara %'s

BOARD MEMBERS		
Women Board Members	Total Board Members	%
3	7	43

EXECUTIVE OFFICERS* LUCARA		
Women Executive Officers	Total Executive Officers	%
3	4	75

EXECUTIVE OFFICERS* MAJOR SUBSIDIARY Lucara Botswana (Pty) Ltd.		
Women Executive Officers	Total Executive Officers	%
2	3	66.67

*Executive Officer means an individual who is:

- a chair, vice-chair or president;
- a chief executive officer or chief financial officer;
- a vice-president in charge of a principal business unit, division or function including sales, finance or production; or performing a policy-making function.

Pursuant to the Diversity Policy, the Corporate Governance and Nominating Committee is mandated to discuss targets for promoting diversity and make recommendations to the Board. At its February 2020 meeting, members of the Corporate Governance and Nominating Committee discussed the setting of diversity targets and recommended that with respect to Board Diversity, that at least 25% of the board members should be women. This is the same as the target set in 2018 and 2019. Three of the nominees for election to the Board at the 2020 AGM are women and therefore the objective will be exceeded if the shareholders elect the proposed nominees.

With regards to a gender diversity objective for executive officer positions, the Corporate Governance and Nominating Committee did not recommend a specific target be set for 2020, given that 75% of the Corporation's executive officers are presently women. The Corporate Governance and Nominating Committee recommended, and the Board agreed, that any executive officer appointments in the future be reviewed with the level of representation of women in executive officer positions in mind and consistent with the Diversity Policy, that management of the Corporation, as part of the hiring process of Executive Officers: (i) actively seek out women having the necessary skills, knowledge and experience to evaluate as potential candidates; and (ii) appointments be made based on a balance of criteria, including the merit, and experience of the candidate plus the needs of the Corporation at the relevant time.

Pursuant to the terms of the Diversity Policy, the Corporate Governance and Nominating Committee is responsible for monitoring the policy and reporting to the Board on the achievement of any targets set and it is also responsible to review the policy and make recommendations on changes to the Diversity Policy to the Board.

3.12 DETERMINATION OF DIRECTORS' COMPENSATION

The Compensation Committee recommends the amount and form of the compensation of directors. In making recommendations to the Board, it considers the time commitment and responsibilities required to be met by directors. The Compensation Committee is also cognizant that the recommended compensation for directors must not compromise their independence. In previous years, the Compensation Committee has retained expert advice to



assist in making recommendations on director’s compensation. Most recently, in 2019 the Compensation Committee retained Global Governance Advisors (“GGA”) to assess the market competitiveness of director compensation through a benchmarking exercise that considered a number of similar sized mining and development companies. This benchmarking exercise compared Lucara to sixteen other publicly traded companies of a similar size and industry (mining and development) using compensation information from GGA’s proprietary database. The Board determines the amount and form of director compensation after considering recommendations received from the Compensation Committee. This information is disclosed in this Circular on pages 46 and 47.

3.13 DIRECTOR RETIREMENT POLICY AND TERM LIMITS

The Board has not adopted a retirement policy or limits regarding the time a director can serve. The following sets out the tenure for the seven nominated directors:

# of Directors	Tenure (Years)
2	Thirteen
1	Ten
1	Six
1	Two
2 Nominees	Zero

The Board recognizes that term limits can ensure Board refreshment and new perspectives. However, Lucara’s long serving directors have significant in-depth knowledge of Lucara and its business and they are highly valued for their expertise. Long serving directors can provide historical context for consideration in corporate strategic decision making. In addition, these directors have industry connections which are very important to Lucara. The Board believes the risk of imposing director term limits and thereby losing long serving directors who have in-depth knowledge and understanding of the Corporation will not serve the best interests of Lucara or its shareholders. In addition, the Board believes that its assessment process, which includes regular evaluations of the Board and committees and an annual evaluation of each individual director provides a mechanism to promote Board renewal and regularly assess Board members’ effectiveness. In 2020, two new directors have been nominated and will generate Board renewal organically. If all nominees are elected at the Meeting, three of the seven directors will have been elected to the Board since 2018.

3.14 COMMITTEES OF THE BOARD

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

Audit Committee

The Audit Committee consists of three independent directors. In 2019, the members were Marie Inkster (Chair), Brian Edgar, and Catherine McLeod-Seltzer all of whom are financially literate as such term is defined in National Instrument 52-110. Should the nominated directors all be elected, it is proposed that David Dicaire will join the Audit Committee in 2020 to replace Mr. Edgar, who is retiring. Mr. Dicaire meets the requirements of independence and financial literacy as set out in National Instrument 52-110.

The Audit Committee assists the Board in matters relating to external auditors and the external audit process, financial reporting and public communication, risk management, security, and certain other key financial matters. In fulfilling its role, the Audit Committee monitors the effectiveness and integrity of the Corporation’s financial



reporting, management information and internal control systems.

The Audit Committee also oversees and annually reviews the Corporation’s code of business conduct and ethics (see “Ethical Business Conduct” on pages 28 and 29 of this Circular).

The Audit Committee reviews with management and the external auditors, significant financial reporting issues, the conduct and results of the annual audit, and significant finance, accounting and disclosure policies and other financial matters. The Audit Committee also oversees the financial reporting processes of the Corporation by reviewing the Corporation’s core disclosure documents, which include the annual and interim financial statements, MD&A and annual information form, before recommending these documents for approval by the Board.

The Audit Committee plays a key role in relation to the Corporation’s external auditors. It initiates and approves their engagement or termination, subject to shareholder approval, and monitors and reviews their independence, effectiveness, performance and quality control processes and procedures. PwC have been Lucara’s auditors since 2010. The Audit Committee pre-approves all services provided by PwC. The fees paid to PwC during 2018 and 2019 were as follows:

Fiscal Year Ending	Audit Fees CDN\$⁽¹⁾	Audit-Related Fees CDN\$⁽²⁾	Tax Fees CDN\$⁽³⁾	All other Fees⁽⁴⁾
December 31, 2019	321,000	56,000	Nil	8,000
December 31, 2018	316,000	55,000	Nil	Nil

- (1) *Audit fees represent the aggregate fees billed by the Corporation’s auditors for audit services, rounded to the nearest thousand dollars.*
- (2) *Audit-related fees represent the aggregate fees billed for assurance and related services by the Corporation’s auditors that are reasonably related to the performance of the audit or review of the Corporation’s financial statements and not disclosed in the Audit Fees column.*
- (3) *Tax fees represent the aggregate fees billed for professional services rendered by the Corporation’s external auditor for tax compliance, tax advice and tax planning.*
- (4) *All other fees represent the aggregate of fees billed for products and services provided by the Corporation’s auditors other than services reported under clauses (1), (2) and (3) above.*

The Audit Committee reviews the Corporation’s policies and practices with respect to cash management, insurance and taxation. It also verifies that management has procedures in place that facilitate compliance with laws relating to insider trading and continuous disclosure. For additional information about the Audit Committee, including the Audit Committee Charter, see “Audit Committee Information” in Lucara’s Annual Information Form dated March 27, 2020, which is available on the Corporation’s website or on SEDAR at www.sedar.com.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee consisted of three independent directors in 2019: Brian Edgar (Chair), Paul Conibear and Catherine McLeod-Seltzer. The Committee is responsible for developing and monitoring the Corporation’s approach to corporate governance issues. Should the nominated directors all be elected, it is proposed that Peter O’Callaghan will join the Corporate Governance and Nominating Committee in 2020. Mr. O’Callaghan, a corporate lawyer, has decades of experience advising public companies, boards of directors and independent special committees of boards on matters related to the capital markets as well as serving as an advisor on complex M&A transactions. This work has provided Mr. O’Callaghan with significant experience in governance issues.

The Corporate Governance and Nominating Committee oversees the effective functioning of the Board, takes steps to support the Board functioning independently of management, identifies possible nominees for the Board, develops an orientation program for new recruits to the Board and provides, with the assistance of management, director education opportunities. It has also set up a system for an annual review of the Corporation’s material policies by applicable Board committees.

The Corporate Governance and Nominating Committee has been mandated under the Board and Executive Officer



Gender Diversity Policy to perform certain functions as described on pages 24 and 25 of this Circular under the section “Gender Diversity - Executive Officers and Board.” In addition, the Corporate Governance and Nominating Committee annually reviews and makes recommendations to the Board with respect to: (i) the appointment of a lead director; (ii) the size and composition of the Board; (iii) the appropriateness of the committees of the Board; and (iv) committee appointments. The Committee delivers this annual statement on corporate governance to the Board for inclusion in the Circular.

Compensation Committee

In 2019, the Compensation Committee consisted of three independent directors: Paul Conibear (Chair), Brian Edgar and Richard Clark. Mr. Clark and Mr. Edgar are both retiring. Should the nominated directors all be elected, it is proposed that Marie Inkster and Peter O’Callaghan will join the Compensation Committee in 2020. Ms. Inkster is presently the CEO of Lundin Mining and as such, has relevant experience related to executive compensation in the mining industry. Mr. O’Callaghan has served on the executive and compensation committees at Blakes for several years, in addition to serving as the Vancouver office Managing Partner. For more information regarding the nature, scope, roles and responsibilities of the Compensation Committee, see page 35 of this Circular.

Safety, Health, Environmental and Community Relations Committee (“SHECR Committee”)

The SHECR Committee consisted of three directors in 2019, of which two were independent, Catherine McLeod-Seltzer (Chair) and Richard Clark. Eira Thomas, the third member of the Committee, is the Corporation’s CEO and is not independent. It was determined that Ms. Thomas’s knowledge of the operations of the Corporation and previous mining experience would assist the Committee in fulfilling its mandate. Should the nominated directors all be elected, it is proposed that David Dicaire, an independent director, will join the SHECR Committee in 2020. The SHECR Committee assists the Board in its oversight of Lucara’s operations (including the operations of its active subsidiaries) in the following areas:

- safety, health, environment and community risks
- compliance with applicable legal and regulatory requirements associated with safety, health, environmental and community matters
- performance in relation to safety, health, environmental and community matters
- performance and leadership of the safety, health, environment and community function external annual reporting in relation to safety, health, environmental and community matters.

3.15 ETHICAL BUSINESS CONDUCT

The Corporation is committed to conducting its business in compliance with the law and the highest ethical standards. Accordingly, the Board has adopted a written *Code of Business Conduct and Ethics* (the “Code”) for directors, officers and employees of the Corporation. On March 20, 2020, the Board approved certain amendments to the Code to add a new section on Crime and Money Laundering Prevention (clause 4 of the Code). This addition was included to better align with the regulatory requirements in Botswana and Canada which arise for Lucara as a seller of rough diamonds. The Code is available on the Corporation’s website and has been filed on and is accessible through SEDAR at <https://www.sedar.com/>.

If directors, officers or employees observe or become aware of an actual or potential violation of the Code or of any law or regulation, whether committed by the Corporation’s employees or by others associated with the Corporation they have the responsibility to report the violation and to cooperate with any investigation. Reports may be submitted on a confidential basis to the Chair of the Corporation’s Audit Committee. Following receipt of any complaints, the Chair of the Audit Committee, will investigate each matter so reported and report to the Board. The Corporation will not tolerate any reprisals against employees, officers and directors for good faith reporting of compliance concerns or violations.

The Audit Committee has the primary authority and responsibility for the enforcement of the Code, subject to the supervision of the Board. It reviews the Code on an annual basis and makes recommendations regarding compliance monitoring. In Q4 2019, online training sessions on compliance with the Code were conducted through a third-party



service provider to enhance understanding and promote compliance with the Code. All employees and contractors at the Corporation's Karowe mine in Botswana, as well as at the head office of its subsidiary, Lucara Botswana (Pty) Limited and all of the Corporation's executive officers and employees also completed this training.

With regard to conflicts, all directors have an obligation to act in the best interest of the Corporation. In accordance with the Code, any situation that presents an actual or potential conflict between a director's personal interests and the interests of the Corporation must be reported to the Chair of the Corporation's Audit Committee. In addition, the Corporation's Articles contain disclosure and voting restrictions that must be followed when a director or officer has an interest in an agreement or transaction with the Corporation being considered by the Board. The Audit Committee is mandated to review and monitor all related party contracts that may be entered into by the Corporation.

In addition to the Code, the Audit Committee has established a Policy and Procedures for the Receipt, Retention and Treatment of Complaints Regarding Accounting or Auditing Matters or "*Whistleblower Policy*" to encourage contractors, employees, officers and directors to raise concerns regarding accounting, internal controls or auditing matters, on a confidential basis free from discrimination, retaliation or harassment.

Another example of the Board's commitment to the highest ethical standards is the Corporation's *Corporate Social Responsibility Charter*. The Charter specifies, among other things, that Lucara will impact positively on the quality of life of members of the local community and conduct its activities to meet or exceed standards in the protection and promotion of human rights. As part of its commitment outlined in the Charter, the Corporation is participating in a sustainability reporting process. This process is monitored by the SHECR Committee utilizing the Global Reporting Initiatives 4 ("GRI 4") guidelines. A reporting cycle has been set up which involves a program of data collection, communication and responses. A report is provided to shape company strategy and policy and improve performance. One of the areas that the report provides information on is the Corporation's social performance. Social performance includes, for example, an evaluation of the Corporation's impact on human rights. This monitoring assists the Corporation in conducting its business to meet high ethical standards. In addition, in 2020 the Corporation adopted a *Responsible Mining Policy* which outlines the actions the Corporation is taking to address environmental, social and governance issues, as well as the objective of planning for a positive legacy.

In 2016, Lucara became a member of the Responsible Jewellery Council (the "RJC"), a not-for-profit standard setting organization, which defines responsible ethical, human rights, social and environmental practices for businesses in the jewellery supply chain via a Code of Practices. Lucara is fully committed to adhering to the RJC Code of Practices. In 2017 Lucara was independently audited against the RJC Code of Practices and received its RJC member certification. Further information on the RJC and its Code of Practices can be found at: www.responsiblejewellery.com.

Lucara is also a registered participant in the United Nations Global Compact (the "UN Global Compact"), the world's largest corporate sustainability initiative. As a participant, Lucara is committed to implement and advocate the principles of the UN Global Compact on human rights, labour, environment and anti-corruption. Further information on the UN Global Compact and their stated principles can be found at www.Unglobalcompact.org.

3.16 DIFFERENCES SWEDISH CORPORATE GOVERNANCE CODE

The Nasdaq Stockholm exchange in Sweden has a set of rules of corporate governance which are set forth in the Swedish Corporate Governance Code (the "Swedish Code"). Lucara has a secondary listing on the Nasdaq Stockholm exchange, however as its primary exchange is the TSX it follows the Corporate Governance rules applicable to a TSX listed company under Canadian securities laws ("Canadian Corporate Governance Rules"). There are differences between shareholder rights in Sweden, including the Swedish Code requirements, and Canadian Corporate Governance Rules. A description of the key differences is on Lucara's website (www.lucaradiamond.com).



3.17 SHAREHOLDER COMMUNICATIONS

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

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

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

SECTION 4 – EXECUTIVE COMPENSATION

4.1 2019 COMPENSATION DISCUSSION AND ANALYSIS

Objectives

The objectives of Lucara's executive compensation program are:

- to structure remuneration packages that are sufficiently attractive to recruit, retain and motivate qualified, high caliber executives
- provide executives with compensation that is in accordance with existing market standards
- align the interests of Lucara's executive officers with those of its shareholders
- link individual executive compensation to the performance of both Lucara and the individual executive

Elements of Compensation and Reward Structure

Executive compensation is comprised of three elements:

Base salaries. This is the basic method of compensating executives. Base salaries are reviewed using a comparator group (see Compensation Benchmarking described below), thereby enabling the Corporation to compete for and retain executives critical to the Corporation's long-term success. Lucara's executives have employment contracts which entitle them to receive a base salary provided they fulfill the job responsibilities associated with their position description. As payment of base salaries does not depend on the performance of any specific targets or goals it is not viewed as "at risk" compensation.

Short Term Incentives. Executives have no contractual right to a short term incentive payment and as such, this form of compensation is clearly "at risk". Such payments are made solely in the discretion of the Board. Short term incentives are considered by the Board on the recommendation of the Compensation Committee. The decision by the Compensation Committee to recommend payment of short term incentives is based on executives meeting agreed and approved criteria. The Board has approved a framework for short term incentive payments (see the Short Term Incentive Program Framework described in Performance Goals on page 30). The Board uses the payment of short term incentives to motivate and reward executives for meeting short term performance goals which benefit the Corporation.

