



Lucara Diamond Corp.

**ANNUAL INFORMATION FORM
(FOR THE YEAR ENDED DECEMBER 31, 2014)**

DATED: MARCH 19, 2015

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DEFINITIONS

In this Annual Information Form (“AIF”) all units are expressed in metric units unless otherwise noted and references to “we”, “our”, “us”, “Lucara” or “the Company” mean Lucara Diamond Corp. and its subsidiaries unless the context otherwise requires.

AK6 Project is the name of project that developed and resulted in the Karowe Mine in Botswana

Boteti means Boteti Mining (Pty) Ltd. (formerly, Boteti Exploration (Pty) Ltd.), a wholly owned subsidiary of the Company and owner of the Karowe Mine

CDN\$ means Canadian dollars

CIM Guidelines means the “CIM Standards on Mineral Resources and Reserves - Definitions and Guidelines” adopted by the Canadian Institute of Mining, Metallurgy and Petroleum on August 20, 2000 and as subsequently amended

Karowe Mine means the development and mining of the kimberlite located in the Orapa/Letlhakane district of Botswana, formerly known as the AK6 Project

Kimberlite is a type of volcanic rock known for sometimes containing diamonds

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

Mothae Project is the name of project to evaluate the Mothae Kimberlite located in Lesotho that is 75% owned by the Company through its interest in Mothae Diamonds

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

TSX means the Toronto Stock Exchange

US\$ means United States dollars

NOTE TO U.S. READERS

Reserve and Resource Estimates

This AIF has been prepared in accordance with applicable Canadian securities regulatory requirements which differ from the requirements of U.S. securities laws. Disclosure by the Company relating to all mineral reserve and mineral resource estimates is in accordance with National Instrument 43-101 and is classified in accordance with the CIM Guidelines.

For example, the terms “mineral resources”, “measured mineral resources”, “indicated mineral resources” and “inferred mineral resources” and “mineral reserves” may be used in this AIF. While those terms are recognized by Canadian securities regulatory authorities, they are not recognized by the United States Securities Exchange Commission (“SEC”) and the SEC does not permit U.S. companies to disclose resources in their filings with the SEC.

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

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

Certain of the statements made in this AIF and in documents incorporated by reference constitute forward-looking statements as defined in applicable securities laws. Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projects, objectives, assumptions or future events or performance and often (but not always) using forward-looking terminology such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible” and similar expressions, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved are not statements of historical fact and may be forward-looking statements.

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

Forward looking statements are based on the opinions and estimates of management as of the date such statements are made, and they are subject to a number of known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievement expressed or implied by such forward-looking statements. The Company believes that expectations reflected in this forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct. The Company is subject to the following risks and uncertainties, among others:

- *general global financial and economic conditions;*
- *future market prices for diamonds;*
- *the supply and demand for rough diamonds;*
- *ability to access capital;*
- *fluctuations in interest rates and foreign currency exchange rates;*
- *inherent hazards and risks associated with mining operations;*

- *estimations of Lucara's production and sales volume for the Karowe Mine;*
- *operational costs, including costs of power and diesel;*
- *operational difficulties, including power failures, failure of plant, equipment or processes to operate in accordance with specifications or expectations;*
- *industrial job disturbances;*
- *environmental and other regulatory requirements, including changes in the same;*
- *acts of the governments where Lucara's operations are located;*
- *obtaining governmental approvals and permits;*
- *estimation of mineral resources, including the continuity of grade of diamondiferous mineralization;*
- *risks related to property titles;*
- *the dependence on transportation facilities and infrastructure;*
- *the Company is required to carry uninsurable risks;*
- *the mining industry is competitive;*
- *risks associated with current and future legal proceedings;*
- *conflicts of interest;*
- *dependence on management and technical personnel; and*
- *risks associated with volatility in the securities market.*

Certain of these risks are discussed in the section entitled "Risk Factors" in this document. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company or other future events or conditions may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors.

Readers are cautioned not to place undue reliance on forward-looking statements and the Company disclaims any obligation to update or revise forward-looking statements if circumstances or management's beliefs, expectations, or opinions should change, except as required by law.

ITEM 1 INTRODUCTION

1.1. Incorporation by Reference and Date of Information

Specifically incorporated by reference and forming a part of this AIF are the Company's material change reports from January 1, 2014 to the date of this AIF, copies of which have been filed with the Canadian Securities Administrators in each of the Provinces of British Columbia, Alberta, Manitoba, Ontario, and Quebec and can be found on the SEDAR website at www.sedar.com under the Company's profile.

All information in this AIF is as of December 31, 2014 unless otherwise indicated.

1.2. Currency

The Company reports its financial results and prepares its financial statements in United States dollars. If not indicated otherwise, all currency amounts in this AIF are expressed in United States dollars. The Bank of Canada exchange rates for the purchase of one United States dollar with Canadian dollars for the specified period ends are as follows:

As at December 31	2014	2013	2012
Close	1.1601	1.0636	0.9949

1.3. Accounting Policies and Financial Information

Unless otherwise indicated, financial information in this AIF is presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and as outlined in Part 1 of the Handbook of the Canadian Institute of Chartered Accountants.

1.4. Classification of Mineral Reserves and Resources

In this AIF, the definitions of proven and probable mineral reserves and measured, indicated and inferred mineral resources are those used by Canadian Securities Administrators and conform to the definitions utilized by the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") in the CIM Guidelines. Where mineral resources are stated alongside mineral reserves, those mineral resources are inclusive of, not in addition to, the stated mineral reserves.

ITEM 2 CORPORATE STRUCTURE

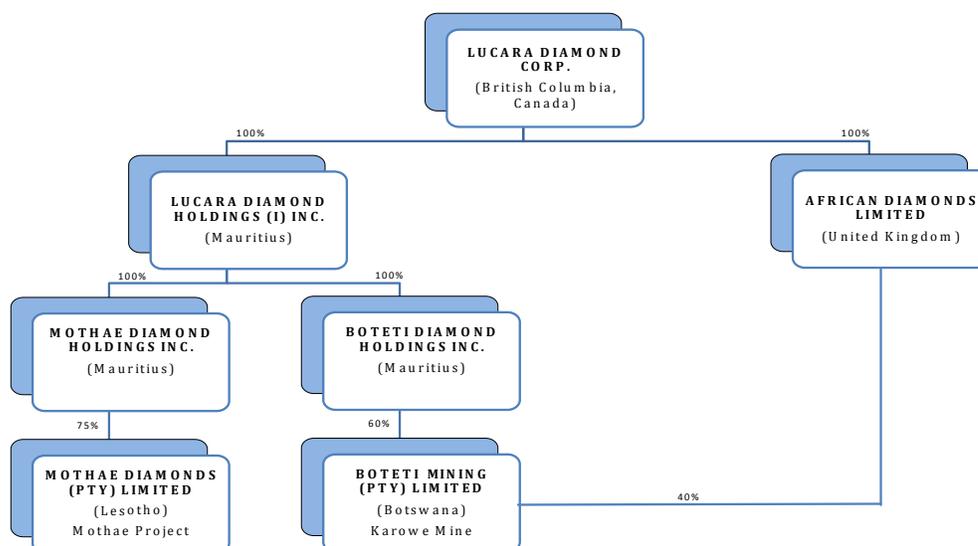
2.1. Incorporation and Registered Office

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

The Company’s registered and records office is located at Suite 2600, Three Bentall Centre, P.O. Box 49314, 595 Burrard Street, Vancouver, British Columbia, V7X 1L3. Lucara’s business office is located at Suite 2000, 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8.