Long Term Incentives. The Corporation's performance-based equity incentives include both stock options restricted share units and beginning with a grant in February 2020, performance share units. All equity-based incentives are administered by the Board. The Compensation Committee makes annual recommendations to the Board for grants of stock options and share units following the applicable year end and takes into account previous grants. The awards are made based on corporate and personal performance achievements for the previous year. This basis for providing grants is to ensure that an executive who demonstrates high performance in exceeding goals will over the long-term receive higher



level of awards and the strong performance of the Corporation will result in executives receiving equity grants which have a higher value over the long-term. This form of compensation aligns the interests of executive officers with the longer term interests of shareholders as the exercise price of options cannot be set below the market value of the Corporation's shares at the time of the grant. As options and share units vest over time they are an important executive retention strategy for Lucara. Stock options and share units are another form of compensation that is "at risk".

The Corporation recognizes that its compensation package has to be sufficient to attract and retain the right level of skill, expertise and talent in an increasingly competitive global market. The structure of the remuneration package must be well-balanced across the short, medium and longer term elements, so that it is both attractive to the individual and cost effective for the Corporation.

In summary, Lucara uses base salary compensation to reward executives for effectively fulfilling their employment responsibilities, short term incentives to reward executives for achieving short term performance goals and stock options/share unit awards as a retention strategy and to reward executives for long term business growth. By providing base salary at a competitive level the Corporation is able to attract talented candidates. However, the short term incentive provides executives with the opportunity to achieve a higher total annual reward through their own delivery of excellence at individual and business levels. Finally, the longer-term reward element (stock option grants and share unit awards), provides the opportunity to build ownership and better aligns with shareholder interests.

Compensation Benchmarking

Peer Group

In 2019, Lucara retained GGA to conduct a compensation benchmarking exercise for its executive team and Board of Directors to ensure continued alignment to the market and shareholder interests. The last external compensation survey was completed in 2016.

A compensation peer comparator group of mining companies was developed by GGA using the following criteria:

- Companies of a fairly similar size to Lucara (0.25x to 4x), primarily from a market cap perspective, but also taking into account other factors such as total revenue and total assets;
- Companies with operations in similar geographical locations to Lucara to account for geographic risk;
- Companies mining for precious metals (specifically diamonds), where possible;
- Companies who are operational and not exclusively in the exploration stage; and
- Companies currently operating a single mining asset.

In addition, data from companies of a similar size to Lucara from within GGA's proprietary mining database was provided to the Compensation Committee as a "reality check" of the Primary Peer Group data.

Using these criteria as a guideline, a comparator group (the "Peer Group") of 16 mining companies (including 5 diamond mining companies) was developed and is as follows:



Asanko Gold Inc.	Fortuna Silver Mines Inc.	Guyana Goldfields Inc.	SEMAFO Inc.
Avesoro Resources Inc.	Gem Diamonds Limited	Mountain Province Diamonds Inc.	Sierra Metals Inc.
Dundee Precious Metals Inc.	Golden Star Resources Ltd.	Petra Diamonds Limited	Stornoway Diamond Corporation
Firestone Diamonds plc	Gran Colombia Gold Corp.	Roxgold Inc.	Teranga Gold Corporation

In determining compensation levels for 2020 and performance based awards for 2019, the Compensation Committee used data from the Peer Group and other available information. The Compensation Committee also considered the following objectives:

- Desired total direct compensation to be targeted around the 50th percentile of the Peer Group;
- Giving consideration to the benchmark allocation between Base Salary, STIP and LTIP recommended by GGA, but with a weighting towards “at-risk” compensation; and
- Consideration of past practice (adjusted for actual performance) for the size and value of proposed share unit and stock option grants, including key person retention incentives.

Benchmarking - Executive Salaries

The Compensation Committee reviewed GGA’s analysis of executive compensation practices, which included a peer group analysis, an evaluation of Total Direct Compensation (“TDC”) (base salary plus short term incentive and long term incentive) levels and a high level analysis of Lucara’s short and long term incentive design practices relative to the market, to make recommendations related to executive compensation to the Board of Directors.

No changes to the annual base salaries for Ms. Thomas, Ms. Boldt, Dr. John Armstrong nor for Ms. Hira were recommended for 2020. The Corporation is targeting TDC at the 50th percentile of its Peer Group.

Officers – January 1, 2020	2020 Salary (GBP)	2020 Salary (CAD\$) ⁽¹⁾
Chief Executive Officer – Eira Thomas	£413,000	\$700,000
Chief Financial Officer & Corporate Secretary - Zara Boldt	£221,000	\$375,000
Vice President Technical Services - John Armstrong	£195,000	\$330,000
Vice President Corporate Development & Strategy – Ayesha Hira	£180,000	\$305,000

⁽¹⁾ Beginning in Q4 2019, all executives were based in the United Kingdom. Salaries for 2020 will be paid in British Pounds Sterling for the duration of time that the Lucara executives are resident in the UK. Annual salaries for 2019, if converted from Pounds Sterling to Canadian Dollars using the ending December 31, 2019 conversion rate of UKE=CAD1.72 would be as disclosed above, rounded to the nearest thousand Canadian Dollars.

Benchmarking Incentive Awards and Targets- Executives

The Compensation Committee used the Benchmarking Report as a starting point to assess:

- the target awards for Short-term Incentives (see below under “Performance Goals”);
- the actual awards for Short-term Incentives; and
- the Long-term Incentive awards made to Lucara executives in February 2020.

The Compensation Committee determined that the targets and awards for fiscal 2019 were within the



range of appropriate awards when compared to a target of P50 as outlined in the Benchmarking Report and when compared to the Peer Group compensation reported for fiscal 2018.

Benchmarking Director Compensation

Director compensation was reviewed against the Benchmarking Report and the 2018 Peer Group data. This review indicated that director cash compensation was comparable to that of the Peer Group but, due to the lack of equity compensation, overall director compensation was less than market. GGA’s report highlighted that more than 2/3rds of Lucara’s Peer Group provided equity compensation to directors, typically in the form of deferred share units (“DSUs”). No changes to director cash compensation, which has remained unchanged since 2017, were recommended for 2020, given the difficult equity markets. A DSU Plan, subject to shareholder approval, was adopted in February 2020. DSU grants should bring the compensation of Lucara’s directors closer to that of the Peer Group.

Performance Goals

Consistent with the Corporation’s approach used for short-term incentive compensation in recent years, a performance measurement scheme focused on Key Performance Indicators (“KPIs”) was used to assess and award cash bonuses to Lucara’s executives for fiscal 2019. The framework is subject to the overriding discretion of the Board, based on recommendations from the Compensation Committee. The minimum short-term incentive (“STI”) is zero and the 2019 maximum STI is set out as a percentage of each executive’s annual base salary, as follows:

Position	2019 Maximum Target STI
CEO	120%
CFO	90%
VPs	70-75%

The following categories, each with specific, measurable KPIs, were used to assess STI awards for fiscal 2019:

- i) Shareholder return
- ii) Safety, health, environment & community relations (“SHECR”)
- iii) Operational targets
- iv) Financial targets
- v) Projects
- vi) Other

Performance awards for fiscal 2019 were based 20% on individual accomplishments and 80% against the categories listed above for Ms. Thomas and Ms. Boldt and 40% on individual accomplishments and 60% against the categories listed above for Dr. Armstrong and Ms. Hira.

Alignment of Compensation Programs and Risk Management

Risk management is a primary consideration of the Board when implementing its compensation program. The compensation program is structured to reduce the focus on short-term results and excessive risk taking by implementing the following strategies:

- Payments of short term incentives, if any, are not made until performance goals have been met. Managing risk in the areas of safety, environmental and corporate social responsibility is extremely important to Lucara and hence the Corporation’s record on safety, environmental and corporate social responsibility is an important factor when considering short term incentives.
- The Board implemented a claw-back of compensation that applies to all annual short term incentive payments awarded on or after January 1, 2017. The claw-back applies to the officers of the Corporation and provides the Corporation with the discretion to recover a short-term incentive payment in the event it is found that the achievements relating to such payment involved fraud, theft or other intentional illegal conduct on such officers’ part.
- Commencing in 2019, the Board recommended that a claw-back provision also be applied to long-term



incentive awards earned by officers of the Corporation. On March 20, 2019, the Board approved the inclusion of this claw-back provision and certain other amendments to the Stock Option Plan.

- The Corporation’s stock option plan includes vesting provisions over time which reduces the risk of short term decision making. The Board sets standard vesting terms on stock option grants which align optionees’ interests with longer term growth of the Corporation, using a 4 year term and 36-month vesting provisions such that the first 1/3 of the options vest one year after grant, the second 1/3 two years after grant and the final 1/3 three years after grant.
- Pursuant to the terms of the Corporation’s share unit plan, restricted share units awarded do not vest until three years after the date of the award which reduces the risk of short-term decision making. On March 18, 2020 the Board approved the inclusion of a claw-back provision and certain other amendments to the share unit plan (see Appendix “B”) for details.
- In February 2020, the Corporation granted performance share units to senior members of management. Under the terms of the Corporation’s share unit plan, the number of performance share units that ultimately vest will be depend on the achievement of pre-established metrics related to total shareholder return and cash-flow from operations at the end of a three-year period. The time to vest reduces the risk of short-term decision making as well as the metrics are also aligned with shareholder interest.
- Lucara’s Board and executive officers are not permitted to purchase financial instruments, including for greater certainty, prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the director or officer.
- The Board has established share ownership guidelines for non-employee directors to demonstrate their commitment to Lucara’s long-term success and to align their interests with shareholders. Non-employee directors must own or control shares with a value, calculated at the time of stock purchase or at the current share purchase price, whichever is greater, equal to twice the value of the basic annual retainer of CAD\$100,000 . These shares must be acquired within four years of joining the Board. As of the date of this Circular, all directors standing for re-election met these guidelines.
- The Board also believes it is important for senior management to have equity ownership in the Corporation to demonstrate their commitment to Lucara’s long-term success and to align with shareholders. This is consistent with the nature of the Corporation’s long-term incentive program which includes the issuance of both stock options and share units (only share units count towards the share ownership requirement). Under the share ownership guidelines for executives, the ownership level should be achieved by the executive within five years of the implementation of the guidelines (the guidelines were adopted February 23, 2020), or if an officer is appointed after implementation, within five years of their appointment as an officer.

Prior to 2020, the executive share ownership requirement was a flat number of shares. The *Executive Share Ownership Guidelines* were revised as of February 23, 2020 such that Officers of the Corporation must own Qualifying Shares with a value, calculated at the time of the stock purchase or at the current share purchase price, whichever is greater, equal to a multiple of the Officer’s annual base salary. Executive share ownership as of the date of the Circular was as follows:

Position and Multiple of Annual Base Salary Required	Share Ownership Value Required	# of Shares Owned	# of Restricted Share Units Granted ⁽¹⁾	# of Performance Share Units Granted ⁽¹⁾	Assessment
CEO – 3.0x	\$2,100,000	5,298,000	755,745	175,000	Compliant
CFO - 1.5x	\$562,500	162,000	443,074	125,000	Compliant
VP, Technical Services – 1.0x	\$330,000	254,755	295,392	82,000	Compliant
VP, Corp. Dev. & Strategy – 1.0x	\$305,000	Nil	233,882	74,000	Compliant

(1) Unvested restricted and performance share units held by an executive will count towards the achievement of the applicable ownership guideline.



Consultant Work and Fees

In 2019, the Compensation Committee retained GGA to review and make recommendations regarding director and executive compensation. GGA were paid a fee of CAD\$20,900 plus direct expenses and GST for these services rendered in 2019. No consulting fees were paid to external compensation consultants in 2018.

Role of Management in Determining Compensation

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

Composition of the Compensation Committee

The Compensation Committee, on behalf of the Board, monitors compensation for the executive officers of the Corporation. During 2019, the Compensation Committee had three members, each of whom was an independent director. Messrs. Paul Conibear, Richard Clark and Brian Edgar met as frequently as necessary in order to fulfill its responsibilities. In 2019, the Committee met five times with all members being present for each meeting.

Skills and Experience of Compensation Committee Members

All members of the Committee in 2019 have direct experience which is relevant to their responsibilities as Compensation Committee members. All members are or have acted as CEO for a public company, and therefore have a good understanding of how compensation works and how to motivate staff. They also have financial expertise which allows them to assess the costs versus benefits of compensation plans. The members combined experience in the resource sector provides them with the understanding of the Corporation’s success factors and risks which is very important when determining metrics for measuring success.

The Compensation Committee members for the year ended December 31, 2019 were as follows:

Name	Independent ⁽¹⁾	Education and Experience Relevant to Performance of Compensation Committee Duties
Richard Clark	Yes	Mr. Clark is a mining executive who is a retired lawyer and has experience as a compensation committee member on several public boards.
Paul Conibear (Chair)	Yes	Mr. Conibear, an engineer, was in a senior executive role in the resource sector until mid-2018 and has extensive experience in serving as a compensation committee member with other public company boards.
Brian Edgar	Yes	Mr. Edgar is currently the Chair of a publicly-traded, resource based company. He has served on numerous public company boards for over 30 years including membership on their compensation committees.

⁽¹⁾ A member is independent if he/she has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment, or is otherwise deemed to have a material relationship under National Instrument 52-110.

Should the individuals nominated be elected at the Meeting, it is expected that Ms. Inkster (independent) and Mr. O’Callaghan (not independent) will join the Compensation Committee, replacing Messrs. Clark and Edgar who are retiring.

Mandate and Responsibilities of Compensation Committee

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



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

The Compensation Committee reviews its mandate on an annual basis.

4.2 COMPENSATION OF NAMED EXECUTIVE OFFICERS

Lucara’s Named Executive Officers (“NEOs”) for 2019 include the Corporation’s Chief Executive Officer, Chief Financial Officer, and the three other most highly compensated executives of the Corporation and its subsidiaries. One of the NEOs holds a position with Lucara’s indirect, wholly-owned subsidiary, Lucara Botswana (Pty) Limited (“Lucara Botswana”).

The list of NEOs is as follows:

Name	Title	Date of Appointment
Eira Thomas	President and Chief Executive Officer, Lucara (“CEO”)	February 25, 2018
Zara Boldt	Chief Financial Officer and Corporate Secretary, Lucara (“CFO”)	April 1, 2018
Dr. John Armstrong	Vice President, Technical Services, Lucara (“VP Technical Services”)	August 2, 2013
Naseem Lahri	Managing Director, Lucara Botswana (“Lucara Botswana MD”)	May 1, 2018 ⁽¹⁾
Ayesha Hira	Vice President, Corporate Development & Strategy (“VP Corp Dev”)	June 11, 2018

(1) Previously Ms. Lahri served as the CFO for Lucara Botswana

2019 Named Executive Officer Compensation Results

The Board reviewed Lucara’s 2019 performance and the analysis and recommendations of the Compensation Committee and approved all decisions on executive compensation for the four NEOs who were Lucara officers in 2019: the CEO, CFO, VP Technical Services, and VP Corporate Development & Strategy (the “Officer NEOs”). The Board also approved decisions, based on the CEO’s and the Compensation Committee’s recommendations, for the awards for Long Term Incentives for the Managing Director of Lucara Botswana (the “Lucara Botswana NEO”). The Lucara CEO and CFO reviewed Lucara Botswana’s performance and the individual performance of the Lucara Botswana NEO and made decisions with regard to: (i) her Base Salary; and (ii) Short Term Incentive using a set of KPIs similar to the KPIs applicable to the assessment of performance for the Officer NEOs.

(i) Base Salaries

As discussed above under Benchmarking - Executive Salaries, the Compensation Committee considered benchmarking data for the Officer NEOs and made no adjustments to the base salaries of the Officer NEOs for fiscal 2020. For fiscal 2019, Dr. Armstrong’s salary was increased from CAD\$286,110 to CAD\$330,000 in recognition of his unique technical expertise; no salary adjustments were awarded to the other Officer NEOs as those executives all commenced employment with Lucara in fiscal 2018. Officer NEO compensation is established in Canadian Dollars but paid in British Pounds Sterling as all four Officer NEOs are currently resident in the UK.

As noted above, the Lucara Botswana NEO, Ms. Lahri, is an employee of the Corporation’s subsidiary Lucara Botswana. As she is not an officer of the Corporation, her salary is not reviewed by the Compensation Committee



but is determined by the CEO and CFO. The Lucara Botswana NEO is compensated in Botswana Pula (“BWP”).