2.2. Intercorporate Relationships

Substantially all of Lucara’s business is carried on through its various subsidiaries. The following chart illustrates the Company’s main subsidiaries, including where they are incorporated and the percentage of voting securities in each that are held by Lucara either directly or indirectly.



ITEM 3 GENERAL DEVELOPMENT OF THE BUSINESS

Lucara supplies rough diamonds to the global market from production received from its 100% owned Karowe Mine located in Botswana. The Company's focus is on developing a portfolio of advanced staged diamond assets in Africa. In addition to the Karowe Mine, Lucara owns 75% of the Mothae Project in Lesotho. The Company intends to divest its interest in the Mothae Project in 2015.

3.1. Three Year History – Major Developments

2012

- Construction of the Karowe Mine was substantively completed by the end of March on budget and commissioning activities commenced in early April.
- Commissioning activities at the Karowe Mine were completed during April and the first production diamonds were recovered.
- In April, Lucara signed a definitive agreement with the Bank of Nova Scotia for a US\$25 million revolving term credit facility with a maturity date of March 26, 2014.
- The first sale of rough diamonds from the Karowe Mine was held in June with gross total proceeds of US\$5.64 million and an average diamond value of CDN\$215 per carat.
- The commencement of commercial production at the Karowe Mine was declared as of July 1, 2012. By August 2012, the mine ramped up to full processing.
- In September, a sale of rough diamonds recovered from the bulk sampling and trial mining program at the Mothae Project was held. Gross proceeds totaling US\$1.51 million from this sale were received for 4,657 carats yielding an average price of US\$324 per carat. Lucara announced that this sale completed the trial mining program and that the processing facility was being placed on care and maintenance as the Company worked on a Preliminary Economic Assessment of the Project.
- In November, Lucara recovered a 9.46 carat rare Type II blue diamond at its Karowe Mine which it sold for US\$4.5 million during a diamond sale completed on November 26.
- A total of 5 sales of rough diamonds from the Karowe Mine, totaling 218,905 carats, took place during 2012 for proceeds of US\$54 million.

2013

- In January, Lucara recovered a further two rare Type II blue diamonds at its Karowe Mine (weight, 4.77 carats and 0.2 carats) in addition to the blue diamond it recovered in 2012.
- A final sale of Mothae diamonds recovered from the test mining phase of the Mothae Project was held in February for proceeds of US\$1.5 million.
- In March, a 239 carat gem quality diamond was recovered at the Karowe Mine. This was the first of a population of large diamonds recovered from the Centre and South lobes of the Karowe Mine in 2013.
- On March 27, Lucara completed and filed on SEDAR an independent National Instrument 43-101 Technical Report on the Mothae Project.
- In March, the Company announced the adoption of an Advance Notice Policy by the Board of Directors which requires that advance notice is to be given to the Company in circumstances where nominations are made by shareholders of the Company.

- In May, the Company held, in addition to its regular stone tenders, its first Large and Exceptional Stone Tender of 15 diamonds from its Karowe Mine for gross revenues of US\$24.5 million.
- In September, a second Exceptional Stone Tender was held resulting in a sale of 16 stones for gross revenues of US\$24.7 million.
- On September 24, Lucara announced the recovery of a 257 carat diamond from its Karowe Mine.
- In September, an extension to the development phase of the Mining License Agreement for the Mothae Project was successfully negotiated with the Government of Lesotho to permit the Company to continue to explore a number of development options.
- A third Exceptional Stone Tender was held in November of 14 stones for US\$22.9 million. In total, 45 diamonds from its Karowe Mine were sold in the three dedicated Exceptional Stone Tenders for total proceeds of US\$72.1 million.
- On December 19, an updated mineral resource estimate for the Karowe Mine was announced which indicated a significant increase in the value of the mineral resource.
- In November, the Company repaid in full the outstanding balance of the US\$50 million debenture issued in 2011 to fund development of its projects.
- A total of 10 sales of rough diamonds from the Karowe Mine were held in 2013. Three of the sales were dedicated to large and exceptional diamonds extracted from the run-of-mine and marketed separately. A total of 438,717 carats were sold generating gross revenues of US\$181 million.

2014

- In early 2014, the Company initiated a plant optimization project, to be completed in Q2, 2015, at its Karowe Mine to modify the process plant to treat harder, more dense material at depth and improve the recovery of exceptional diamonds.
- On February 3, 2014, the Company filed an updated independent National Instrument 43-101 Technical Report for the Karowe Mine which followed the updated resource estimate announced in December, 2013.
- On February 6, 2014, the Botswana Court of Appeals, the highest court in Botswana, issued a final decision in favour of Lucara's wholly owned subsidiary African Diamonds Limited dismissing a claim of an entitlement to a 3% royalty on production from the Karowe Mine with costs awarded against the plaintiffs. The decision is final and there is no further recourse against African Diamonds Limited relating to the claim.
- On February 24, 2014, the Company announced board approval of a dividend policy providing for the payment of semi-annual dividends and from time to time, payment of a special dividend based on revenues generated from exceptional stone tenders, subject to the Company's overall financial position and other factors existing at the time under consideration.
- In April, the Company held its first Large and Exceptional Stone Tender for 2014, selling 20 diamonds from its Karowe Mine for gross revenues of US\$50.5 million.
- In May, Lucara renewed its revolving term credit facility with the Bank of Nova Scotia for an increased limit of US\$50 million and a further three year term.
- On May 8, the Company declared its first semi-annual dividend of CDN\$0.02 per share (CDN\$0.04 annually) for payment in June 2014.

- On May 23, Lucara commenced trading its shares on the Swedish Nasdaq Stockholm exchange after graduation from the Swedish Nasdaq First North exchange.
- In June, the Company appointed Mrs. Marie Inkster, CFO for Lundin Mining, to its Board of Directors.
- In July, Lucara concluded its second Exceptional Stone Tender for 2014 for proceeds of US\$40.1 million.
- On September 15, the Company announced that it had been awarded two precious stone prospecting licenses in the Orapa District, Botswana. The license areas are in close proximity to its Karowe mine and host known diamondiferous kimberlites.
- In October, Lucara held its third Exceptional Stone Tender for 2014. The sale of 14 stones included 7 Type2A diamonds of greater than 100 carats and featured a magnificent 204 carat stone. Gross revenues of US\$46.4 million were generated.
- On November 10, the Company declared a semi-annual dividend of CDN\$0.02 per share and a special dividend of CDN\$0.04 per share for payment in December 2014.
- In December, the Company announced that after extensive financial and economic review that a decision had been made to divest its Mothae asset in 2015.
- A total of 10 sales of rough diamonds from the Karowe Mine were held in 2014. Three of the sales were Exceptional Stone Tenders. A total of 412,136 carats were sold generating gross revenues of US\$265.8 million.

3.2. Significant Acquisitions

No significant acquisitions that would require disclosure pursuant to Part 8 of National Instrument 51-102, *Continuous Disclosure Obligations* were completed by Lucara during the year ended December 31, 2014.

ITEM 4 BUSINESS OF THE ISSUER

4.1. General

Summary

Lucara is a diamond producer and explorer focused on developing its portfolio of advanced stage diamond assets in Africa. The principal asset and current focus of Lucara is its Karowe Mine in Botswana. The Karowe Mine came into production in 2012 and produced a total of 430,293 carats in 2014. The Company also has a 75% interest in the Mothae Project in Lesotho which is on care and maintenance after completing a trial mining program in 2012. A decision was made in late 2014 by Lucara to divest the Mothae Project in 2015. On the exploration side, two licenses were granted to Lucara's subsidiary, Boteti, in 2014 by the Botswana government to prospect for special stones in two areas in close proximity to the Karowe Mine. More detailed information regarding the Karowe Mine, the Mothae Project and the Botswana prospecting licenses can be found under Description of Properties.

The Company mines and markets high quality rough diamonds from its Karowe Mine in Botswana. The Company sorts the rough diamonds into internationally recognized sales assortments according to a number of criteria (including size, colour, clarity, expected polished yield and value). After valuing the rough diamonds they are sold into various international diamond markets via a tender process. The sales last between seven and ten working days, during which time customers view the assortments and place a confidential electronic bid on desired lots of their choice, and upon conclusion of the sale, the highest bidder wins the parcel. In 2014 sales viewings were conducted in both Antwerp and Gaborone. In 2015 viewings are planned exclusively in Gaborone. The Company's rough diamond clients are international diamond buyers based in the major diamond cutting and polishing centers across the globe.

Specialized Skill and Knowledge

The Company's success at marketing its diamonds is reliant on the services of its marketing agent, key employees, and the development and continued relationships with certain third parties, including diamantaires. The Company employs contractors at its Karowe operation to manage its mining and processing activities and who are responsible for ensuring that it has the mining engineers and skilled miners and process plant operators required to mine and process Karowe's diamond production. As disclosed in this AIF, the assistance of external experts is also retained with regard to diamond valuations, completing analytical tests, drilling programs and economic assessments.

Diamond Market

During the first 6 months of 2014, the rough diamond market saw a significant increase in prices with an average of 10% being seen across the size and quality categories. The increase seen was a function of lower productivity from the major producers which lead to shortages in the market. Fears of lower availability of debt caused by the announcement by Antwerp Diamond Bank that it would be closing its doors, also drove buyers to increase buying activity while funding was available. The positive trend in the market reversed in the last six of 2014 as liquidity became tighter and the major producers increased production in line with full year estimates, thus making up for the lower production in the first half of the year. The year ended with an overall rough diamond price increase of approximately 3-4%.

Diamond manufacturers and dealers list their lack of profitability as the primary issue affecting the market in 2014. Manufacturers were squeezed as rough prices rose steadily, while polished prices remained flat with a slight downward trend.

In addition to the reduced margins experienced by the middle market, financial institutions adopted a more cautious approach to their lending to diamond firms. Israel's Bank Leumi closed its diamond unit and the Indian banks grew more conservative following a few high profile disputes and defaults. ABN AMRO instituted policies to reduce its financing of primary rough diamond purchases from 90% to 70% in March 2014, significantly increasing liquidity concerns.

Cutters in India were further affected by the sharp depreciation of the rupee, which fell by approximately 13% against the US dollar during 2013. The weak rupee continued into 2014 affected Indian domestic demand, while government efforts to curb gold consumption also hurt the local jewellery industry.

Competition

The diamond market has a limited number of suppliers selling to a relatively small number of cutters and distributors. Sale prices for diamonds are often kept confidential as there is no quoted market for rough diamonds. The prices can be significantly impacted by a single major supplier due to the small number of suppliers.

Production

During 2014, Karowe Mine's second full year of production, 430,293 carats were recovered from 2.42 million tonnes of ore processed. An increase in the number of larger stones recovered vs. 2013 was observed as more material was processed from the Centre and South lobes resulting in the recovery of 815 special stones (+10.8 carats; 2013 recovery of 732 specials) during the year. This included 27 stones greater than 100 carats (2013: 17 stones) and 4 stones over 200 carats (2013: 4 stones). A major plant upgrade was initiated to process the harder, more dense ore that will be mined at depth. The project includes a dedicated large diamond recovery circuit. Construction commenced early in 2014 and will continue through to the second quarter of 2015.

Environmental Protection

For a discussion on Lucara's commitment to conducting its business in a manner designed to protect the environment see the section entitled "Social and Environmental Policies" in this AIF. For a discussion on environmental risks and their potential impact on the Company see "Environmental and Other Regulatory Requirements" and "Uninsured Risks" in the Risks Factors section of this AIF.

Employees

At the end of 2014, Lucara had approximately 168 employees in Canada, United Kingdom, Botswana and Lesotho and approximately 516 contractors employed in ongoing mining operations at its Karowe Mine in Botswana. The majority of its employees are located at the Karowe Mine.

4.2. Description of Properties

The diamond mining, exploration and prospecting licenses held in Botswana and Lesotho are set out in the following table. In addition, Lucara has an active generative program that seeks to bring new projects into its portfolio.

Project	Interest	Type and No.	Date of Grant	Renewal or Expiry	Area (km ²)
Karowe Mine	100%	Mining License (1)	October 2008	October 2023	15.3
Mothae Project	75%	Mining License (1)	September 2009	September 2019 (renewable for an additional 10 years)	20.0
Exploration Work Orapa Kimberlite Field – Two Sites	100%	Prospecting Licenses (2)	October 2014	September 2017	1.07 (License PL367) 55.4 (License PL371)

4.2.1. Mines/Projects

4.2.1.1. Karowe Mine - Botswana

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

“Karowe Diamond Mine, Botswana, NI 43-101 Independent Technical Report (Amended)” effective December 31, 2013 (the “Karowe Technical Report”) was compiled and prepared by MSA Geoservices (Pty) Ltd. and Mineral Services Canada Inc. , authored by Messrs. Mr. Michael Lynn Principle Consultant – Diamonds MSA (PrSciNat, FGSSA), Dr Tom Nowicki Senior Principal Geoscientist MSC (Ph.D. P.Geol.), Mr. Michael Valenta Consulting Professional Engineer (Metallurgical)(P.Eng (Int) FSAIMM), Mr. Mark Gallagher Consulting Mining Engineer (P.Eng), Mr. John Sexton Professional Financial Analyst (QV), Mr. Robin Bolton Consulting Environmental Scientist (PrSciNat) and Mr. Beric Robinson Consulting Professional Engineer (P.Eng), each of whom is a qualified person within the meaning of this term in National Instrument 43-101.

A copy of the above-mentioned technical report is available under the Company’s profile on SEDAR at www.sedar.com.

The qualified person, as defined in National Instrument 43-101, who supervised the preparation of the Company’s revised mineral reserve and mineral resource estimates as of December 31, 2014 is Dr. J.P. Armstrong P.Geol, an employee of the Company.