(ii) Long Term Incentives

In determining the quantum of long-term incentive awards for the Officer NEOs, the total potential amount available to be earned was calculated using a percentage of the annual base salaries for each of the Lucara Officers. The result was then multiplied by each executives’ achieved performance (see analysis below – achieved performance ranged between 81% and 84%). The resulting dollar value (“LTIP Award Amount”) was then used to determine the number of stock options and share units to be granted, with a weighting of 25% to stock options, 50% to restricted share units and 25% to performance share units. A share price of \$0.65 was used to determine the number of stock options to be granted and the December 31, 2019 closing share price of \$0.85 was used to determine the number of restricted and performance share units to be granted. For accounting and reporting below, the Black-Scholes Option Pricing model was used to determine the value of the stock options granted and a volume weighted average of the Corporation’s share price was applied against the LTIP Award Amount (times their respective percent, 50% and 25%) to determine the number of restricted and performance share units to be granted.

Stock Options

The NEOs each received the following stock option grants in February 2020 based on their 2019 performance, the Corporation’s 2019 performance, their level of responsibility and their ability to impact the Corporation’s results (the value of such option grants, calculated using the Black-Scholes option pricing methodology, is set out below in the Summary Compensation Table).

Position	Executive	February 2020 Option Grants ⁽¹⁾
President and CEO	Eira Thomas	105,000
CFO & Corporate Secretary	Zara Boldt	135,000
VP Technical Services	John Armstrong	105,000
Lucara Botswana MD	Naseem Lahri	100,000
VP Corporate Development & Strategy	Ayesha Hira	99,000

⁽¹⁾ Based on 2019 Performance

Share Units

The Compensation Committee views the granting of share units as an important method, when combined with the minimum share ownership levels for officers, to align senior management’s interests with shareholders and to promote retention. The NEOs received the following share unit awards in February 2020, based on their 2019 performance, the Corporation’s 2019 performance, their level of responsibility and their ability to impact the Corporation’s results (the value of such awards is set out below in the Summary Compensation Table).

Position	Executive	February 2020 Restricted Share Unit Awards ⁽¹⁾	February 2020 Performance Share Unit Awards ⁽¹⁾
President and CEO	Eira Thomas	425,000	175,000
CFO	Zara Boldt	250,000	125,000
VP Technical Services	John Armstrong	164,000	82,000
Lucara Botswana MD	Naseem Lahri	150,000	75,000
VP Corporate Development & Strategy	Ayesha Hira	148,000	74,000

⁽¹⁾ Based on 2019 Performance

(iii) Annual Short-Term Incentives

The Officer NEOs are eligible for short-term incentives following an assessment by the Compensation Committee in accordance with the Corporation’s Short-Term Incentive Program Framework for executives. Short-term incentives



were paid in March 2020 (following the release of the Corporation’s 2019 audited financial results) to these NEOs but were earned for 2019 performance results.

The short term incentive payment for the Lucara Botswana NEO was determined by the Lucara CEO and CFO following an evaluation of performance against several operational KPIs related to safety and the environment, operational performance, financial targets and leadership.

The 2019 performance goals, performance metrics achieved and the results considered as part of the assessment process for the Officer NEOs are described below.

The weighting of the 2019 performance evaluation was 80% corporate KPIs and 20% individual performance for each of Ms. Thomas and Ms. Boldt, and 60% corporate KPIs and 40% individual performance for each of Dr. Armstrong and Ms. Hira.

In 2019, a difficult macro pricing environment for diamonds prevailed with overall diamond prices decreasing 15% to 30% year over year. In response, Lucara necessarily focused its efforts on those variables within its control, namely operational performance at the mine and delivering a feasibility study for the underground on time and on budget. In addition, Lucara continued to successfully ramp up on Clara, exceeding its planned number of sales and the number of customers onboarded for the year. The result of these efforts was strong, improved performance at the mine, delivering record production at reduced costs and achieving more than 2 years without a lost time injury. The Corporation also met or exceeded on all of its physical and financial metrics and beat revised guidance. Finally, In the Q2 2019, a record-setting 1,758 carat diamond was recovered intact and undamaged, the second +1,000 carat diamond to be recovered at Karowe and the largest ever recovered in Botswana.

The achieved performance for the corporate KPIs was as follows:

KPI Category	Weighting	Achieved Score
Shareholder Return	20%	50%
SHECR	10%	93%
Operations	20%	85%
Financial Targets	20%	83%
Projects	20%	90%
Other KPIs	10%	90%
Corporate Total	100%	80%

A. Shareholder Return – 20% Weighting / 50% Achievement

This KPI measured Lucara’s year-to-date share price performance (shareholder return) against that of its peer group (five other publicly traded diamond producers) using a share price volume weighted average. The peer group included: Firestone, Gem, Mountain Province, Petra and Stornoway. For the year ended December 31, 2019, the peer group experienced an average share price decrease of 62.55%. Lucara’s share price declined from \$1.48 to \$0.85 during the year or a decrease of 42.6%. One of the Corporation’s peers had a smaller decrease resulting in Lucara’s year-to-date share price performance achieving 2nd out of the 6 companies. While the target was reached, in recognition that shareholder return was negative, this KPI was rated at a 50% achievement.

B. SHECR - 10% Weighting / 93% Achievement

The health and safety of the Corporation’s employees and contractors is a core value and objective for the Corporation. In May 2019, the Corporation achieved a significant milestone of two years without a lost-time injury (“LTI”). During the year ended December 31, 2019 there were two LTIs in the last half of the year resulting in an LTI rate of 0.78. The All Injury Frequency Rate (“AIFR”) achieved (per 200,000 man hours) was 0.63. There were no reportable environmental releases during 2019.



C. Operations –20% Weighting / 85% Achievement

The following specific KPIs were used to measure operational achievements:

Operational KPIs	2019 Target	2019 Achievement
Ore mined	2.7 million tonnes	3.3 million tonnes
Waste mined	7.6 million tonnes	6.5 million tonnes
Ore processed	2.7 million tonnes	2.8 million tonnes
Carats recovered	320,000 carats	433,060 carats
Plant availability	85%	83%

All key operational targets met or exceeded guidance in fiscal 2019.

D. Financial Targets – 20% Weighting / 83% Achievement

Financial KPIs	2019 Target	2019 Achievement
Revenue	US \$200 million	US \$192.5 million
EBITDA	US \$76 million	US \$73.1 million
CFPS	US \$0.08	US \$0.08
Cost per tonne processed	US \$34.00	US \$31.88
Cost per carat	US\$ 288.00	US \$279.08

All key financial targets met or exceeded guidance in fiscal 2019.

E. Projects –20% Weighting / 90% Achievement

Several key projects were undertaken or completed in 2019:

- i) In November 2019, Lucara announced the completion of a feasibility study for an underground expansion at the Karowe Mine. The feasibility study outlined positive economics and the potential to expand the mine life to 2040. The feasibility study was completed within the agreed-upon time-frame and below budget;
- ii) Work related to a multi-year slimes dam wall raising project commenced; and
- iii) Work related to a multi-year XRT replacement project commenced.

F. Other KPIs – Growth Opportunities – 10% Weighting / 90% Achievement

A number of growth opportunities were evaluated, the Clara Platform was commercialized and a unique partnership with Louis Vuitton on the Sewelô Diamond was negotiated.

G. Individual Performance Ratings

Each of Ms. Eira Thomas (CEO), Ms. Zara Boldt (CFO & Corporate Secretary), Dr. John Armstrong (Vice-President, Technical Services), and Ms. Ayesha Hira (Vice-President, Corporate Development & Strategy) achieved ratings of between 81-96% for their individual contributions (20-40% weighting) during fiscal 2019.

In the evaluation of the CEO’s performance, the Compensation Committee considered that Ms. Thomas maintained a strong focus on operational excellence throughout 2019, resulting in the delivery of positive, stable operating and financial results, despite a difficult macro diamond pricing environment. Ms. Thomas also focused on strengthening the relationship between the parent company and Lucara Botswana to create a “single team” approach. As part of that effort, she supported a re-structured and enhanced sustainability department within Lucara Botswana with the objective of establishing ownership of the sustainability initiatives in Botswana and to strengthen the Corporation’s overall approach to all CSR initiatives and sustainability reporting. This has resulted in stronger community



relationships, higher quality reporting, more impactful programs, and has been well received by Lucara's stakeholders, including all levels of government. During 2019, Lucara completed a feasibility study for an underground expansion at Karowe. This feasibility study demonstrated positive economics from the proposed development and the potential to extend the mine-life at Karowe to 2040. Clara was also a significant focus for the CEO in 2019, where the growth strategy ramped up, resulting in an increase in the planned number of sales and growth in Clara's customer base from 4 to 30. As a result, demand outstripped supply and discussions were held with other producers to provide third-party supply for sale through Clara. One of the highlights of 2019 was the negotiation and execution of a ground-breaking partnership between Lucara, the HB Company and Louis Vuitton (formally announced in January 2020) to promote and polish an exclusive jewelry collection from the 1,758 carat Sewelô recovered in April 2019. This innovative deal represents the first time a diamond mining company has partnered directly with a leading luxury world brand and includes a 5% revenue sharing of all retail sales to be re-invested into Lucara's ongoing sustainability initiatives in Botswana.

In 2019, Zara Boldt, CFO & Corporate Secretary, assumed greater overall responsibility for all aspects of the business related to Finance, Human Resources and Governance. She also participated and advised on Lucara's strategic growth initiatives including commercialization of the Clara Platform and a related tax restructuring of Clara. In 2019, Ms. Boldt was focused on building a stronger corporate culture, providing oversight and delivering support to both the Vancouver and Lucara Botswana finance teams, driving efficiencies in all aspects of Lucara's business and maturing the Corporation's approach to risk management. She also initiated discussions around financing options for the proposed Karowe underground expansion project.

During 2019, Dr. John Armstrong, Vice-President, Technical Services, oversaw the completion of the 2019 Karowe Underground Feasibility Study on schedule and under budget. This report included an updated NI 43-101 technical report outlining new reserves (+10%) and resources for both the remaining Karowe open pit and proposed underground operations. Dr. Armstrong continued to work closely with the Karowe operations team to reconcile diamond resource recoveries, optimize the mine-plan to smooth out revenues and improve plant performance focused on maximizing diamond value/reducing diamond damage and he provided oversight on various capital projects at Karowe. In addition to a mine operational oversight role, Dr. Armstrong worked with the Clara team to assist on diamond pricing and platform functionality during the commercialization phase as well as utilizing his expertise to interpret and evaluate results from the platform.

Ayesha Hira focused on the development of detailed economic models for a number of diamond assets and she contributed to the economic analysis undertaken on the underground feasibility study in 2019. In addition, she actively managed Lucara's capital markets profile and relationships, engaging with a broad range of stakeholders including shareholders, analysts and fund managers. Ms. Hira attended multiple industry conferences and organized multiple road shows to actively market Lucara and Clara throughout the year, despite a very challenging market for diamond equities.

During 2019, Naseem Lahri, Managing Director of Lucara Botswana led several cost optimization initiatives at Lucara's operations in Botswana, resulting in continued operational performance and safety at the Karowe Mine through 2019. As a result, the Corporation met or exceeded its 2019 guidance for a majority of the pre-established KPIs. In addition, Ms. Lahri championed the development of a Botswana-based Sustainability Department and supported numerous community-driven sustainability initiatives, including the Mokubilo Farm project. In addition, Ms. Lahri was responsible for all government relations within Botswana.



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

Position	Executive	% of STI Metrics Achieved	Maximum Target STI (%) ⁽¹⁾	STI Payment (%) ⁽¹⁾	STI Payment (CAD\$) ⁽²⁾
CEO	Eira Thomas	86%	120%	103% ⁽³⁾	722,000 ⁽³⁾
CFO	Zara Boldt	83%	90%	88% ⁽³⁾	330,000 ⁽³⁾
VP Technical Services	John Armstrong	84%	75%	63%	208,000
Lucara Botswana MD	Naseem Lahri	78%	90%	70%	219,000
VP Corporate Development	Ayesha Hira	83%	70%	54%	177,000

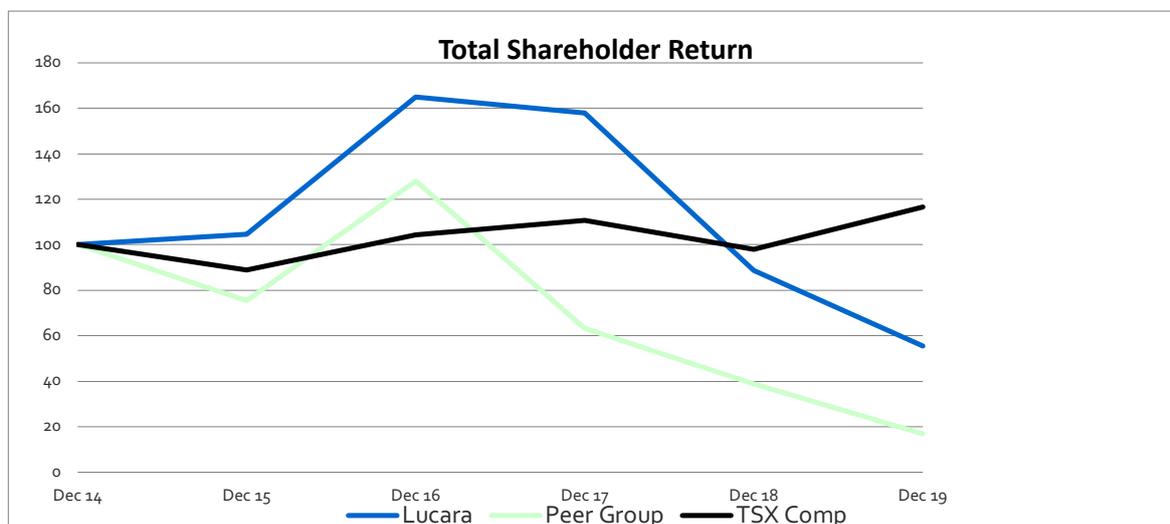
⁽¹⁾ As a percentage of base salary, rounded to the nearest thousand Canadian Dollars

⁽²⁾ The following conversion rates, being the Bank of Canada average rates for 2019, were used to convert the STI payments earned by the Lucara Botswana NEOs in 2019 from the Botswana Pula into Canadian Dollars: CAD\$1.00=BWP7.86.

⁽³⁾ The performance of the CEO and CFO was evaluated at 86% and 83%, respectively, based on the Corporate STI metrics achieved and individual performance. The Compensation Committee determined that the STI payment awards to the CEO and CFO should target the 50th percentile of total direct compensation for Lucara's peer group and accordingly, the STI payments were adjusted to the amounts disclosed above.

Performance Graph

The following graph shows the total cumulative return on a CAD\$100 investment in common shares from December 31, 2014 compared to the cumulative total return of the TSX Composite Index and a diamond sector index comparator group, consisting of Petra Diamonds Ltd., Mountain Province Diamonds Inc., Gem Diamonds Limited, Stornoway Diamond Corporation (prior to delisting in 2019) and Firestone Diamonds PLC, through the five years ending December 31, 2019, assuming reinvestment of all dividends. During the five years ended December 31, 2019, Lucara paid dividends of CAD\$ 318.5 million.



The share performance as set out in the graph does not necessarily indicate future price performance. Amounts below are stated in Canadian dollars. The shares trade on the TSX under the symbol "LUC".

Three of the four Lucara executives were appointed during the year ended December 31, 2018. Overall, total NEO compensation in 2018 increased as compared to 2017 due to the "New Hire Stock Option Grants" and "New Hire Share Unit Grants" awarded to the CEO and CFO, as well as an initial share unit grant to the Lucara Botswana NEO. In 2019, total NEO compensation was largely unchanged as TDC was targeted at P50 of the Corporation's Peer Group. The industry experienced significant decreases in equity value with a decrease in pricing in the rough diamond



market in late 2018 and 2019. This impact is visible in the total shareholder return in comparison to the TSX composite. While Lucara generally outperformed its Peer Group with strong operational results and the level of operating cash flow, no changes to compensation were made in 2019, with the exception of an increase in the base salary of the Vice-President, Technical Services. The variable in presentation in the summary compensation table below is due to new executives in the roles of CEO, CFO, and VP Corporate Development & Strategy, for which 2018 was a partial year.