4.2.1.1.1. Description and Location

Karowe Mine is the mine developed from the Company’s AK6 Project. The Karowe Mine is owned 100% by Boteti. The Company has a 100% indirect interest in Boteti.

The Karowe Mine is located in north-central Botswana and is part of the Orapa/Letlhakane Kimberlite district, one of the world’s most prolific diamond producing areas. The kimberlite at the Karowe Mine (the “AK6 Kimberlite”) is comprised of three distinct intrusions which form a contiguous tri-lobate kimberlite pipe, which is “pinched” at surface, and its sub-outcrop consists of a core of kimberlite, covering an area of 4.2 ha, surrounded by an area where the kimberlite is capped by basalt or basalt breccia. Drilling has shown that the kimberlite bulges to a maximum area of 7 ha at a depth of 120 m.

4.2.1.1.2. Accessibility, Climate, Local Resource, Infrastructure and Physiography

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

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

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

The property is accessed by 15 km of well-maintained all weather gravel and sand road from the tarred Letlhakane to Orapa road. Letlhakane village is the closest settlement and offers basic facilities. At the 2001 census Letlhakane had a population of 15,000 rising by 5.7% annually (Central Statistics Office, Gaborone), thus at present, has an estimated population of 20,000 to 25,000. There are good telecommunications including cellular telephone networks in the area. Letlhakane is reached from the major cities of Gaborone and Francistown by good quality tarred roads. There is an 1800 metre airstrip at Karowe and the closest airport with commercial flights is Francistown, some 200 km to the east and 2.5 hours away by road. There is also an airstrip within the nearby Debswana controlled Orapa Township. Both the Karowe and Orapa airstrips have immigration and customs facilities and can thus service international flights.

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

Electrical power is provided by Botswana Power Corporation's national grid. Water for the existing mines derives from a strong aquifer at the contact of the Ntane Sandstone Formation and the overlying Karoo basalt.

4.2.1.1.3. History

The AK6 Kimberlite was discovered by the De Beers group of companies in 1969, but was initially considered to be small and low grade based on early work. Reassessment started in 2003 revealed that the kimberlite was larger and had a higher grade than previously estimated. All historical work was carried out by De Beers. In 2009, Lucara acquired an initial 70% interest in Boteti, the owner of a 100% interest of the AK6 Project. In 2010, the Company increased its ownership in Boteti to 100% thereby becoming the sole owner of the AK6 Project. A feasibility study was finalized in early 2010, which lead directly to a construction decision. Ground breaking for the project early works occurred in September 2010, with official project approval occurring in November 2010 and construction being completed in Q1 2012. Commissioning and ramp up to full operational capacity was completed in Q3 2012.

4.2.1.1.4. Geological Setting

Regional Geology

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

The country rock at the Karowe Mine site is sub-outcropping flood basalt of the Stormberg Lava Group which is underlain by a condensed sequence of Upper Carboniferous to Triassic sedimentary rocks of the Karoo

Supergroup. The basalts, which are very extensive and underlie much of central Botswana, are Jurassic (180 Ma) and lie unconformably on the sedimentary succession, but are traditionally regarded as part of the Karoo Supergroup.

Local Geology

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

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

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

Property Geology

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

Bedrock is covered by a reddish brown top soil layer 1.0 - 1.5m thick made up largely of aeolian sand. There is a discontinuous thin gravel layer or 'stone line', <0.6m thick, at the base of the soil with clasts from 20 - 50mm in size. The gravel is partly calcretised. Testing by De Beers has shown it to be barren of diamonds. The soil and gravel are underlain by a friable calcrete to a depth of 3 - 4m, below which is a massive silcrete horizon, often densely veined by calcite. Over the kimberlite, the silcrete grades downwards into highly weathered and partially silcretised kimberlite with extensive calcite veining. Indicator minerals and vaguely preserved macrocrystic kimberlite texture can be seen in places. Kimberlite can be clearly identified below about 8 - 10m depth.

Kimberlite Geology

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

Below the highly weathered layer, generally at a depth of 8 to 12m below surface, the kimberlite is reddish brown to grey, soft and friable, and intensely veined. Lenses of calcrete and silcrete occur up to 15m below surface.

AK6 is pinched at surface, and its sub-outcrop consists of a core covering 4.2 ha surrounded by an area where the kimberlite is capped by basalt or basalt breccia. The peripheral basalt breccias are not included as kimberlite in the geological model, and are thus excluded from the resource.

The AK6 Kimberlite is regarded as a volcanoclastic kimberlite, possibly pyroclastic, showing various degrees of welding.

4.2.1.1.5. Exploration

The exploration of the AK6 Kimberlite is described in the Karowe Technical Report. Advanced exploration work done on the AK6 Kimberlite by Boteti from December 2003 until May 2007 is summarized in the report. All work was carried out by De Beers, the previous operator, under prospecting license PL13/2000.

4.2.1.1.6. Mineralisation

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

4.2.1.1.7. Mineral Resource and Reserve Estimates

Mineral Resource Statement

At mine startup in October 2011, the resource estimate to 400m depth was 11 million carats in 51 Mt at an average grade of 22 cpth classified as indicated resource and 4 million carats in 21 Mt at an average grade of 19 cpth classified as inferred resource.

In December 2013 a revised resource update was completed by Mineral Services Canada Inc. taking into account mining activities at Karowe since the start of production in April 2012 and includes changes to the geological model, re-interpretation of diamond size distributions, and the results of all diamond sales.

Mineral Services Canada Inc. noted that although there was some month to month variation in predicted diamond grade as compared to actual recovery grade, however the overall mine-call factor during the period was very good at 99.07%. This suggests that the resource estimate is robust.

The following tables provide the revised resource estimates for the Karowe Mine as of December 25, 2014 and reflect depletion due to gains and losses to the resource and mining activity.

Mineral Reserves

2015 Reserve Classification	Resource	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
Probable	North+Centre Lobe	5.35	0.92	17.3
Probable	South Lobe	23.74	3.56	15.0
Probable	Working Stockpiles	1.46	0.21	14.6
	Total	30.56	4.70	15.40

Notes:

Statement of the estimated remaining Mineral Reserve in the AK6 Kimberlite deposit as of December 25, 2014. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the Company and a qualified person within the meaning of National Instrument 43-101.

- 1) Based on a recoverable grade model (1.25mm bottom cut off size)
- 2) Diamond price is based on diamonds recoverable with current Karowe plant process and 2014 Boteti Diamonds Pty rough diamond sales data
- 3) Volume, tonnes and carats are reported in millions (M).
- 4) Working Stockpiles are available for blending and supplementing feed to the process plant.

Table contains rounded figures.

Mineral Resources

2015 Resource Classification	Resource	Tonnes (Mt)	Carats (Mct)	Grade (cpht)
Indicated	North+ Centre Lobe	6.68	1.21	18.1
	South Lobe	36.38	5.65	15.5
	Working Stockpiles	1.46	0.21	14.6
	LOM Stockpile	1.87	0.11	5.7
	Total	46.38	7.18	15.5
Inferred	North+Centre Lobe	0.21	0.03	14.8
	South Lobe	20.79	3.01	14.5
	Total	21.00	3.04	14.5

Notes:

Statement of the estimated remaining Mineral Reserve in the AK6 Kimberlite deposit as of December 25, 2014. Prepared under the supervision of Dr. J.P. Armstrong, P.Geol., an employee of the company and a qualified person within the meaning of National Instrument 43-101.

- 1) Based on a recoverable grade model (1.25mm bottom cut off size)
- 2) Diamond price is based on diamonds recoverable with current Karowe plant process and 2014 Boteti Diamonds Pty rough diamond sales data
- 3) LOM = Life of Mine; Volume, tonnes and carats are reported in millions (M).
- 4) Working Stockpiles are available for blending and supplementing feed to the process plant,
- 5) Mineral Resources are reported inclusive of Mineral Reserves
- 6) Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability

Table contains rounded figures

4.2.1.1.8 Mining Operations

The Karowe Mine is a single open pit mine. As stated above, operations started in April 2012 with the first diamond production by mid-month. Commissioning was completed and ramp-up to full production was completed by August. Commercial production was declared on 1 July 2012.

The mine is a conventional drill and blast; truck and shovel operation. Ore is typically mined from three benches simultaneously, and a second pushback known as Cut 2 is underway and waste is currently being mined from Cut 2 to access the deeper ore.

The process plant is currently subject to a plant upgrade to process the harder ore encountered at depth. Currently three new circuits have been commissioned in 2014 and a further four new circuits will be commissioned in 2015.

At the current time, run of mine (ROM) ore is either fed directly to the process plant front-end, or stockpiled for later treatment. The process facility, with a nameplate capacity of 2.5mtpa, comprises a comminution section of a primary crusher which feeds onto scalping screen which permits all or a portion of plus 75mm ore to proceed to a secondary gyratory crusher. The scalping screen underflow and gyratory crusher product proceed onto a crushed ore stockpile as a storage buffer ahead of the autogenous (AG) mill. Oversize (+35mm) from the AG mill discharge is screened at 65mm with the underflow passing through an XRT large diamond recovery circuit prior to rejoining the +65mm fraction and proceeding to the pebble crusher. Pebble crusher product may be routed either back to the ore stock pile or alternatively to a 28mm bleed screen via flopper gate control. When pebble crusher product is directed to the bleed screen all or a portion of the screen underflow is directed to the DMS feed belt. The overflow and the residual portion of the underflow rejoin the mill feed line.

The primary product from the mill, ore between 1.25mm and 35mm in size, is fed to a Dense Media Separation (DMS) plant. The heavy minerals, which include diamonds, from the DMS plant are fed to a highly secure Recovery section where the diamond rich concentrate from the DMS is further processed utilizing three stages of x-ray

recovery technology followed by secure hands off sorting to recover the diamonds. The final product is then cleaned and shipped to Gaborone for final sorting ready for sale.

The discharge from the mill, which is less than 1.25mm is fed to a de-grit plant and thickener. Grits are disposed of on a Course tailings Stockpile, along with the low density material from the DMS plant. The slimes are thickened and disposed of in a fine tailings impoundment. Decant water from this facility is returned for re-use in the process plant along with water recovered from the thickener.

The upper 70 m of the AK6 Kimberlite is significantly weathered, and most of this material has already been processed through the existing plant. The fresher ore at depth, is significantly harder than the weathered ore that has been already processed. In addition, the more competent un-weathered ore has a higher density that will result in a higher DMS yield to the recovery plant. The current yield is in the order of 2% and indications are that it could reach values of up to 28% when processing a portion of the South Lobe. The plant upgrade mentioned earlier is being put in place to deal with this change in ore-body characteristics. Completion of this plant upgrade is expected during Q2 2015.

The modifications to the current Karowe process plant are driven by the following factors:

- More competent ore body with depth
- The increase in the DMS yield to the Recovery Plant
- Opportunity for increasing the recovery of large diamonds
- Current lower liberation of smaller diamonds

The increase in the ore body hardness has required several modifications to the comminution circuit so that the process plant can maintain a throughput of 350 tph. The comminution circuit upgrade consists of:

- a new secondary gyratory crusher: In Place
- a bleed circuit ahead of the AG mill: In Place
- new AG mill discharge grates : In Place
- the installation of turbo pulp lifters in the AG mill: In Place
- the inclusion of a bleed screen post the pebble crusher: In Place

All the above modifications allow for flexibility around the AG mill so that the load on the mill can be alleviated to varying degrees depending on the hardness of the ore.

The anticipated increase in DMS yield requires significant modifications to the flow sheet. With the expected increase in the hardness of the ore, the current DMS capacity is not sufficient and another concentration step is required. Several concentration processes were investigated to treat the +8,-32 mm comminution product and X-ray Transmissive technology (XRT) has been selected for a number of reasons including the fact that it is not affected by variation in solids density.

The existing DMS will process the +1.25, -8 mm size fraction and because of the anticipated increase in the DMS yields, the recovery plant will be expanded to include a mass reduction step (magnetic rolls) and a new X-ray circuit, which is identical to the existing one.

A large diamond recovery circuit has also been included in the design to cater for the known occurrence of large diamonds in the ore body and to recover these before they are processed through the pebble crusher. The large diamond recovery circuit will treat the +32, -60 mm mill product before it reports to the pebble crusher. This will address the risk of an increase in diamond breakage with the increased number of crushers.

The Mine operates under a fifteen year mining license, granted by the Republic of Botswana, terminating on October 9, 2023. In accordance with this license, a 10% revenue based royalty is paid on each sale as determined under the Botswana Mines and Minerals Act, 1999. The Corporate tax rate in Botswana is a minimum of 22% to a maximum of 55% based on the Company's overall profitability.

4.2.1.2. Prospecting Licences - Botswana

In 2014 Lucara's wholly owned subsidiary, Boteti, was awarded two precious stone prospecting licenses within the Orapa Kimberlite field in close proximity to its Karowe Mine. A bulk sampling plant (15 tonnes per hour) was ordered in Q4 2014 and will be utilized to process surface mini bulk samples from the Block A and Block E licenses.

Block A or the BK02 license is 1.07 km² in area and located approximately 30 km to the east of Lucara's Karowe Mine. The BK2 kimberlite has a surface area of approximately 2.4ha and is exposed in a series of narrow trenches dug by previous operators and elsewhere by a thin veneer of sand. BK02 was discovered in 1967 and has seen episodic exploration with programs ranging from surface trenching, drilling, and microdiamond sampling. Insufficient drilling has been completed to properly outline the size of the intrusion and establish the internal geology. Previous operators conducted microdiamond sampling on drill chips and surface trench material. A sample of fresh magmatic kimberlite from drilling returned a total of 800 microdiamonds from a 134.4 kilogram sample. A total of 6 diamonds were >0.850mm in size. The previous operator concluded that many of the microdiamonds were fragments of a larger diamond that was likely broken during sampling. Lucara plans to conduct a full site assessment and locate areas amenable for the extraction of a large volume of kimberlite for diamond content and size distribution analysis. During the 4th quarter ground geophysical surveys (magnetics and gravity) were conducted over the BK02 kimberlite and initial preparations undertaken for collection of a surface mini-bulk sample.