4.3 SUMMARY COMPENSATION TABLE

Name and Principal Position	Year	Salary (CAD\$)	Option-based Awards ⁽²⁾ (CAD\$)	Restricted Share Awards ⁽³⁾ (CAD\$)	Non-Equity Annual Incentive Plan ⁽⁴⁾ (CAD\$)	All Other Compensation ⁽⁵⁾ (CAD\$)	Total Compensation ⁽¹⁾ (CAD\$)
Eira Thomas CEO ⁽⁶⁾	2019	700,000	24,000	462,000	722,000	-	1,908,000
	2018	592,000	191,000	641,000	520,000	-	1,946,000
Zara Boldt CFO ⁽⁷⁾	2019	375,000	31,000	289,000	330,000	-	1,025,000
	2018	281,000	73,000	343,000	200,000	-	897,000
Naseem Lahri Lucara Botswana MD	2019	314,000	23,000	173,000	219,000	91,000	820,000
	2018	265,000	24,000	213,000	242,000	90,000	834,000
	2017	227,000	26,000	-	171,000	100,000	524,000
John Armstrong VP Technical Services	2019	330,000	24,000	189,000	208,000	-	751,000
	2018	286,000	24,000	120,000	175,000	-	605,000
	2017	281,000	31,000	122,000	125,000	10,000	569,000
Ayesha Hira VP Corporate Development & Strategy ⁽⁸⁾	2019	305,000	23,000	171,000	177,000	-	696,000
	2018	203,000	18,000	155,000	86,000	-	462,000

(1) All amounts in the Summary Compensation Table are rounded to the nearest thousand Canadian dollars. Ms. Thomas, Ms. Boldt, and Dr. Armstrong were paid in Canadian Dollars and British Pounds Sterling during 2019, and in Canadian dollars prior to 2019. Ms. Hira is paid in British Pounds Sterling. Ms. Lahri is paid in Botswana Pula. The following conversion rates were used to convert salary payments for presentation in Canadian Dollars:

- Financial year ended December 31, 2019 average exchange rate of CAD\$1.00=UK£0.59, Botswana Pula 1=CAD\$0.123.
- Financial year ended December 31, 2018 average exchange rate of CAD\$1.00=UK£0.58, Botswana Pula 1=CAD\$0.127.
- Financial year ended December 31, 2017 average exchange rate of CAD\$1.00=UK£0.60. Botswana Pula 1=CAD\$0.12.

(2) This column represents stock option awards earned in respect of the corresponding year's performance. Awards for 2019 performance were made in 2020, awards for 2018 performance were made in 2019, and awards for 2017 performance were made in 2018. The amounts represent the fair value, on the date of grant, of awards made under Lucara's stock option plan. The value has been determined using the Black-Scholes model. The amount presented in the table represents the fair value of the vested and unvested portion of the options granted for the period. For accounting purposes, the fair value is amortized over the applicable vesting periods. Options values are calculated in Canadian dollars. It should be recognized that the actual future value will be based on the difference between the market value at time of exercise and the exercise price. Therefore, the value attributed to the stock options under the Black-Scholes model does not necessarily correspond to the actual future value that will be realized. The Black-Scholes option pricing model incorporates key assumptions dealing with risk free interest rate, expected stock price volatility, expected life and expected dividend yield. When determining the award value for 2019, a price of CAD\$0.65 was used. This compares to the Black-Scholes value of CAD\$0.23 which is used for accounting/presentation purposes in the table above.

(3) This column represents share unit awards earned in respect of the corresponding year's performance. Awards for 2019 performance were made in 2020, awards for 2018 performance were made in 2019, and awards for 2017 performance were made in 2018. Awards reported in 2018 include the value of initial share unit awards to the CEO, CFO and the Lucara Botswana NEO upon acceptance of their new roles. Share units' values were calculated in Canadian dollars based on the fair value of Common Shares on the grant date. The amount presented in the table represents the fair value of the share unit as at the date of grant. The Corporation's restricted and performance share units vest three years from the date of grant. In determining



the number of RSUs and PSUs to be granted, the Compensation Committee used the December 31, 2019 share price of CAD\$0.85; the share price at the date of grant was CAD\$0.77.

- (4) This column represents STI awards earned in respect of the corresponding year's performance. Payment of the 2019 STI award was made in March 2020. Payment of the 2018 STI award was made in February 2019. Payment of the 2017 STI award was made in February 2018. STI payments for employees of Lucara Botswana were made in Botswana Pula and translated to Canadian dollars at the rates disclosed in note (1) to the table.
- (5) Amounts in this column typically consist of benefits in excess of CAD\$50,000 or 10% of the executive's base salary which are not given to all employees. The amounts for Dr. Armstrong represent accrued holidays paid out for the years ended 2017 and 2018. Ms. Lahri, as an employee of Lucara Botswana, receives a gratuity in lieu of a pension, calculated at 20% of her base salary. The gratuity is payable every three years.
- (6) Ms. Thomas was appointed President and CEO effective February 25, 2018.
- (7) Ms. Boldt was appointed CFO and Corporate Secretary effective April 1, 2018.
- (8) Ms. Hira was appointed VP Corporate Development and Strategy effective June 11, 2018.

Pension Plan Benefits

The Corporation does not have any defined benefit or actuarial plan for Lucara employees. Lucara Botswana senior management, due to their employment in Botswana, are entitled to receive a gratuity equivalent to 15% of their base salary for the first 3 years of employment and 20% of their base salary thereafter in lieu of a pension. These amounts are accrued on an annual basis and paid every third year.

Liability Insurance

The Corporation is obligated to provide all of the Officer NEOs with liability insurance appropriate to the nature of their responsibilities.

Termination and Change of Control Benefits- NEOs

Except as disclosed below, all of the Officer NEOs have effective written employment agreements with Lucara. Ms. Lahri has a written employment agreement with Lucara Botswana.

Ms. Thomas

Employment Agreement in effect on December 31, 2019 – Ms. Thomas

Pursuant to the employment agreement in effect on December 31, 2019:

- if Ms. Thomas' employment had been terminated without cause; or
- if Ms. Thomas terminates her agreement for good reason i.e. a material reduction in her base salary or entitlement to receive incentives, a material reduction in the scope of her services, a requirement that she relocate or a material breach by the Corporation of her employment agreement,

she would have been entitled to receive a payment equal to her salary for 24 months, a payment equal to the average STI award she earned in the past two years prior to her termination, and if less than two STI awards have been made, a target STI amount, and benefits for a 12 month period. Also, Ms. Thomas' options and share units would have become fully vested. If such a termination of her employment had occurred on December 31, 2019, it is estimated the total value of Ms. Thomas' severance package would have been CAD\$2,241,000 (rounded).

Ms. Boldt

Pursuant to the employment agreement with Ms. Boldt:

- if Ms. Boldt's employment is terminated without cause; or
- if Ms. Boldt terminates her agreement for good reason i.e. a material reduction in her base salary or entitlement to receive incentives, a material reduction in the scope of her services, a requirement that she relocate or a material breach by the Corporation of her employment agreement,

she will be entitled to receive a payment equal to her salary for 18 months, a payment equal to the STI award she earned in the year prior to her termination and benefits for a 12 month period. Also, Ms. Boldt's options and share units will become fully vested. If such a termination of her employment had occurred on December 31, 2019, it is estimated the total value of Ms. Boldt's severance package would have been CAD\$763,000 (rounded).



Ms. Lahri

Pursuant to the employment agreement between Lucara Botswana and Ms. Lahri, if Ms. Lahri's employment is terminated without cause she will be entitled to receive a payment equal to 3 months' salary and a payment with respect to an accrued 20% gratuity in lieu of a pension. In addition, as her employment with Lucara Botswana is longer than two years, her share options and share units will become fully vested in the event her employment is terminated without cause. It is estimated the total value of Ms. Lahri's severance package would have been CAD\$82,000 (rounded) if a termination of her employment had occurred on December 31, 2019.

Dr. Armstrong

Pursuant to the employment agreement with Dr. Armstrong:

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

he will be entitled to receive a payment equal to his salary for 12 months and a payment equal to the STI award he earned in the year prior to his termination (provided it is not greater than his annual base salary). Also, Dr. Armstrong's options and share units will become fully vested. If such a termination of his employment had occurred on December 31, 2019 it is estimated the total value of Dr. Armstrong's severance package would have been CAD\$507,000 (rounded).

Ms. Hira

Pursuant to the employment agreement with Ms. Hira:

- if Ms. Hira's employment is terminated without cause; or
- if Ms. Hira terminates her agreement for good reason i.e. a material reduction in her base salary or entitlement to receive incentives, a material reduction in the scope of her services, a requirement that she relocate or a material breach by the Corporation of her employment agreement,

she will be entitled to receive a payment equal to her salary for 12 months, a payment equal to the STI award she earned in the year prior to her termination and benefits for a 12 month period. Also, Ms. Hira's options and share units will become fully vested. If such a termination of her employment had occurred on December 31, 2019, it is estimated the total value of Ms. Hira's severance package would have been CAD\$394,000 (rounded).

Outstanding Option and Share based Awards

The following table sets forth for each Named Executive Officer all awards outstanding at the end of 2019.

NEO	Grant Date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (CAD\$)(1)	Number of shares or units of shares that have not vested (3) (#)	Market payout value of share-based awards that have not vested (2) (CAD\$)	Market payout value of share-based awards not paid out or distributed (CAD\$)
Eira Thomas President & CEO	February 26, 2016	200,000	2.45 ⁽⁵⁾	February 26, 2020	-	-	-	-
	February 27, 2018	300,000	2.49 ⁽⁷⁾	February 27, 2022	-	200,000	170,000	-
	February 25, 2019	138,000	1.64 ⁽¹¹⁾	February 25, 2023	-	103,000	87,550	-
	Various (dividend SUs)	-	-	-	-	20,648	17,551	-
Zara Boldt CFO	April 1, 2018	125,000	2.05 ⁽⁸⁾	April 1, 2022	-	125,000	185,000	-
	February 25, 2019	69,000	1.64 ⁽¹¹⁾	February 25, 2023	-	53,000	45,050	-
	Various (dividend SUs)	-	-	-	-	10,931	9,291	-
John	February 26, 2016	60,000	2.45 ⁽⁵⁾	February 26, 2020	-	-	-	-



NEO	Grant Date	Option-based Awards				Share-based Awards		
		Number of securities underlying unexercised options (#)	Option exercise price (CAD\$)	Option expiration date	Value of unexercised in-the-money options (CAD\$) ⁽¹⁾	Number of shares or units of shares that have not vested ⁽³⁾ (#)	Market payout value of share-based awards that have not vested ⁽²⁾ (CAD\$)	Market payout value of share-based awards not paid out or distributed (CAD\$)
Armstrong VP, Technical Services	March 8, 2017	60,000	2.80 ⁽⁶⁾	March 8, 2021	-	49,000	41,650	-
	February 27, 2018	60,000	2.49 ⁽⁷⁾	February 27, 2022	-	49,000	41,650	-
	February 25, 2019	96,000	1.64 ⁽¹¹⁾	February 25, 2023	-	73,000	62,050	-
	Various (dividend SUs)	-	-	-	-	12,823	10,900	-
Naseem Lahri Lucara Botswana MD	February 26, 2016	40,000	2.45 ⁽⁵⁾	February 26, 2020	-	-	-	-
	March 8, 2017	50,000	2.80 ⁽⁶⁾	March 8, 2021	-	-	-	-
	February 27, 2018	50,000	2.49 ⁽⁷⁾	February 27, 2022	-	-	-	-
	June 29, 2018	-	-	-	-	45,000	38,250	-
	February 25, 2019	96,000	1.64 ⁽¹¹⁾	February 25, 2023	-	72,000	61,200	-
Various (dividend SUs)	-	-	-	-	5,062	4,303	-	
Ayesha Hira VP Corporate Development & Strategy	June 29, 2018	50,000	2.11 ⁽⁹⁾	June 29, 2022	-	50,000	42,500	-
	August 10, 2018	60,000	2.19 ⁽¹⁰⁾	August 10, 2022	-	-	-	-
	February 25, 2019	39,000	1.64 ⁽¹¹⁾	February 25, 2023	-	30,000	25,500	-
	Various (dividend SUs)	-	-	-	-	4,039	3,433	-

⁽¹⁾ Based on the closing price of the Common Shares on the TSX on December 31, 2019 of CAD\$0.85 per Common Share, less the exercise price of the in-the-money stock options. These Options have not been, and may never be, exercised and the actual gain, if any, on exercise will depend on the value of the Common Shares on the date of exercise.

⁽²⁾ The value is based on the closing price of the Common Shares on the TSX on December 31, 2019 of CAD\$0.85.

⁽³⁾ Share units include all units that have not vested, including units issued in lieu of cash dividends applicable to outstanding share units held when a dividend was paid by the Corporation. Share units vest three years from the date of grant.

⁽⁴⁾ These values represented all vested options.

⁽⁵⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being February 26, 2017, February 26, 2018 and February 26, 2019, respectively.

⁽⁶⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being March 8, 2018, March 8, 2019 and March 8, 2020, respectively.

⁽⁷⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being February 27, 2019, February 27, 2020 and February 27, 2021, respectively.

⁽⁸⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being April 1, 2019, April 1, 2020 and April 1, 2021, respectively.

⁽⁹⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being June 28, 2019, June 28, 2020 and June 28, 2021, respectively.

⁽¹⁰⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being August 10, 2019, August 10, 2020 and August 10, 2021, respectively.

⁽¹¹⁾ These values represent all unvested options. One third vesting will occur 12, 24 and 36 months after the date of grant, being February 27, 2019, February 27, 2020 and February 27, 2021, respectively.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table sets forth details of the value vested or earned for all incentive plan awards during 2019 by each Named Executive Officer.

Name	Option-based awards – Value vested during the year ⁽¹⁾ (CAD\$)	Share-based awards – Value vested during the year ⁽²⁾ (CAD\$)	Non-equity incentive plan compensation-value earned during the year ⁽³⁾ (CAD\$)
Eira Thomas	-	-	722,000
Zara Boldt	-	-	330,000
Naseem Lahri	-	-	219,000
John Armstrong	-	143,000	208,000
Ayesha Hira	-	-	177,000



- (1) Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2019, or if the TSX is not open on such date, the closing price of the common shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in-the-money stock options; rounded to the nearest thousand Canadian Dollars.
- (2) Calculated using the closing price of the common shares on the TSX on the dates on which share units vested during 2019, or if the TSX is not open on such date, the closing price of the common shares on the TSX on the last date that the TSX is open preceding the vesting date; rounded to the nearest thousand Canadian Dollars.
- (3) This column represents short term incentive plan payments referred to earlier in the Circular, the incentive payment is paid in 2020 for 2019 performance. Ms. Thomas, Ms. Boldt, Dr. Armstrong, and Ms. Hira are paid in British Pounds Sterling and that amount was converted from Canadian dollars to payment currency at a rate of CAD\$1.00=UK£0.59. Ms. Lahri was paid in Botswana Pula and that amount was converted to Canadian dollars for presentation in the table above. The following conversion rates were used to convert the 2019 short term incentive plan payments Botswana Pula 1=CAD\$0.123.

SECTION 5 – COMPENSATION OF DIRECTORS

The following table sets forth the details of compensation provided to directors in 2019, other than Eira Thomas. Ms. Thomas, Lucara’s CEO, did not receive compensation for her service as a director.

Directors - 2019	Fees Earned (CAD\$)	Share-based Awards (CAD\$)* ¹	Total (CAD\$)
Richard Clark	100,000	26,950	126,950
Paul Conibear	120,000	63,910	183,910
Brian Edgar	110,000	30,030	140,030
Marie Inkster	115,000	31,570	146,570
Lukas Lundin	115,000	31,570	146,570
Catherine McLeod-Seltzer	110,000	30,030	140,030

Note:

*¹ In February 2020, the Board of Directors adopted a DSU plan and awarded share based compensation, subject to shareholder approval (see section 2.5).

In 2019, the Compensation Committee retained GGA to perform benchmarking for director compensation. The benchmarking data showed that the directors’ annual retainers were generally in line with the cash compensation paid to directors of the companies in the Peer Group, but that most of the Peer Group companies also provide some form of share-based compensation (stock options, deferred share units, etc.) as part of the director compensation package. The Compensation Committee recommended (and the Board approved) that no increases be made to the cash compensation for non-executive directors for 2020. The Compensation Committee recommended (and the Board approved) the introduction of a deferred share unit plan, with the possibility of annual awards beginning in 2020. Each director received an initial deferred share unit award to compensate for his or her service in 2019, and Mr. Conibear received an additional award in recognition of his work as lead director. Deferred share units are not payable until retirement from the Board and are held to the account of the director until payout; deferred share units may be settled in cash or in common shares, at the director’s election. Previously, no share-based compensation was awarded to directors in 2017 and 2018.

Current director fees are:

- each non-executive director’s annual base remuneration CAD\$100,000;
- the Lead Director, the Chair of the SHECR Committee, the Chair of the Corporate Governance Committee and the Chair of Compensation Committee receive an additional CAD\$10,000 per annum; and
- the Chair of the Board and the Chair of the Audit Committee receive an additional CAD\$15,000 per annum.

Lucara reimburses directors for any reasonable travel and out-of-pocket expenses relating to their duties as directors. No fees were paid for attendance at meetings. The Corporation provides all directors with liability insurance.



Outstanding Option-Based Awards

The following table sets forth the outstanding option-based awards held by the directors of the Corporation at the end of 2019, other than Eira Thomas who is a Named Executive Officer and disclosed previously.

Directors - 2019	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⁾
Richard Clark	200,000	2.45	February 26, 2020	-
Paul Conibear	200,000	2.45	February 26, 2020	-
Brian Edgar	200,000	2.45	February 26, 2020	-
Lukas Lundin	200,000	2.45	February 26, 2020	-
Marie Inkster	200,000	2.45	February 26, 2020	-

⁽¹⁾ Based on the closing price of the Common Shares on the TSX on December 31, 2019 of CAD\$0.85 per Common Share, less the exercise price of the in-the-money stock options. On February 26, 2020, all of the Options listed in the table above expired without exercise.

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 2019 by each director, other than Eira Thomas who is a Named Executive Officer and disclosed previously.

Directors - 2019	Option-based awards – Value vested during the year (CAD\$) ⁽¹⁾	Share-based awards – Value vested during the year (CAD\$) ⁽¹⁾
Richard Clark	-	-
Paul Conibear	-	-
Brian Edgar	-	-
Lukas Lundin	-	-
Marie Inkster	-	-

⁽¹⁾ Calculated using the closing price of the common shares on the TSX on the dates on which stock options vested during 2019, or if TSX is not open on such date, the closing price of the common shares on the TSX on the last date that the TSX is open preceding the vesting date and subtracting the exercise price of in-the-money stock options. If the closing price of the common shares on the vesting date was below the exercise price the value of the stock options is shown as “-”.

SECTION 6 – OTHER INFORMATION

6.1 EQUITY COMPENSATION PLAN INFORMATION

As at December 31, 2019, the Corporation had two compensation plans under which equity securities of the Corporation were authorized for issuance. A Share Unit Plan was approved on May 13, 2015 by the shareholders and a Stock Option Plan was approved by shareholders on May 10, 2019. The following information is presented as at the Corporation’s fiscal year-end of December 31, 2019.



Equity Compensation Plan Information (as at fiscal year end December 31, 2019)

Plan Category	Number of securities to be issued upon exercise of outstanding options/share units	Weighted-average exercise price of outstanding options (CAD\$)	Number of securities remaining available for future issuance under the Plan (excluding securities reflected in column (a))
Equity Compensation Plans approved by security holders:			
Stock Option Plan	4,522,000	2.19	15,478,000
Share Unit Plan	1,084,990	N/A (share units)	1,138,910
Equity Compensation Plans not approved by security holders	N/A	N/A	N/A
Total	5,606,990	N/A	16,616,910

In February 2020, the Corporation granted 1,337,000 restricted share units and 581,000 performance share units to Lucara executives. A further 278,000 deferred share units were granted to directors, subject to shareholder approval of the DSU Plan.

Percentage of issued and outstanding shares

Stock Option Plan

As at the date of this Circular there are 396,896,733 Common Shares issued and outstanding. Subject to the policies of the TSX, the maximum number of Common Shares which may be issued under the Option Plan is 20,000,000 representing approximately 5.0% of the Corporation's issued and outstanding Common Shares as at the date of this Circular. There are currently 4,564,000 Common Shares issuable for outstanding stock options under the Option Plan, leaving 15,436,000 Common Shares issuable under the Option Plan.

The Corporation is proposing to reduce the number of common shares reserved for issuance under the Option Plan to 10,000,000 from 20,000,000 and to re-allocate the difference to the Share Unit Plans for directors and executives; see Section 2.4 above for details. The full text of the share unit plans can be found in Appendix B and Appendix C.

Share Unit Plan

As at the date of this Circular there are 396,896,733 Common Shares issued and outstanding. Subject to the policies of the TSX, the maximum number of Common Shares which may be issued under the Share Unit Plan is 4,000,000 representing approximately 1.0% of the Corporation's issued and outstanding Common Shares as at the date of this Circular. There are currently 2,946,527 Common Shares issuable for outstanding share units under the Share Unit Plan, leaving Nil Common Shares issuable under the Share Unit Plan. Certain of the share units granted in February 2020 for 2019 executive performance (as described above in Section 4.2 above) exceeded the number of share units available for grant. As a result, these "excess" grants of 779,090 share units will be subject to receipt of shareholder approval for the proposed increase in the number of common shares reserved for issuance under the Share Unit Plan. In the event shareholder approval is not received; these share units will be cancelled.

The Corporation is proposing to increase the number of common shares reserved for issuance under the Share Unit Plan to 10,000,000 by reducing the number of common shares reserved for issuance under the Stock Option Plan by the same amount; see Section 2.4 above for details.



Burn Rate ⁽¹⁾

Year	Stock Options Granted	Burn Rate	Share Units Granted	Burn Rate
2019	1,437,000	0.4%	498,746	0.1%
2018	1,490,000	0.4%	699,165	0.2%
2017	910,000	0.2%	334,097	0.1%
3 year total	3,837,000	1.0%	1,532,008	0.4%

⁽¹⁾Calculated using the TSX prescribed methodology that became effective for issuers with fiscal years ending on or after October 31, 2017 – calculated by dividing stock options/share units granted in the applicable fiscal year by the weighted average number of common shares outstanding over the applicable fiscal year.

The Share Unit Plan (the “SU Plan”)

The material terms of the SU Plan can be summarized as follows:

- The SU Plan provides that share unit awards (the "SUs") may be granted by the Board, the Compensation Committee, or any other committee of directors authorized by the Board to administer the SU Plan (the "Committee").
- Full time employees of the Corporation or any of its subsidiaries, including any senior executive, vice president, and members of the management team of the Corporation or any of its subsidiaries are eligible to receive SUs under the SU Plan.
- Subject to shareholder approval at this meeting, 10,000,000 Common Shares will be reserved for issuance under the SU Plan, representing approximately 2.5% of the current issued and outstanding Common Shares.
- Any Common Shares subject to an SU which are cancelled or terminated in accordance with the terms of the SU Plan without settlement will again be available for issuance under the SU Plan.
- The grant of SUs under the SU Plan is subject to the number of the Common Shares: (i) issued to any one participant within any one (1) year period; (ii) insiders of the Corporation, within any one (1) year period, and (iii) issuable to insiders of the Corporation, at any time, under the SU Plan, or when combined with all of the Corporation's other security based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares, respectively.
- The SU Plan is for the benefit of employees of the Corporation or any subsidiary, including any senior executive, vice president, and/or member of the management team of the Corporation or its subsidiaries.
- An SU is a unit credited by means of an entry on the books of the Corporation to a participant, representing the right to receive one Common Share or cash equal to the market price of the share on the vesting date.
- The number and terms of SUs granted to participants will be determined by the Committee and credited to the participant's account effective on the grant date. Subject to the Committee's discretion, SUs will vest 36 months from the grant date.
- The entitlement date, or date that the SU's vest and are eligible for payment, shall be extended if this date occurs during a blackout to 10 days after the end of the blackout and notwithstanding this, must occur no later than 3 years following the end of the year the SU was granted.
- Following the entitlement date, the SUs will be settled by way of the issuance of Common Shares from treasury, cash equal to the market price of Common Shares or a combination of the two methods of settlement as determined by the Committee.
- All grants of SUs shall be evidenced by a confirmation share unit grant letter.
- In the event dividends are paid to shareholders while SUs are outstanding, additional SUs in lieu of any cash dividends will be credited to participants. For the avoidance of doubt, no cash payment will be made to a participant if cash dividends are paid to shareholders other than cash paid to a participant on an entitlement date.
- In the event of a participant's resignation or employment termination with cause, the SUs will be forfeited



and of no further force or effect at the date of termination, unless otherwise determined by the Committee.

- In the event of the participant's employment termination without cause:
 - all unvested SUs that are not subject to performance vesting criteria will vest, for participants who were continuously employed by the Corporation or any subsidiary for at least two years including any notice period, prior to the date of termination and the Common Shares represented by the SUs held shall be issued as soon as reasonably practical
 - all unvested SUs with performance vesting criteria will remain subject to the normal vesting schedule for participants who were continuously employed by the Corporation or any subsidiary for at least two years including any notice period
 - for participants who were not continuously employed by the Corporation for two years their SUs will be forfeited at the date of termination except as may otherwise be stipulated in the participant's grant letter
- In the event of death, all unvested SUs will vest and the Common Shares will be issued to the participant's estate as soon as reasonably practical.
- In the event of the total disability of a participant, all unvested SUs will vest on the date the participant is determined to be totally disabled and the Common Shares will be issued as soon as reasonably practical.
- In the event of a change of control, all SUs outstanding will vest on the date of such change of control.
- A clawback provision allows for the Corporation to cancel any vested SUs granted and require repayment of any SUs vested within the past twelve months should a termination with cause occur or a restatement in the Corporation's financial results.
- All of the termination provisions in the SU plan shall be subject to the terms of any employment/severance agreement between the participant and the Corporation.
- SUs are not transferable other than by will or the laws of descent and distribution.
- The specific amendment provisions for the SU Plan provide the Committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
 - amendments of a housekeeping nature;
 - the addition or a change to any vesting provisions of an SU;
 - changes to the termination provisions of an SU or the SU Plan; and
 - amendments to reflect changes to applicable securities or tax laws.
- Any of the following amendments require shareholder approval:
 - materially increasing the benefits to a holder of SUs who is an insider to the material detriment of the Corporation and its shareholders;
 - increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the SU Plan (other than by virtue of adjustments permitted under the SU Plan);
 - permitting SUs to be transferred other than for normal estate settlement purposes;
 - removing or exceeding the insider participation limits of the SU Plan;
 - materially modifying the eligibility requirements for participation in the SU Plan; or
 - modifying the amending provisions of the SU Plan.

A copy of the SU Plan, including amendments approved by the Board of Directors on March 18, 2020 can be found in Appendix "B".

The Deferred Share Unit Plan

The material terms of the DSU Plan can be summarized as follows:

- The DSU Plan provides that deferred share unit awards (the "DSUs") may be granted by the Board, the Compensation Committee, or any other committee of directors authorized by the Board to administer the DSU Plan (the "Committee").



- Directors who are not employees or officers of the Corporation, including a non-executive Chair of the Board are eligible to receive DSUs under the DSU Plan.
- Subject to shareholder approval at this meeting, 4,000,000 Common Shares will be reserved for issuance under the DSU Plan, representing approximately 1% of the current issued and outstanding Common Shares.
- Any Common Shares subject to a DSU which are cancelled or terminated in accordance with the terms of the DSU Plan without settlement will again be available for issuance under the DSU Plan.
- A Director can elect to receive all or a portion of his or her Director's fees in the form of DSUs.
- The number of Common Shares (i) issued under the DSU Plan to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the Corporation, at any time, under the DSU Plan, or when combined with all of the Corporation's other security based compensation arrangements, shall not exceed 10% of the Corporation's total issued and outstanding Common Shares, respectively. The number of Common Shares reserved for issuance under the DSU Plan to a Director within a one year period, in combination with all other equity awards granted to Directors under any other share compensation arrangement, shall be limited to an annual equity award value (based on Black-Scholes or Share Price as determined by the Board) of CAD\$150,000 per Director. The aggregate number of Common Shares reserved for issuance to Directors shall not exceed 1.0% of the total number of issued and outstanding Common Shares.
- A DSU is a unit credited by means of an entry on the books of the Corporation to a director, representing the right to receive one Common Share or cash equal to the market price of the share on the vesting date.
- The number of DSUs granted to participants will be determined by the Committee, or in the case of director's fees will be calculated based on the market value of the Common Shares at the time of grant and credited to the participant's account effective on the grant date. Subject to the Committee's discretion to determine a later date, a director's entitlement date to receive payment of his or her DSUs is her or her termination date.
- Following the entitlement date, the DSUs will be settled by way of the issuance of Common Shares from treasury, cash equal to the market price of Common Shares or a combination of the two methods of settlement as determined by the participant.
- In the event dividends are paid to shareholders while DSUs are outstanding, additional DSUs in lieu of any cash dividends will be credited to participants. For the avoidance of doubt, no cash payment will be made to a participant if cash dividends are paid to shareholders other than cash paid to a participant on an entitlement date.
- DSUs are not transferable other than by will or the laws of succession and distribution.
- In the event of death, all DSUs shall become payable to the director's legal representative.
- The specific amendment provisions for the DSU Plan provide the Committee with the power, subject to the requisite regulatory approval, to make the following amendments without shareholder approval (without limitation):
 - amendments of a housekeeping nature;
 - the addition or a change to any vesting provisions of a DSU;
 - changes to the termination provisions of a DSU or the DSU Plan; and
 - amendments to reflect changes to applicable securities or tax laws.
- Any of the following amendments require shareholder approval:
 - materially increasing the benefits to a holder of DSUs who is an insider to the material detriment of the Corporation and its shareholders;
 - increasing the number of Common Shares or maximum percentage of Common Shares which may be issued pursuant to the DSU Plan (other than by virtue of adjustments permitted under the DSU Plan);
 - permitting DSUs to be transferred other than for normal estate settlement purposes;
 - removing or exceeding the insider participation limits of the DSU Plan;
 - materially modifying the eligibility requirements for participation in the DSU Plan; or



- modifying the amending provisions of the DSU Plan.

A copy of the DSU Plan adopted by the Board of Directors on February 23, 2020, subject to shareholder approval, can be found in Appendix "C".

The Stock Option Plan

The material terms of the Stock Option Plan can be summarized as follows:

- Employees, directors (including non-employee directors), officers of the Corporation or any of its subsidiaries and, except in relation to a consultant company, any company wholly owned by such persons are eligible to receive options under the Stock Option Plan.
- The aggregate number of Common Shares currently available at all times for issuance under the Stock Option Plan will be 20,000,000, which would represent approximately 5.0% of the Corporation's current issued and outstanding Common Shares. *If approval of the resolutions at the Meeting is received, the aggregate number of Common Shares available for issuance pursuant to the exercise of stock options is expected to be reduced to 10,000,000, which would represent approximately 2.5% of the Corporation's current issued and outstanding Common Shares.*
- Any option which has been exercised, cancelled or has expired or terminated for any reason in accordance with the terms of the Stock Option Plan will again be available under the Stock Option Plan.
- The exercise price per Common Share under an option shall be determined by the Board and shall not be lower than the market price of a Common Share. Market price is defined as the higher of the closing price on the TSX on the date the option is granted and the last trading date preceding the date the option is granted.
- The Stock Option Plan does not provide for the transformation of options granted under the Stock Option Plan into stock appreciation rights involving the issuance of securities from the treasury of the Corporation.
- The term of all options awarded under the Stock Option Plan is a maximum of five years.
- Options granted pursuant to the Stock Option Plan shall vest and become exercisable by an optionee at such time or times as may be determined by the Board at the date of grant and as indicated in the option commitment. Subject to the Board's discretion, options may have a vesting period of up to three years, with 1/3 of the options vesting 12 months from the date of grant; 1/3 of the options vesting 24 months from the date of grant; and the remaining 1/3 vesting 36 months from the date of grant.
- In the event that the expiry of an option falls within, or within 48 hours of, a trading blackout period imposed, the expiry date of the option shall be automatically extended to the tenth business day following the end of the blackout period.
- The termination provisions under the Stock Option Plan shall be:
 - An optionee will have, in all cases subject to the original option expiry date (i) 90 days to exercise his/her options, which will automatically vest for optionees who have been continuously employed by the Corporation or by a Corporation providing management services to the Corporation for at least two years including any notice period, if applicable, in the event of termination without cause; (ii) 90 days to exercise his/her options that have vested, in the event of resignation; and (iii) immediate termination of the options in the event of termination with cause, except as may be set out in the optionee's option commitment or as otherwise determined by the Board in its sole discretion. In the event of the death or disability of an optionee, all options will vest and the optionee will have, subject to the original option expiry date, 12 months to exercise his/her options. Notwithstanding the foregoing, all of the termination provisions shall be subject to the terms of any employment/severance agreement between the optionee and the Corporation.
- In the event of a change of control, all unvested options shall vest on/at the effective time of the change of control.
- The grant of options under the Stock Option Plan is subject to the number of the Common Shares: (i) issued to insiders of the Corporation, within any one (1) year period, and (ii) issuable to insiders of the



Corporation, at any time, under the Stock Option Plan, or when combined with all of the Corporation's other security based compensation arrangements, not exceeding 10% of the Corporation's total issued and outstanding Common Shares, respectively.