Block E is 55.4km² in area and located immediately to the south and east of Debswana's Orapa Mine lease and approximately 15km to the north of Lucara's Karowe Mine. The prospecting license holds 4 known kimberlite occurrences (AK11, 12, 13, and 14). The AK13 and 14 occurrences are poorly understood. The AK11 is poorly constrained geologically and has an estimated surface area of 2.4ha. The AK12 kimberlite has an estimated surface area of 1 to 2.5ha and previous operators processed large diameter drill chips that confirmed that the kimberlite is diamondiferous. Both the AK11 and AK12 lie beneath a thin veneer of sand cover and may be amenable to trenching and mini- bulk sampling for diamond content and size distribution analysis. Ground geophysical surveys were initiated in Q1 2015.

4.2.1.3. Mothae Project – Lesotho

The information in this section which is of a scientific or technical nature has been derived in part from a February 28, 2013 technical report entitled "NI 43-101 Technical Report and Mineral Resource Estimate for the Mothae Diamond Project, Lesotho" by the MSA Group. The primary authors of the report are Mr. Michael Lynn, PrSciNat, FGSSA, and Mr. Johannes Ferreria, PrSciNat, both of whom are qualified persons within the meaning of this term in National Instrument 43-101. A copy of the report is available on SEDAR at www.sedar.com.

4.2.1.3.1 Project Description and Location

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

The Mothae Project is located in the Maluti Mountains of Lesotho, approximately 150km northeast of Maseru the capital of Lesotho. The Mothae mining lease covers an area of 20.0 km².

4.2.1.3.2 Accessibility, Climate, Local Resource, Infrastructure and Physiography

The Mothae Project is located at an elevation of 3,000m above sea level. Access is locally by gravel road from the main road through the mountains of northern Lesotho that passes the nearby Letseng Diamond Mine.

The Mothae Project is positioned on the undulating highland plateau of Lesotho that enjoys a cool subtropical continental climate with a summer rainy season from October to March and a cold, dry winter. Average precipitation may exceed 1,000mm and the temperature rarely exceeds 25°C in summer. Temperatures can drop to as low as -20°C during the winter months.

The Mothae Project area is served by a modest infrastructure. A small airstrip at the Letseng Diamond Mine may be available by special arrangement. The only road route is sealed but follows a tortuous course up the Moteng Pass into the mountains and may be subject to temporary closure due to landslides, winter snow, erosion or frost heave. The final 4.5km follows a steep gravel road recently re-surfaced by the Company. Grid power is not available to the project site without significant investment in the regional power distribution network. Surface water is abundant in the area but will require expensive measures to store and pipe to the project.

4.2.1.3.3 History

The Mothae Kimberlite was explored and evaluated by several organisations between 1961 and 1972. Work undertaken during this time included ground geophysics, limited core drilling and several stages of bulk sampling. The most comprehensive program was undertaken by Lonrho between 1969 and 1971 and included excavation of twelve 6 x 24 m pits and processing of approximately 15,000 t of kimberlite through a DMS plant (recovering material between 1 and 12 mm), resulting in recovery of 350 ct of diamonds and an estimated overall sample grade of 2.28 cpht. The program also involved core drilling with a portable drill rig to a maximum depth of 150 m. The historical work on Mothae established that it is a steep-sided, bi-lobate pipe with a surface area of approximately 8.8 ha at surface. Geophysical results, drilling and bulk sampling work demonstrated that it comprises several different phases of differing grade (grade results for the Lonrho pits range from 0.27 to 4.95 cpht) and slightly different geological character.

The diamond parcel recovered by Lonrho is reported to have comprised pale yellow, brown and grey stones, and was interpreted to lack the sub-population of high quality stones which occur in the nearby Letseng Kimberlite.

4.2.1.3.4 Geological Setting

The Mothae Kimberlite is located near the southern margin of the Kaapvaal craton. At surface, it is emplaced into Drakensberg Group basalts which are estimated to be about 1,600 meters thick and are underlain by sediments of the Karoo Supergroup. Numerous other kimberlites (pipes and dykes) occur in the region including the nearby pipes Letseng la Terai, Kao, and Liqhobong, all of which are either in production or in advanced stages of evaluation.

4.2.1.3.5 Exploration

Various exploration techniques were employed prior to bulk sampling and delineation drilling to obtain an indication of the extent of the pipe and internal geological variation, thus providing a basis for determining locations for excavation of initial bulk samples. High resolution ground magnetic, gravity and electromagnetic surveys were carried out in 2006 to obtain a reliable indication of the pipe margin and make an initial assessment of the variability of physical properties within the pipe that could possibly indicate geological variation. A series of 73 surface pits (of which 51 intersected kimberlite) were excavated on a rough grid over the pipe to establish overburden thickness and to obtain spatially representative kimberlite samples for further assessment. Samples collected included 42 petrography samples, 49 kimberlite indicator mineral (KIM) abundance samples and 48 geochemistry samples. Petrography samples underwent macroscopic petrographic description and thin section preparation for microscopic petrographic analysis. KIM abundance samples were submitted for partial Mantle Mapper™ processing to determine KIM abundances and hence a quantitative indication of the amount and nature of mantle material contained within the material sampled.

4.2.1.3.6 Mineralisation

Economically diamondiferous kimberlites occur within Archaean Cratons associated with deep, cool mantle rocks. An Archaean Craton is that area of crystalline continental core (or Shield) greater than 2,500 Ma in age, which has remained essentially undisturbed by younger tectonism. The Mothae Kimberlite is located in the southeast portion of the Kaapvaal Craton.

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

4.2.1.3.7 Drilling

Core drilling campaigns were carried out at Mothae in 2008/2009 and 2011/2012 to constrain the extent and internal geology of the kimberlite, to assess the nature of the basalt wall rock (geotechnical studies) and to obtain samples of kimberlite for ore-dressing studies and KIM abundance work. A total of 43 holes were completed for a total drill length of 8,085 m, as shown in the below table.

Summary of Delineation and Geotechnical Drilling Carried Out at Mothae

Campaign	Holes	Length (m)	PQ - 85mm inside diameter(m)	HQ – 63.5mm inside diameter(m)	NQ – 47.6mm inside diameter(m)
2008/2009	15	2,455	0	452	2,003
2011/2012	28	5,630	816	1,880	2,935
Total	43	8,085	816	2,332	4,938

All drilled kimberlite underwent geological logging that included observations of texture, mantle xenolith/xenocryst size and abundance, and country rock dilution. Intersections were assigned to kimberlite model codes and these were subsequently composited into geological domains based on their lithological characteristics and spatial distribution to form a basis for geological modelling. The nature of and variation within the different kimberlite types present were confirmed by microscopic petrographic analysis. KIM abundance samples (75) were collected from drill core for partial Mantle Mapper™ to provide a quantitative indication of the concentration of different KIM types. Wet and dry bulk density measurements were obtained on 785 drill samples.