- The aggregate number of options granted pursuant to the Stock Option Plan to any one non-employee director, within any one-year period shall not exceed a maximum value of \$100,000.
- The aggregate number of Common Shares reserved for issuance pursuant to the Stock Option Plan, together with any Common Shares that may be issued pursuant to any other share compensation arrangement to non-employee directors as a group, shall not exceed 1% of the number of issued and outstanding Common Shares.
- The aggregate number of Common Shares reserved for issuance pursuant to the Stock Option Plan, or when combined with all of the Corporation's other security based compensation arrangements, to any one Participant within a one-year period shall not exceed 10% of the Shares outstanding at the time of the grant
- The Board means the board of directors or any committee of the board to which the duties under the Stock Option Plan are delegated.
- Options are not assignable or transferable other than by will or by the applicable laws of descent.
- Unvested options and options granted which have vested within the twelve months, including Common Shares received from exercising such options, are subject to claw-back, to the extent permitted by law, if: (i) a participant was terminated with cause, or the Board reasonably determines after termination of a participant's employment that the termination could have been with cause; (ii) the Board reasonably determines that a participant engaged in conduct that causes material financial or reputational harm to the Corporation or its Affiliates, or engaged in gross negligence, willful misconduct or fraud in respect of the performance of the participant's duties; or (iii) the Corporation is required to restate its financial statements and the restated financial statements disclose materially worse financial results in the Board's reasonable opinion.
- The specific amendment provisions for the Stock Option Plan provide the Board with the power to make the following amendments without shareholder approval:
 - minor or technical modifications;
 - correct ambiguity, defective provisions, error or omissions or reflect changes to applicable securities or taxation laws;
 - change any vesting provisions of an option;
 - change the termination provisions or extend the expiration date provided the extension is not beyond 5 years from the date the option is granted;
 - add or change provisions relating to financial assistance to facilitate the purchase of securities; and
 - add a cashless exercise feature.

Such amendment must be in accordance with applicable laws and stock exchange rules and cannot materially adversely affect existing rights of options.

- Any of the following amendments to the Stock Option Plan or options granted thereunder also require shareholder approval:
 - increasing the number of Common Shares which may be issued pursuant to the Stock Option Plan (other than by virtue of permitted adjustments);
 - reducing the exercise price of an option;
 - amending the term of an option to extend the term;
 - removing or exceeding the limits imposed on insiders and on non-employee Directors;
 - materially increasing the benefits to the holder of the options who is an insider to the material detriment of the Corporation and its shareholders;
 - permitting options to be transferred other than by will or the applicable laws of descent;
 - materially modifying the eligibility requirements for participation in the Stock Option Plan; or
 - changing the amending provisions.



6.2 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.

6.3 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.

6.4 INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Other than as disclosed herein, to the best of the Corporation's knowledge, 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 of the Corporation, or any proposed nominee, or 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.

6.5 INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed herein, to the best of the Corporation's knowledge, no informed person of the Corporation, proposed director or any associate or affiliate of them, has or has had any material interest, direct or indirect, in any transaction, since the commencement of the Corporation's most recently completed financial year which has materially affected or will materially affect the Corporation or any of its subsidiaries.

On March 2, 2018, Lucara completed its acquisition of Clara for up-front consideration of 13.1 million shares of Lucara. Further staged equity payments totaling 13.4 million shares may become payable. Such shares will be paid in the event certain performance milestones, related to total revenues (revenues from rough diamonds bought and sold) generated through the platform, are achieved (the "Performance Milestones"). The Corporation has also agreed to a profit sharing mechanism whereby the founders of the Clara technology will retain 13.3% and the management of Lucara will retain 6.67% of the annual EBITDA generated by the platform, to a maximum of US\$16.67 and US\$8.33 million per year, respectively, for 10 years.

Eira Thomas, the CEO and a current director of Lucara, was a founder of Clara and was issued a total of 1,192,000 shares of Lucara in consideration for her shares of Clara. Ms. Thomas may be issued up to an additional 1,788,001 shares of Lucara. Such additional shares will only be issued upon Clara achieving the Performance Milestones or upon the occurrence of a change of control event.

Catherine McLeod-Seltzer was also a founder of Clara and, following Lucara's acquisition of Clara, was appointed to the Lucara Board. Ms. McLeod-Seltzer received 400,000 Lucara shares as consideration for her Clara shares. Ms. McLeod-Seltzer may be issued up to an additional 600,000 shares of Lucara. Such additional shares will only be issued upon Clara achieving the Performance Milestones or upon the occurrence of a change of control event.

John Armstrong, the Vice President (Technical Services) of the Corporation, and Zara Boldt, the Chief Financial Officer of the Corporation (effective April 1, 2018), were shareholders of Clara at the time of the Corporation's acquisition of Clara. Mr. Armstrong and Ms. Boldt each received 50,000 Lucara shares as consideration for the Clara shares. They may each receive a further 74,000 common shares of Lucara. Such additional shares will only be issued upon Clara achieving the Performance Milestones or upon the occurrence of a change of control event.

Pursuant to the profit sharing mechanism described above, a total of 3.45% of the EBITDA generated by the platform, has been assigned to Ms. Thomas and Ms. McLeod-Seltzer and 3.22% of the EBITDA generated by the platform to be distributed to management, including Dr. Armstrong and Ms. Boldt, at the discretion of Lucara's Compensation



Committee based on key performance targets. In March 2019, the EBITDA sharing agreement between Clara and Eira Thomas and Clara and the Clara Management was amended. Under the terms of the amendment, each of Eira Thomas and the Clara Management waived their respective rights to the EBITDA payment to the extent that such payment relates to net income earned by Clara on the sale of rough diamonds from the Karowe Mine. This waiver is effective from the date of the share purchase agreement in February 2018 through to December 31, 2020.

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

6.6 ADDITIONAL INFORMATION

The Corporation's Annual Information Form ("AIF"), annual audited, consolidated financial statements for the year ended December 31, 2019 ("Annual Financial Statements") and management's discussion and analysis ("Annual MD&A") as well as the interim financial statements from fiscal 2019 ("2019 Interims") are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com and on the Corporation's website at www.lucaradiamond.com. The Corporation will provide, without charge to a shareholder, a copy of this Circular, its latest AIF, Annual Financial Statements and Annual MD&A, the 2019 Interims and interim financial statements and management's discussion and analysis for subsequent periods upon request by contacting:

- (i) e-mail: info@lucaradiamond.com
- (ii) telephone: 604-689-7842
- (iii) mail: Lucara Diamond Corp.
Suite 2000 - 885 West Georgia Street
Vancouver, B.C., V6C 3E8
Attn: Investor Relations

6.7 DIRECTORS' APPROVAL

The contents and the distribution of this Circular have been approved by the Board.
DATED the 18th day of March 2020.

(Signed) "*Eira Thomas*"

Chief Executive Officer



APPENDIX A - BOARD OF DIRECTORS' MANDATE

(As amended and restated by the Board of Directors on March 22, 2012 and reviewed on February 20, 2019)

The following is a description of the mandate and responsibilities of the Board of Directors (the "Board") of Lucara Diamond Corp. (the "Company"):

- a. The principal responsibilities of the Board are to supervise and evaluate management, to oversee the conduct of the Company's business, to set policies appropriate for the business of the Company and to approve corporate strategies and goals. The Board is to carry out its mandate in a manner consistent with the fundamental objective of enhancing shareholder value.
- b. In discharging its duty of stewardship over the Company the Board expressly undertakes the following specific duties and responsibilities:
 - i. adopting, supervising and providing guidance on the Company's strategic planning process including, reviewing on at least an annual basis, a strategic plan which takes into account the opportunities and risks of the Company's business;
 - ii. identifying the principal risks of the Company's business and ensuring the implementation of appropriate risk management systems;
 - iii. ensuring that the Company has management of the highest calibre and maintaining adequate and effective succession planning for senior management;
 - iv. placing limits on management's authority;
 - v. overseeing the integrity of the Company's internal control and management information systems; and
 - vi. overseeing the Company's communication policy with its shareholders and with the public generally.
- c. The Board's independent directors shall meet without management and non-independent directors present on a quarterly basis. If a Lead Director has been appointed, such meetings of the independent directors will be presided over by the Lead Director.

Outside Advisors and Fulfilling Responsibilities

A director may, with the prior approval of the Chairman of the Board, engage an outside advisor at the reasonable expense of the Company, where such director and the Chairman of the Board determine that it is appropriate in order for such director to fulfil his or her responsibilities, provided that the advice sought cannot properly be provided through the Company's management or through the Company's advisors in the normal course. If the Chairman of the Board is not available in the circumstances, or determines that it is not appropriate for such director to so engage outside counsel, the director may appeal the matter to the Corporate Governance and Nominating Committee, whose determination shall be final.



APPENDIX B – SHARE UNIT PLAN

The Share Unit Plan was adopted by the Board of Directors on March 19, 2015 and approved by the Company's shareholders on May 13, 2015. Changes from the previously approved plan are highlighted in the text below. These changes were approved by the Board of Directors on March 18, 2020.

ARTICLE I INTRODUCTION

1.1 Purpose of Plan

This Plan provides for the granting of Share Unit Awards and payment in respect thereof, subject to obtaining the approval of the Exchange and the Required Shareholder Approval, for services rendered, for the purpose of motivating and retaining Qualifying Participants through payment of compensation related to appreciation of the Shares.

1.2 Definitions

- (a) "Affiliate" has the meaning ascribed thereto by the policies of the Exchange.
- (b) "Associate" has the meaning ascribed thereto in the Securities Act.
- (c) "Board" means the Board of Directors of the Company.
- (d) "Change of Control" means the occurrence of any one or more of the following events:
 - (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or other entity, as a result of which the holders of Shares immediately prior to the completion of the transaction hold less than 50% of the outstanding shares of the successor corporation immediately after completion of the transaction;
 - (ii) the sale, lease, exchange or other disposition, in a single transaction or a series of related transactions, of all or substantially all of the assets, rights or properties of the Company and its Subsidiaries on a consolidated basis to any other person or entity, other than transactions among the Company and its Subsidiaries;
 - (iii) a resolution is adopted to wind-up, dissolve or liquidate the Company;
 - (iv) any person, entity or group of persons or entities acting jointly or in concert (the "**Acquiror**") acquires, or acquires control (including, without limitation, the power to vote or direct the voting) of, voting securities of the Company which, when added to the voting securities owned of record or beneficially by the Acquiror or which the Acquiror has the right to vote or in respect of which the Acquiror has the right to direct the voting, would entitle the Acquiror and/or Associates and/or affiliates of the Acquiror to cast or direct the casting of 30% or more of the votes attached to all of the Company's outstanding voting securities which may be cast to elect directors of the Company or the successor corporation (regardless of whether a meeting has been called to elect directors);
 - (v) as a result of or in connection with: (A) a contested election of directors; or (B) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Company or any of its Affiliates and another corporation or



other entity (a “**Transaction**”), fewer than 50% of the directors of the Company are persons who were directors of the Company immediately prior to such Transaction; or

- (vi) the Board adopts a resolution to the effect that a Change of Control as defined herein has occurred or is imminent.

For the purposes of the foregoing definition of Change of Control, “**voting securities**” means Shares and any other shares entitled to vote for the election of directors and shall include any security, whether or not issued by the Company, which are not shares entitled to vote for the election of directors but are convertible into or exchangeable for shares which are entitled to vote for the election of directors, including any options or rights to purchase such shares or securities.

- (e) “**Committee**” means the Board or the Compensation Committee or, if the Board so determines in accordance with Section 2.2 of this Plan, any other committee of directors of the Company authorized to administer this Plan from time to time.
- (f) “**Company**” means Lucara Diamond Corp., a company duly continued under the laws of British Columbia.
- (g) “**Entitlement Date**” means the date that a Share Unit vests and is eligible for payment, as determined by the Committee in its sole discretion in accordance with this Plan and as outlined in the Share Unit grant letter issued to the Qualifying Participant, provided that, in the event that the Entitlement Date occurs during, or within 48 hours after, a self imposed blackout period on trading imposed pursuant to the applicable policies of the Company in respect of insider trading, such Entitlement Date will become the tenth day following the end of the blackout period and shall, notwithstanding the foregoing, in all cases, be no later than three (3) years following the end of the year the Share Unit was granted.
- (h) “**Exchange**” means the Toronto Stock Exchange.
- (i) “**Grant Date**” means the effective date that a Share Unit is awarded to a Qualifying Participant under this Plan, as evidenced by the Share Unit grant letter.
- (j) “**Insider**” has the meaning ascribed to such term in the Securities Act.
- (k) “**Market Price**” as at any date in respect of the Shares shall be the closing price of the Shares on the Exchange on that date, or, if the Shares are not listed on the Exchange, on the principal stock exchange on which such Shares are traded. In the event that the Shares are not then listed and posted for trading on a stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Committee in its sole discretion.
- (l) “**Plan**” means this Share Unit Plan, as may be amended from time to time.
- (m) “**Qualifying Participant**” means any full time employee of the Company or any of its Subsidiaries, including any senior executive, vice president, and/or member of the management team of the Company or any of its Subsidiaries to whom Share Units are granted hereunder unless otherwise determined by the Committee.
- (n) “**Required Shareholder Approval**” means the approval of this Plan by the shareholders of the Company, in accordance with the requirements of the Exchange.



- (o) "Resignation" means the cessation of employment (as an officer or employee) of the Qualifying Participant with the Company or one of its Subsidiaries as a result of resignation, including as a result of retirement.
 - (p) "Securities Act" means the *Securities Act*, R.S.B.C., 1996 c.418, as amended from time to time.
 - (q) "Share Unit" means a unit credited by means of an entry on the books of the Company to a Qualifying Participant, representing the right to receive, subject to and in accordance with this Plan, for each vested Share Unit one Share or cash equal to the Market Price of one Share, at the time, in the manner, and subject to the terms, set forth in this Plan and the applicable grant letter.
 - (r) "Share Unit Award" means an award of Share Units under this Plan to a Qualifying Participant.
 - (s) "Shares" means the common shares of the Company.
 - (t) "Subsidiary" has the meaning ascribed thereto in the Securities Act.
 - (u) "Termination With Cause" means the termination of employment (as an officer or employee) of the Qualifying Participant with cause by the Company or one of its Subsidiaries (and does not include Resignation).
 - (v) "Termination Without Cause" means the termination of employment (as an officer or employee) of the Qualifying Participant without cause by the Company or one of its Subsidiaries (and does not include Resignation) and, in the case of an officer, includes the removal of or failure to reappoint the Qualifying Participant as an officer of the Company.
- 1.3 The headings of all articles, sections and paragraphs in this Plan are inserted for convenience of reference only and shall not affect the construction or interpretation of this Plan.
- 1.4 Whenever the singular or masculine are used in this Plan, the same shall be construed as being the plural or feminine or neuter or vice versa where the context so requires.
- 1.5 The words "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this Plan as a whole and not to any particular article, section, paragraph or other part hereof.
- 1.6 Unless otherwise specifically provided, all references to dollar amounts in this Plan are references to lawful money of Canada.

ARTICLE II ADMINISTRATION OF THE PLAN

2.1 Administration

This Plan shall be administered by the Committee and the Committee shall have full authority to administer this Plan, including the authority to interpret and construe any provision of this Plan and to adopt, amend and rescind such rules and regulations for administering this Plan as the Committee may deem necessary in order to comply with the requirements of this Plan. All actions taken and all interpretations and determinations made by the Committee in good faith shall be final and conclusive and shall be binding on the Qualifying Participants and the Company. No member of the Committee shall be personally liable for any action taken or determination or interpretation made in good faith in connection with this Plan and all members of the Committee shall, in addition to their rights as directors of the Company, be fully protected, indemnified and held harmless by the Company with respect to any such action taken or determination or interpretation made in good faith. The appropriate officers of the Company are hereby authorized and empowered to do all things and execute and deliver all



instruments, undertakings and applications and writings as they, in their absolute discretion, consider necessary for the implementation of this Plan and of the rules and regulations established for administering this Plan. All costs incurred in connection with this Plan shall be for the account of the Company.

2.2 Delegation to Committee

All of the powers exercisable hereunder by the Board may, to the extent permitted by applicable law and as determined by resolution of the Board, be exercised by a committee of the Board, including the Committee.

2.3 Register

The Company shall maintain a register in which it shall record the name and address of each Qualifying Participant and the number of Share Units (and their corresponding key conditions and Entitlement Date) awarded to each Qualifying Participant.

2.4 Qualifying Participant Determination

The Committee shall from time to time determine the Qualifying Participants who may participate in this Plan. The Committee shall from time to time, and subject to any applicable blackout period, determine the Qualifying Participants to whom Share Units shall be granted and the number, provisions and restrictions with respect to such grant, all such determinations to be made in accordance with the terms and conditions of this Plan.

ARTICLE III SHARE UNIT AWARDS

3.1 General

This Plan is hereby established for Qualifying Participants of the Company or any of its Subsidiaries, as determined by the Committee.