4.2.1.3.8 Bulk Sampling and Trial Mining

The Mothae bulk sampling program has been undertaken in three staged phases, progressively excavating and processing larger amounts of kimberlite. The goal of Phase 1 was to obtain, from a relatively small bulk sample of ~30,000 wet tonnes, an initial indication of the potential for an ultra coarse diamond size distribution and hence for the presence of very large, potentially high value diamonds similar to those recovered at the nearby Letseng Mine. Positive results from Phase 1 provided the basis for commencement of Phase 2, an additional ~70,000 wet tonne bulk sample, to provide more robust constraints on grade and diamond value. Positive results from Phase 2 provided justification for the implementation of Phase 3, which involved collection of a ~600,000 wet tonne sample in conjunction with more extensive delineation drilling to define the grade, value and distribution of different kimberlite types present within the Mothae pipe for incorporation into a final resource estimate. A summary of the sample tonnages completed during each of the three phases of the Mothae evaluation program is provided in the table below.

Summary Data for the Three Phases of Bulk Sampling Undertaken at Mothae

Phase	Start date	Finish date	Wet tonnes	Moisture %	Dry tonnes
1	2008/02/25	2008/06/17	29,146	15.4	24,655
2	2008/09/19	2009/04/01	70,813	18.6	57,673
3	2010/06/04	2012/09/28	595,978	12.5	521,491
Total			695,937	13.2	603,819

4.2.1.3.9 Sampling and Analysis

Geologic Samples

Industry standard drill core logging, splitting and density measurement procedures were in place at Mothae during each drill campaign. Drill core is used to define the pipe geometry and internal geology so as to derive a tonnage estimate. Drill core is not used to estimate diamond grade.

Additional geologic samples were collected during bulk sample operations to assist in defining kimberlite domain boundaries within the pipe.

A suite of geologic samples consisting of 75 core samples and 233 pit samples were analyzed for abundance of kimberlite indicator minerals.

Diamond Grade Samples

All kimberlite excavated during the Mothae evaluation program was processed through a purpose built DMS plant using a combination of X-ray and grease technology for diamond recovery. The process plant targeted a recoverable size range of 2 to 18 mm. During Phases 1 and 2 no headfeed crusher was required, as only highly weathered Kimberlite, which disaggregated completely in the scrubber, was mined and processed. Late in Phase 3 a headfeed crusher was added to the circuit to allow for processing of two unweathered bulk samples. Undersize material was pumped (-0.5 mm) or hauled (0.5 – 2.0 mm) to the slimes dam. Oversize material (+18 mm) was diverted through a secondary cone crusher and fed back to the scrubber. During Phase 3 a large diamond recovery unit (Flowsort, later replaced by a Bourevestnik X-ray recovery unit) was inserted into the oversize (+18-45mm) circuit.

Diamond recovery during Phases 1 and 2 was carried out with an Oblique Engineering GB400 continuous grease belt. Grease was selected as the primary recovery method as this was considered the most reliable method for recovering Type IIa (low luminescence) diamonds. However, the GB400 unit did not operate efficiently, and tailings material (securely stored in polyurethane bags) was retreated several times, and subsequently audited with a vertical ejection (VE) X-ray unit, to ensure a recovery efficiency of more than 95 % in terms of carats and more than 85 % in terms of the number of diamonds. During Phase 3 the GB400 unit was replaced with a 2-pass VE X-ray circuit. Phase 3 audits of recovery tailings included visual sorting for unrecovered diamond, as well as limited grease recovery audit and reprocessing of all recovery tailings through a Bourevestnik X-ray unit.

4.2.1.3.10 Security of Samples

Industry standard sample security procedures were in place at Mothae during the trial mining phase. Drill cores were logged and photographed prior to sampling. Cores and sample splits were stored on site.

Diamond grade samples processed through the DMS plant are measured for tonnage and moisture content on site using industry standard mining and processing methods. Diamond sorting and characterization was undertaken by qualified mineral sorters from Mineral Services Laboratories during Phases 1 and 2. During Phase 3, additional diamond sorters were employed directly by Mothae Diamonds (Pty) Ltd to run the recovery room with assistance from and under the protocols established by Mineral Services Laboratories.

Recovered diamonds were exported from the Mothae site on a regular basis by secure courier to Antwerp, Belgium and were held in secure storage until sold.

4.2.1.3.11 Mineral Resource Estimate

A mineral resource estimate has been prepared by The MSA Group based on geological data produced by Lucara's contractor, Mineral Services Canada Inc. The Mothae Pipe was subdivided into five geologic domains on the basis of geologic, geophysical and geochemical data collected from surface sampling and drill core. A total of 1,328 bulk density measurements from surface and drill core samples were collated into a final bulk density database.

Geologic and density data were modeled in GEMS® software to derive tonnage estimates for each resource domain.

Diamond grade estimates are based primarily on the results of surface bulk sampling. A total of 603,819 dry tonnes of kimberlite was processed during the course of the Mothae evaluation program, from which 52,017 diamonds weighing 23,446 carats were recovered for an overall dry sample grade of 3.88 carats per hundred tonnes (cpht) and an average diamond size of 0.45 carats per stone. Individual bulk sample grades vary from 1.52 cpht to 7.08 cpht. Domain grade estimates are based on samples within each domain that meet specific requirements. Two bulk samples were extracted from unweathered kimberlite in the SW and SC domain to allow estimates of diamond recovery grade in fresh material.

A total of 21,226 carats of Mothae diamonds were sold by competitive tender in three sales to establish a value estimate for Mothae production. Average diamond value for each of the geologic domains was derived by integrating diamond value data from the sale of these diamonds with diamond size distribution estimates for each geologic domain.

4.2.1.3.12 Resource Classification and Summary

The tonnage, grade and value data described above were applied to the domains defined at Mothae to derive a final resource estimate for this body. The confidence level of each component of the estimate was classified based on CIM standards for reporting of resources and reserves (2010) to derive a confidence matrix, as shown in the following table.

Resource classification matrix representing the interpreted confidence level in different components of the resource estimate. Confidence is expressed in terms of CIM 2010 resource categories. MEAS = measured; IND = indicated; INF = inferred; GP = geological potential (not included in the resource).

Geological domain	Resource domain	Tonnes	Grade (cpht)	Average value (US\$/ct)	Overall classification
South West	SW_WX	IND	MEAS	IND	IND
	SW_50	IND	IND	IND	IND
	SW_300	INF	INF	INF	INF
	SW_500	INF	GP	GP	GP
South Centre	SC_WX	IND	MEAS	IND	IND
	SC_50	IND	IND	IND	IND
	SC_300	INF	INF	INF	INF
	SC_500	INF	GP	GP	GP
South East	SE_WX	IND	INF	INF	INF
	SE_50	IND	INF	INF	INF
	SE_300	INF	INF	INF	INF
	SE_500	INF	GP	GP	GP
North	N_WX	INF	INF	INF	INF
	N_300	INF	INF	INF	INF
	N_500	GP	GP	GP	GP

The overall classification of the estimate for any given resource domain is based on the highest risk (lowest confidence) component. These classifications are informed by assessments of the uncertainty associated with each component of the resource. In general, diamond value estimates are considered to have the highest degree of uncertainty, followed by grade and then kimberlite tonnage.

The final resource estimate for Mothae based on work undertaken to date is summarised in the following table. Estimates are provided for specific resource domains are classified in accordance with CIM standards for reporting of resources and reserves (2010). The estimates are based on diamond recoveries at a 2.0 mm bottom cut-off.