3.2 Share Unit Awards and Vesting

A Share Unit Award and any applicable vesting conditions may be made to a particular Qualifying Participant as determined in the sole and absolute discretion of the Committee, except that Share Unit Awards shall not be made during a self imposed blackout period on trading imposed pursuant to the applicable policies of the Company in respect of insider trading. The Committee shall make annual recommendations to the Board for grants of Share Units following each year end. The number of Share Units awarded will be credited to the Qualifying Participant's account, effective as of the Grant Date.

Subject to the Committee's discretion, Share Unit Awards will vest 36 months from the Grant Date. For the avoidance of doubt, a Qualifying Participant will have no right or entitlement whatsoever to receive any Shares or cash, as applicable, until the Entitlement Date.

3.3 Payouts

On each Entitlement Date, the Qualifying Participant shall be entitled to receive, and the Company shall issue or provide, a payout with respect to those vested Share Units in the Qualifying Participant's account to which the Entitlement Date relates in one of the following forms:

- (a) subject to shareholder approval of this Plan and the limitations set forth in Section 3.11 below, Shares issued from treasury equal in number to the vested Share Units in the Qualifying Participant's account to which the Entitlement Date relates, subject to any applicable deductions and withholdings;



- (b) the payment of a cash amount to a Qualifying Participant on the Entitlement Date equal to the number of vested Share Units in respect of which the Committee makes such a determination, multiplied by the Market Price on the Entitlement Date, subject to any applicable deductions and withholdings; or
 - (c) any combination of the foregoing,
- as determined by the Committee, in its sole discretion.

No fractional Shares shall be issued pursuant to this Plan and any fractional entitlements will be rounded down to the nearest whole number.

Shares issued by the Company from treasury under this Plan shall be considered fully paid in consideration of past service that is no less in value than the fair equivalent of the money the Company would have received if the Shares had been issued for money.

3.4 Dividends

In the event a cash dividend is paid to shareholders of the Company on the Shares while a Share Unit is outstanding no payment in cash shall be made to each Qualifying Participant in respect of Share Units; however, each Qualifying Participant will be credited with additional Share Units reflective of the cash dividends to such Qualifying Participant. In such case, the number of additional Share Units will be equal to the aggregate amount of dividends that would have been paid to the Qualifying Participant if the Share Units in the Qualifying Participant's account on the record date had been Shares divided by the Market Price of a Share on the date on which dividends were paid by the Company. If the foregoing shall result in a fractional Share Unit, the fraction shall be disregarded. The additional Share Units will vest and be settled on the Qualifying Participant's Entitlement Date of the particular Share Unit Award to which the additional Share Units relate.

3.5 Change of Control

In the event of a Change of Control, all unvested Share Units outstanding shall automatically immediately vest and become payable on the date of such Change of Control. Upon a Change of Control, Qualifying Participants shall not be treated any more favourably than shareholders of the Company with respect to the consideration the Qualifying Participants would be entitled to receive for their Shares.

3.6 Death or Disability of Qualifying Participant

In the event of:

- (a) the death of a Qualifying Participant, any unvested Share Units held by such Qualifying Participant will automatically vest on the date of death of such Qualifying Participant and the Company shall issue Shares or make payment with respect to the Share Units held by such Qualifying Participant to the Qualifying Participant's estate as soon as reasonably practical thereafter; or
- (b) the disability of a Qualifying Participant (as may be determined in accordance with the policies, if any, or general practices of the Company or any subsidiary), any unvested Share Units held by such Qualifying Participant will automatically vest on the date on which the Qualifying Participant is determined to be totally disabled and the Company shall issue Shares or make payment with respect to the Share Units to the Qualifying Participant as soon as reasonably practical thereafter.

3.7 Termination Without Cause

- (a) In the event of Termination Without Cause of a Qualifying Participant that has been continuously employed by the Company or any of its Subsidiaries for at least two (2) years prior to the date of



such Termination Without Cause inclusive of any notice period, if applicable, any unvested Share Units held by such Qualifying Participant, that are not subject to Section 3.7(b) as a result of not being subject to performance vesting criteria, will automatically vest on the date of Termination Without Cause and the Company shall issue Shares or make payment with respect to such Share Units to the Qualifying Participant as soon as reasonably practical thereafter.

- (b) In the event of Termination Without Cause of a Qualifying Participant that has been continuously employed by the Company or any of its Subsidiaries for at least two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, any unvested Share Units with performance vesting criteria held by such Qualifying Participant will vest in accordance with their normal vesting schedule unless otherwise stipulated in the Qualifying Participant's Share Unit grant letter.
- (c) In the event of Termination Without Cause of a Qualifying Participant that has been continuously employed by the Company or any of its Subsidiaries for less than two (2) years prior to the date of such Termination Without Cause inclusive of any notice period, if applicable, all of the Qualifying Participant's Share Units shall become void and the Qualifying Participant shall have no entitlement and will forfeit any rights to any issuance of Shares or payment under this Plan unless otherwise stipulated in the Qualifying Participant's Share Unit grant letter.

3.8 Termination With Cause or Resignation

In the event of Termination With Cause or the Resignation of a Qualifying Participant, all of the Qualifying Participant's Share Units shall become void and the Qualifying Participant shall have no entitlement and will forfeit any rights to any issuance of Shares or payment under this Plan, except as may otherwise be stipulated in the Qualifying Participant's Share Unit grant letter or as may otherwise be determined by the Committee in its sole and absolute discretion.

3.9 Share Unit Grant Letter

Each grant of a Share Unit under this Plan shall be evidenced by a confirmation Share Unit grant letter issued to the Qualifying Participant by the Company. Such Share Unit grant letter shall be subject to all applicable terms and conditions of this Plan and may include any other terms and conditions which are not inconsistent with this Plan and which the Committee deems appropriate for inclusion in a Share Unit grant letter. The provisions of the various Share Unit grant letters issued under this Plan need not be identical.

3.10 Subject to Employment/Severance Agreements

Sections 3.5, 3.6, 3.7 and 3.8 shall be subject to any employment/severance agreement between the Qualifying Participant and the Company or any of its Subsidiaries.

3.11 Maximum Number of Shares

The maximum number of Shares made available for issuance from treasury under this Plan, subject to adjustments pursuant to Section 4.8, shall not exceed 10,000,000 Shares. Any Shares subject to a Share Unit which has been cancelled or terminated in accordance with the terms of this Plan without settlement will again be available under this Plan. The grant of Share Units under this Plan is subject to the number of the Shares: (i) issued to any one Qualified Participant within a one year period; (ii) issued to Insiders of the Company, within any one (1) year period, and (ii) issuable to Insiders of the Company, at any time, under this Plan, or when combined with all of the Company's other security based compensation arrangements, shall not exceed 10% of the Company's total issued and outstanding Shares, respectively. For the purposes of this Plan, "security-based compensation arrangement" shall have the meaning set out in the TSX Company Manual. For greater certainty, the number of Shares



outstanding shall mean the number of Shares outstanding on a non-diluted basis on the date immediately prior to the proposed Grant Date.

A Share Unit Award granted to a Qualifying Participant for services rendered will entitle the Qualifying Participant, subject to the Qualifying Participant's satisfaction of any conditions, vesting periods, restrictions or limitations imposed pursuant to this Plan or as set out in the Share Unit grant letter, to receive payment following the Qualifying Participant's Entitlement Date in accordance with Section 3.3 of this Plan.

Subject to and following the receipt of the approval of the Exchange and the Required Shareholder Approval, the Committee shall have the power, but not the obligation, to satisfy any Share Unit obligation of the Company (including those granted prior to and conditional on such approvals) by the issuance of Shares from treasury at a rate of one Share for each Share Unit, subject to adjustment. For greater certainty, if the Required Shareholder Approval is not obtained, such conditional grants will be void and no Shares may be issued from treasury in respect of such Share Units.

3.12 Clawback

It is a condition of each grant of Share Units that in the event of:

Termination With Cause of a Participant, or the Board reasonably determines after termination of a Participant's employment that the termination could have been Termination With Cause;

the Board reasonably determining that a Participant engaged in conduct that causes material financial or reputational harm to the Company or its Affiliates, or engaged in gross negligence, willful misconduct or fraud in respect of the performance of the Participant's duties for the Company or an Affiliate of the Company; or

- (a) the Company's financial statements (the "Original Statements") being required to be restated (other than solely as a result of a change in accounting policy by the Company or under International Financial Reporting Standards applicable to the Company) and such restated financial statements (the "Restated Statements") disclose, in the opinion of the Board acting reasonably, materially worse financial results than those contained in the Original Statements,
- (b) then the Board may, in its sole discretion, to the full extent permitted by governing law and to the extent it determines that such action is in the best interest of the Company, and in addition to any other rights that the Company or an Affiliate may have at law or under any agreement, take any or all of the following actions, as applicable:
 - (i) reduce the number of, or cancel and terminate, any one or more unvested grants of Share Units, or cancel or terminate any outstanding grants of Share Units which have vested in the twelve (12) months prior to: (y) the date of Termination With Cause of a Participant or the date the Board makes a determination under paragraph (a) or (b) above; or (z) the date on which the Board determines that the Company's Original Statements are required to be restated, in the event paragraph (c) above applies (each such date provided for in clause (y) and (z) of this paragraph (i) being a "Relevant Equity Recoupment Date"); and/or
 - (ii) require payment to the Company of the value of any Shares acquired by the Participant pursuant to a grant of Share Units in the twelve (12) months prior to a Relevant Equity Recoupment Date (less any amount of tax withheld pursuant to the Income Tax Act (Canada) or other relevant taxing authority in respect of such Shares).



3.13 Other Recoupment

Notwithstanding anything in this Plan to the contrary, any Share Unit Commitment may also provide for the cancellation or forfeiture of a grant of Share Units or the forfeiture and repayment to the Company of any gain related to a grant of Share Units, or other provisions intended to have a similar effect, upon such terms and conditions as may be required by the Board or by applicable law.

ARTICLE IV GENERAL

4.1 Effectiveness

This Plan shall become effective upon Board approval, subject to the provisions of Section 4.2 hereof. This Plan shall remain in effect until it is terminated by the Committee or the Board.

4.2 Discontinuance of Plan

The Committee or the Board, as the case may be, may discontinue this Plan at any time in its sole discretion, and without shareholder approval, provided that such discontinuance may not, without the consent of the Qualifying Participant, in any manner adversely affect the Qualifying Participant's rights under any Share Unit granted under this Plan. In the event this Plan is discontinued by the Committee or the Board the balance of outstanding Share Units shall be maintained until the earlier of the Entitlement Date for, or the termination, resignation, death or disability of, each Qualifying Participant as provided for under this Plan.

4.3 Non-Transferability

Except pursuant to a will or by the laws of descent and distribution, no Share Unit and no other right or interest of a Qualifying Participant is assignable or transferable.

4.4 Withholding

The Company or any of its Subsidiaries may withhold from any amount payable to a Qualifying Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Company or its Subsidiaries will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other required deductions, including on the amount, if any, includable in the income of a Qualifying Participant. Each of the Company and its Subsidiaries shall also have the right in its discretion to satisfy any such withholding tax liability by retaining, acquiring or selling on behalf of a Qualifying Participant any Shares which would otherwise be issued or provided to a Qualifying Participant hereunder.

4.5 Amendments to the Plan

The Committee may from time to time in its sole discretion, and without shareholder approval, amend, modify and change the provisions of this Plan and any Share Unit grant letter, in connection with (without limitation):

- (a) amendments of a housekeeping nature;
- (b) the addition or a change to any vesting provisions of a Share Unit;
- (c) changes to the termination provisions of a Share Unit or this Plan; and
- (d) amendments to reflect changes to applicable securities or tax laws.



However, other than as set out above, any amendment, modification or change to the provisions of this Plan which would:

- (a) materially increase the benefits to the holder of the Share Units who is an Insider to the material detriment of the Company and its shareholders;
- (b) increase the number of Shares or maximum percentage of Shares which may be issued pursuant to this Plan (other than by virtue of adjustments pursuant to Section 4.8 of this Plan);
- (c) permit Share Units to be transferred other than for normal estate settlement purposes;
- (d) remove or exceed the Insider participation limits;
- (e) modify the eligibility requirements for participation in this Plan; or
- (f) modify the amending provisions of this Plan set forth in this Section 4.5,

shall only be effective on such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of this Plan shall be subject to the approval, if required, by any stock exchange having jurisdiction over the securities of the Company.

4.6 Qualifying Participant Rights

No holder of any Share Units shall have any rights as a shareholder of the Company. Except as otherwise specified herein, no holder of any Share Units shall be entitled to receive, and no adjustment is required to be made for, any dividends, distributions or any other rights declared for shareholders of the Company.

4.7 No Right to Continued Employment or Service

Nothing in this Plan shall confer on any Qualifying Participant the right to continue as an employee or officer of the Company or any of its Subsidiaries, as the case may be, or interfere with the right of the Company or any of its Subsidiaries, as applicable, to remove such officer and/or employee.

4.8 Adjustments

In the event there is any change in the Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment shall be made to outstanding Share Units by the Committee, in its sole discretion, to reflect such changes. If the foregoing adjustment shall result in a fractional Share, the fraction shall be disregarded. All such adjustments shall be conclusive, final and binding for all purposes of this Plan.

4.9 Effect of Take-Over Bid

If a bona fide offer (the "**Offer**") for Shares is made to the Qualifying Participant or to shareholders generally or to a class of shareholders which includes the Qualifying Participant, which Offer, if accepted in whole or in part, would result in the offeror exercising control over the Company within the meaning of the Securities Act, then the Company shall, immediately upon receipt of notice of the Offer, notify each Qualifying Participant of the full particulars of the Offer. The Board will have the sole discretion to amend, abridge or otherwise eliminate any vesting schedule so that notwithstanding the other terms of this Plan Shares may be conditionally issued to each Qualifying Participant holding Share Units so as to permit the Qualifying Participant to tender the Shares received in connection with the Share Units pursuant to the Offer. If:

- (a) the Offer is not complied with within the time specified therein;
- (b) the Qualifying Participant does not tender the Shares underlying the Share Units pursuant to the Offer; or



- (c) all of the Shares tendered by the Qualifying Participant pursuant to the Offer are not taken up and paid for by the offeror,

then at the discretion of the Committee or the Board, the Share Units shall be deemed not to have been settled and the Shares or, in the case of clause (c) above, the Shares that are not taken up and paid for, shall be deemed not to have been issued and will be reinstated as authorized but unissued Shares and the terms of the Share Units as set forth in this Plan and the applicable Share Unit grant letter shall again apply to the Share Units.

4.10 Unfunded Status of Plan

This Plan shall be unfunded.

4.11 Compliance with Laws

If any provision of this Plan or any Share Unit contravenes any law or any order, policy, by-law or regulation of any regulatory body having jurisdiction, then such provision shall be deemed to be amended to the extent necessary to bring such provision into compliance therewith.

4.12 Governing Law

This Plan shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

4.13 Effective Dates and Amendments

Approved by the Board on March 19, 2015 and as amended on March 18, 2020.

Approved by the Shareholders on May 13, 2015.

APPENDIX C – DEFERRED SHARE UNIT PLAN FOR DIRECTORS (2020)

Section 1. PURPOSE

The purposes of the Plan are:

- (a) to promote a greater alignment of long-term interests between Directors of the Company and the shareholders of the Company; and
- (b) to provide a compensation system for Directors that, together with the other Director compensation mechanisms of the Company, is reflective of the responsibility, commitment and risk accompanying Board membership and the performance of the duties required of the various committees of the Board.

Section 2. DEFINITIONS

2.1 In this Plan, the following terms shall have the following meanings:

- (a) **“Account”** means the account maintained by the Company in its books for each Eligible Director to record the DSUs credited to such Eligible Director under the Plan;
- (b) **“Affiliate”** means an affiliate of the Company as that term is defined in paragraph 8 of the Canada Revenue Agency’s interpretation bulletin IT-337R4, *Retiring Allowances*;
- (c) **“Director’s Fees”** means that portion of an Eligible Director’s retainer fee for acting as a director that may be paid in DSUs, if so elected by the Eligible Director, as determined by the Board from time to time;
- (d) **“Applicable Law”** means any applicable provision of law, domestic or foreign, including, without limitation, applicable tax and securities legislation, together with all regulations, rules, policy statements, rulings, notices, orders or other instruments promulgated thereunder and applicable rules and policies of any stock exchange upon which the shares of the Company are listed;
- (e) **“Board”** means the Board of Directors of the Company;
- (f) **“Compensation Committee”** means the compensation committee of the Board;
- (g) **“Company”** means Lucara Diamond Corp. and includes any successor corporation thereof, and any reference in the Plan to action by the Company means action by or under the authority of the Board;
- (h) **“Director”** means a member of the Board
- (i) **“Dividend”** means a dividend paid or declared payable by the Company in respect of the Shares;
- (j) **“DSU”** means a deferred share unit credited by the Company to an Eligible Director by way of a bookkeeping entry on the books of the Company, with the value of a DSU at any particular date equal to the Market Value of a Share at that date (other than on the Grant



Calculation Date where the Grant Calculation Date Market Value is applied for the purposes of Section 6);

- (k) **“Election Notice”** means the written election described in Section 6 to receive DSUs, in such form as may be prescribed by the Board from time to time;
- (l) **“Eligible Director”** has the meaning set out in Section 5.1;
- (m) **“Entitlement Date”** has the meaning set forth in Section 8;
- (n) **“Grant Calculation Date”** means (i) for DSUs issued pursuant to the election of an Eligible Director in respect of his or her Director’s Fees, the last day of the calendar quarter during which such Director’s Fees relate and (ii) for DSUs granted at the discretion of the Board, such date as determined by the Board;
- (o) **“Grant Calculation Date Market Value”** means the volume weighted average trading price of the Shares on the Stock Exchange for the five (5) Trading Days prior to the Grant Calculation Date;
- (p) **“Market Value”** means, on any particular date, the volume weighted average trading price of the Shares on the Stock Exchange for the immediately preceding five (5) Trading Days;
- (q) **“Plan”** means the “Lucara Diamond Corp. Deferred Share Unit Plan for Directors”, as amended or restated from time to time;
- (r) **“Required Shareholder Approval”** means the approval of the shareholders of the Company of the Plan and the unallocated rights granted thereunder at a duly called general meeting of shareholders in accordance with the policies of the Stock Exchange.
- (s) **“Share”** means the common shares of the Company;
- (t) **“Stock Exchange”** means the Toronto Stock Exchange, or if the Shares are not listed on the Toronto Stock Exchange, such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over the counter market;
- (u) **“Termination Date”** shall mean the earliest date on which both the following conditions are met: (i) the Director has ceased to be a Director, as defined above, for any reason whatsoever, including the death of the Director, and (ii) the Director is neither an employee of the Company or an Affiliate nor a member of the board of an Affiliate;
- (v) **“Trading Day”** means any date or which the Stock Exchange is open for the trading of Shares and on which one or more Shares actually traded; and

Section 3. CONSTRUCTION AND INTERPRETATION

3.1 In this Plan, reference to the singular shall include the plural and vice versa, as the context shall require.

3.2 The Plan shall be governed and interpreted in accordance with the laws of the Province of British Columbia and the applicable laws of Canada.



3.3 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

3.4 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions contained herein.

3.5 The Plan is effective on February 23, 2020, subject to receipt of the Required Shareholder Approval.

Section 4. ADMINISTRATION OF THE PLAN

4.1 The Board shall have the power and absolute discretion, where consistent with the general purpose and intent of the Plan and subject to the specific provisions of the Plan and Applicable Law to:

- (a) interpret the Plan;
- (b) prescribe, amend and rescind any policies, rules and regulations relating to the Plan;
- (c) to delegate, on such terms as the Board deems appropriate, any or all of its powers hereunder, to any committee of the Board or to any senior officer of the Company; and
- (d) and to take such other actions and make such other determinations as it deems necessary or desirable to administer the Plan.

The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent the Board deems, in its sole and absolute discretion, necessary or desirable. All actions taken and decisions made by the Board shall be final, conclusive and binding on all parties concerned, including, but not limited to, the Eligible Directors and their beneficiaries and legal representatives and the Company. All expenses of administration of the Plan shall be borne by the Company.

Section 5. ELIGIBILITY; GRANT OF DSUs

5.1 Directors who are not employees or officers of the Company or any Affiliate, including a non-executive Chair of the Board are eligible to elect to receive DSUs ("**Eligible Directors**").

5.2 The Board may, at its discretion, grant such number of DSUs to an Eligible Director as the Board deems advisable to provide the eligible Director with appropriate equity-based compensation for the services he or she renders to the Company. The Board shall determine the date on which such DSUs may be granted and the date as of which such DSUs shall be credited to such Eligible Director's Account. The grant of DSUs to an Eligible Director pursuant to this Section 5.2 shall be documented in such form as the Board shall specify and such grant will set out the number of DSUs and such other terms and conditions as the Board may require.

Section 6. ELECTION TO RECEIVE DSUs

6.1 The Company shall grant DSUs to an Eligible Director's Account who has made elections under this Section 6 to receive all or a portion of his or her Director's Fees in the form of DSUs in accordance with such elections.

6.2 Subject to such policies, rules and regulations as the Board may impose, an Eligible Director may elect to receive his or her Director's Fees in the form of DSUs as follows:

- (a) An Eligible Director on the effective date of the Plan may elect to receive his or her Director's Fees with respect to services rendered in respect of the calendar quarters commencing after the effective date in DSUs or a combination DSUs and cash by completing and delivering to the



Corporate Secretary of the Company an irrevocable Election Notice by no later than March 31, 2020.

- (b) In each calendar year following the year of the effective date of the Plan, an Eligible Director may elect to receive his or her Director's Fees with respect to services rendered in such calendar year in DSUs or a combination of cash and DSUs by completing and delivering to the Corporate Secretary of the Company an irrevocable Election Notice by no later than December 31 of the immediately preceding year.
- (c) A person who becomes an Eligible Director during a calendar year may elect to receive his or her Director's Fees with respect to services rendered in the calendar quarters commencing after his or her initial election or appointment to the Board in DSUs or a combination of cash and DSUs by completing and delivering to the Corporate Secretary of the Company an irrevocable Election Notice prior to the start of the calendar quarter in respect of which the election is made.
- (d) The Board may prescribe election forms for use by Directors who are residents of a jurisdiction other than Canada that differ from the election forms it prescribes for use by Canadian resident Directors where the Board determines it is necessary or desirable to do so to obtain comparable treatment for the Plan, the Directors or the Company under the laws or regulatory policies of such other jurisdiction as is provided under the laws and regulatory policies of Canada and its Provinces, provided that no election form prescribed for use by a non-resident of Canada shall contain terms that would cause the Plan to cease to meet the requirements of paragraph 6801(d) of the regulations under the Income Tax Act (Canada) and any successor to such provisions.
- (e) If a Director does not complete and provide an Election Notice to the Company as described above in Sections 6.2(a), (b) or (c), as applicable, such Director shall be deemed to have elected to receive his or her Director's Fees in the form of cash

6.3 The number of DSUs to be granted to an Eligible Director with respect to a particular election shall be determined by dividing the portion of the his or her Director's Fees that the Eligible Director elected to have satisfied in the form of DSUs by the Grant Calculation Date Market Value determined in respect of such election. If the foregoing results in a fractional DSU, the fraction shall be disregarded.

6.4 DSUs granted to an Eligible Director under this Section 6 shall be credited to the Eligible Director's Account effective as of the Grant Calculation Date. The DSUs will be fully vested upon being credited to an Eligible Director and the Eligible Director's entitlement to payment of DSUs at the Termination Date shall not thereafter be subject to satisfaction of any requirements as to any minimum period of service as a member of the Board.

Section 7. DIVIDENDS

7.1 On any payment date for dividends paid on the Shares, the Company shall credit each Eligible Director's Account with additional DSUs equivalent to the dividends paid on the Shares. The DSU equivalent shall be the aggregate amount of dividends that would have been paid to the Eligible Director if the number of DSUs in the Eligible Director's Account on the record date had been Shares divided by the Market Price of a Share on the payment date for the dividends. If the foregoing results in a fractional DSU, the fraction shall be disregarded.

Section 8. REDEMPTION

8.1 Unless the Board determines a later date, an Eligible Director's "Entitlement Date" shall be his or her Termination Date, and all DSUs credited to such Eligible Director's Account on such Entitlement Date shall be redeemed as soon as practicable following such date, but in any event within 30 days of his or her Entitlement Date.



8.2 Upon redemption of his or her DSUs, an Eligible Director (or in the case of death, his or her legal representative) is entitled to receive an amount equal to the number of DSUs that are being redeemed multiplied by the Market Value of a Share as of the Entitlement Date, net of any applicable withholding taxes and other required source deductions. An Eligible Director may elect to receive this amount in Shares, cash or a combination thereof by providing written notice to the Corporate Secretary of such election within 5 days of his or her Entitlement Date. If the Eligible Director makes no such election, the DSUs will be redeemed for cash.

8.3 In the event that on the Entitlement Date, there is no public market for the Shares, the obligations of the Company with respect to such Eligible Director's DSUs shall be met by a payment in cash in such amount as is reasonably determined by the Board to be equitable in the circumstances based on the value of the Shares at the time of payment, such determination to be final and binding for all purposes.

8.4 Notwithstanding any other provision of the Plan, all amounts payable to, or in respect of, an Eligible Director hereunder shall be paid with respect to all DSUs in his or her Account on or before December 31 of the calendar year commencing immediately after the Eligible Director's Termination Date.

Section 9. PARTICIPANTS' ACCOUNTS/ADJUSTMENTS TO DSUs CREDITED TO ACCOUNTS

9.1 The Company shall maintain an Account for each Eligible Director recording at all times the number of DSUs standing to the credit of the Eligible Director. Upon payment in satisfaction of DSUs credited to an Eligible Director in the manner described herein, such DSUs shall be cancelled. A written confirmation of the balance in an Eligible Director's Account hereunder shall be provided by the Company to the Eligible Director at least annually. Such statement or information shall be deemed to have been accepted by the Eligible Director as correct unless written notice to the contrary is given to the Company within 30 days after such statement is given or information is made available to the Eligible Director.

9.2 Appropriate adjustments to the number of DSUs credited to each Eligible Director's Account shall be made by the Board to give effect to subdivisions, consolidations, reclassifications or similar changes to the Shares, or other relevant changes in the capital structure of the Company. The appropriate adjustment in any particular circumstance shall be conclusively determined by the Board in its sole discretion.

9.3 Notwithstanding any other provision of the Plan, no amount will be paid to, or in respect of, an Eligible Director under the Plan or pursuant to any other arrangement, and no DSUs will be granted nor will any credit be made to such Eligible Director's Account under the Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, an Eligible Director for such purpose.

Section 10. AMENDMENTS TO, SUSPENSION OR TERMINATION OF, THE PLAN

10.1 The Board may amend the Plan as it deems necessary or appropriate, but no such amendment shall, without the consent of the Eligible Director or unless required by Applicable Law, adversely affect the rights of an Eligible Director with regard to any amount in respect of which the Eligible Director has then elected to receive DSUs or DSUs which the Eligible Director has then been granted under the Plan.

10.2 The Board may from time to time in its sole discretion, and without shareholder approval, amend, modify and change the provisions of the Plan and any DSU grant letter, in connection with (without limitation):

- (a) amendments of a housekeeping nature;
- (b) changes to the termination provisions of a DSU or the Plan; and
- (c) amendments to reflect changes to applicable securities or tax laws.



However, other than as set out above, any amendment, modification or change to the provisions of the Plan which would:

- (1) materially increase the benefits to the holder of the DSU who is an Insider to the material detriment of the Company and its shareholders;
- (2) increase the number of Shares or maximum percentage of Shares which may be issued pursuant to this Plan (other than by virtue of adjustments pursuant to Section 9.2 of the Plan);
- (3) permit DSUs to be transferred other than for normal estate settlement purposes;
- (4) remove or exceed the Insider participation limits;
- (5) modify the eligibility requirements for participation in the Plan; or
- (6) modify the amending provisions of the Plan set forth in this Section 10.2,

shall only be effective on such amendment, modification or change being approved by the shareholders of the Company. In addition, any such amendment, modification or change of any provision of this Plan shall be subject to the approval, if required, by any stock exchange having jurisdiction over the securities of the Company.

10.3 The Board may terminate the Plan at any time but no such termination shall, without the consent of the Eligible Director or unless required by Applicable Law, adversely affect the rights of an Eligible Director with regard to any amount in respect of which an Eligible Director has then elected to receive DSUs or DSUs which the Eligible Director has then been granted under the Plan.

10.4 Notwithstanding Section 10.1 or Section 10.2, any amendment or termination of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the regulations under the *Income Tax Act* (Canada) or any successor to such provision.

Section 11. RIGHTS OF PARTICIPANTS AND LIMITATION OF LIABILITY

11.1 Except as specifically set out in the Plan, no Director, or other person shall have any claim or right to any benefit in respect of DSUs granted or amounts payable pursuant to the Plan.

11.2 Neither the Plan nor any grant thereunder shall be construed as granting an Eligible Director a right to be retained as a Director of the Company or a claim or right to any future grants of DSUs.

11.3 Under no circumstances shall DSUs be considered Shares nor shall they entitle any Eligible Director to exercise voting rights or any other rights attaching to the ownership of Shares, nor shall any Eligible Director be considered the owner of Shares by virtue of this Plan.

11.4 No member of the Board or any officer or employee of the Company or any Affiliate shall be liable for any action or determination made in good faith pursuant to the Plan or any Election Notice under the Plan.

Section 12. DEATH OF PARTICIPANT

12.1 In the event of an Eligible Director's death, any and all DSUs then credited to the Eligible Director's Account shall become payable to the Eligible Director's legal representative in accordance with Section 8 hereof.



Section 13. COMPLIANCE WITH APPLICABLE LAWS AND POLICIES

13.1 Any obligation of the Company pursuant to the terms of the Plan is subject to compliance with all Applicable Laws. The Eligible Director shall comply with all such Applicable Laws and furnish the Company with any and all information and undertakings as may be required to ensure compliance therewith.

13.2 The Board and each Director will ensure that all actions taken and decisions made by the Board or a Director, as the case may be, pursuant to the Plan, comply with Applicable Laws and policies of the Company relating to insider trading and “black out” periods.

13.3 The maximum number of Shares made available for issuance from treasury under this Plan, subject to adjustment pursuant to Section 9, shall not exceed 4,000,000 Shares. Any Shares subject to a DSU which has been cancelled or terminated without settlement or that have been settled in cash in accordance with the terms of this Plan will again be available under this Plan. The number of Shares (i) issued under the Plan to Insiders of the Company, within any one (1) year period, and (ii) issuable to Insiders of the Company, at any time, under this Plan, or when combined with all of the Company's other security based compensation arrangements, shall not exceed 10% of the Company's total issued and outstanding Shares, respectively. The number of Shares reserved for issuance under the Plan to any one Eligible Director within a one year period, in combination with all other equity awards granted to Eligible Directors under any other share compensation arrangement, shall be limited to an annual equity award value (based on Black-Scholes or Share Price as determined by the Board) of CAD\$150,000 per Eligible Director. The aggregate number of Shares reserved for issuance to Eligible Directors shall not exceed 1.0% of the total number of issued and outstanding Shares. For the purposes of this Plan, “security-based compensation arrangement” shall have the meaning set out in the TSX Company Manual. For greater certainty, the number of Shares outstanding shall mean the number of Shares outstanding on a non-diluted basis on the date immediately prior to the proposed Grant Date.

13.4 For greater certainty, if the Required Shareholder Approval is not obtained or the conditions set out in Section 13.3 are not satisfied, DSUs will be redeemed in cash and no Shares may be issued from treasury in respect of such DSUs.

Section 14. WITHHOLDING TAXES

14.1 To ensure that the Company will be able to comply with the applicable provisions of any federal, provincial, or local law relating to the withholding of tax or other required deductions, the Company shall be entitled to withhold or cause to be withheld from any amount payable to an Eligible Director, either under this Plan, or otherwise, such amount as the Company reasonably determines is required.

Section 15. TRANSFERABILITY

15.1 In no event may the rights or interests of an Eligible Director under the Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of an Eligible Director, by will or by the laws of succession and distribution.

Section 16. NOTICES

16.1 Any payment, notice, statement, certificate or other instrument required or permitted to be given to an Eligible Director or any person claiming or deriving any rights through him shall be given by:

- (a) delivering it personally to the Eligible Director or the person claiming or deriving rights to him, as the case may be; or
- (b) mailing it, postage paid (provided that the postal service is then in operation) or delivering it to the address which is maintained for the Eligible Director in the Company's personnel records.



16.2 Any payment, notice, statement, certificate or instrument required or permitted to be given to the Company shall be given by mailing it, postage prepaid (provided that the postal service is then in operation) or delivering it to the Company at the following address:

Lucara Diamond Corp.
885 West Georgia Street
Suite 2000
Vancouver, British Columbia
V6C 3E8
Attention: Zara Boldt, CFO and Corporate Secretary
Email: zara.boldt@Lucaradiamond.com