Summary of the Resource Estimate for Mothae Subdivided By Resource Category

Resource Domain	Volume (Mm ³)	Bulk Density (g/cm ³)	Tonnes (Mt)	Grade (cpht)	Average Revenue (US\$ct)	Average rock value (US\$/t)	Total Resource (Mct)
INDICATED							
SW_WX	0.37	2.02	0.75	2.6	1,310	34	0.02
SW_50	0.43	2.52	1.08	2.5	1,364	34	0.03
SC_WX	0.11	2.11	0.23	4.6	695	32	0.01
SC_50	0.14	2.47	0.33	4.4	737	32	0.01
Total Indicated	1.04	2.29	2.39	3.0	1 196	34	0.07
INFERRED							
SW_300	7.39	2.62	19.35	2.5	1,364	34	0.48
SC_300	1.52	2.55	3.88	4.4	737	32	0.17
SE-WX	0.14	2.04	0.29	2.8	578	16	0.01
SE_50	0.24	2.39	0.56	2.6	615	16	0.01
SE_300	2.39	2.48	5.94	2.6	615	16	0.15
N_WX	0.29	2.07	0.59	2.5	737	19	0.01
N_300	2.39	2.49	5.96	2.4	780	19	0.14
Total Inferred	14.37	2.55	36.57	2.7	1 053	28	1.00

Table contains rounded figures. The grade figures are based on recovery factors derived from total content curves for each geological domain, and the recoveries achieved by the Mothae bulk sample plant

4.2.1.3.13 Preliminary Economic Assessment

Mothae Diamonds initiated a Preliminary Economic Assessment (PEA) study in 2011. The planned study included completion of an environmental impact assessment and development of an environmental management plan, development of a preliminary open pit mine plan, completion of ore characterization studies and other metallurgical work on Mothae Kimberlite, design of a 2.5 million tonne per annum kimberlite processing and diamond recovery plant, and detailed review of infrastructure requirements to support a full scale mine. The PEA study has not been finalized and a decision was made to put the project on care and maintenance to assess the PEA work completed thus far and to explore a number of development options. In order to permit this, an extension to the development phase of Mothae's mining license agreement until the end of 2014 was successfully negotiated with the Government of Lesotho in September of 2013.

4.2.1.3.14 Divestiture

In December 2014 Lucara announced that it would divest its interest in the Mothae Project. The following was released as public notification:

“ The Company has considered multiple development options for Mothae, and while the resource has been proven to be diamondiferous, Mothae does not meet the Company's disciplined investment criteria for its targeted return on capital and its forecast generation of long term free cash flow potential. As a result the Company has decided to enter into a process of divestiture of the asset. Discussions have been held with the Government of Lesotho and they are supportive of the Company's approach and have committed to provide support for any potential new owner of the project. The Company intends to report

a non-cash impairment of the book value for the Mothae asset in its year-end accounts. Current book value and estimated rehabilitation provision costs total approximately \$21 million.”

Currently Lucara has been approached by several interested parties who may be interested in entering into a financial agreement to acquire Lucara’s 75% interest in Mothae Diamonds.

4.3. Social and Environmental Policies

Lucara is committed to conducting its business responsibly and in a manner designed to protect its employees, adjacent communities and the natural environment. This commitment is evident in both the Company’s Corporate and Social Responsibility Charter and the Company’s Environmental Policy, which are set out below. These documents are fundamental to Lucara’s business and have been approved by the Board of Directors. Compliance is monitored by the Safety, Health, Environmental and Community Relations (“SHECR”) Committee of the Board. Consistent with its Corporate and Social Responsibility Charter, the Company has initiated projects with the Lundin Foundation with local communities in Botswana and Lesotho to assist these communities by generating wealth and employment needed to alleviate poverty on a sustained basis. SHECR planning is part of the Company’s business planning processes and the potential effects of activities on the environment and on local communities are integrated into operational decisions and processes.

4.3.1. Corporate and Social Responsibility Charter

The Company’s Corporate and Social Responsibility Charter, is as follows:

“Lucara Diamond Corp (“Lucara”) will initiate and promote ongoing dialogue with a broad range of stakeholders across our operations, maintained in a spirit of transparency and good faith. Lucara recognizes that effective stakeholder engagement can create value and mitigate risk for both the company and its stakeholders. We acknowledge that mining is, by definition, finite and therefore will work to provide lasting benefits in the communities where we live and work.

Lucara will:

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

4.3.2. Environmental Policy

The Company’s Environmental Policy is as follows:

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

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

Lucara will:

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

ITEM 5 RISKS AND UNCERTAINTIES

The Company is subject to various risks and uncertainties, including but not limited to those listed below.

Diamond Prices and Marketability

The mining industry, in general, is intensely competitive and there is no assurance that a profitable market will exist for the sale of diamonds produced. The value of the Company's shares, its financial results and its mining activities are significantly affected by the price and marketability of diamonds. Numerous factors beyond the control of the Company may affect the price and marketability of any diamonds produced which cannot be accurately predicted, such as: international economic and political trends; global or regional consumption and demand and supply patterns; and increased production of other diamond producers, especially due to the small concentration of producers and sellers within the market. There is no assurance that the sale price of diamonds produced from any diamond deposit will be such that they can be mined at a profit.

Economic Conditions

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

Uncertainties Related to Mineral Resource Estimates

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

Licenses, permits and approvals

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

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

Currency Risk

Currency fluctuations may impact the Company's financial performance. Diamonds are sold in US dollar with the Company's costs and expenses being incurred in Botswana Pula, South African Rand, Lesotho Loti, Canadian, U.S. dollar currencies and Great Britain Sterling. As a consequence, fluctuations in exchange rates may have a significant effect on the cash flows and operating results of the Company in either a positive or negative direction. In order to mitigate foreign exchange fluctuations the Company hedged a portion of its Botswana pula costs for the 2014 financial year.

Mining and Processing

The Company's business operations are subject to risks and hazards inherent in the mining industry, including, but not limited to, unanticipated variations in grade and other geological problems, water, power, surface conditions, metallurgical and other processing problems, mechanical equipment performance problems, the lack of availability of materials and equipment, the occurrence of accidents, labour force disruptions, force majeure factors, weather conditions which can materially and adversely affect among other things production quantities and rates, development, costs and expenditures and production commencement dates.

The Company periodically reviews its Life of Mine ("LOM") planning. Significant changes in the LOM plans can occur as a result of experience obtained in the course of carrying out its mining activities, changes in mining methods and rates, process changes, investments in new equipment and technology, diamond price assumptions and other factors. Based on this analysis, the Company reviews its accounting estimates and in the event of an impairment may be required to write down the carrying value of its mine or development property. This process continues for the economic life of the mines in which the Company has an interest.

Environmental and Other Regulatory Requirements

All phases of mining and exploration operations are subject to government regulation including regulations pertaining to environmental protection. Environmental legislation is becoming stricter, with increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and heightened responsibility for companies and their officers, directors and employees. There can be no assurance that possible future changes in environmental regulation will not adversely affect the Company's operations. As well, environmental hazards may exist on a property that the Company holds an interest in, which were caused by previous or existing owners or operators of the properties and of which the Company is not aware at present. Operations at the Company's mines are subject to strict environmental and other regulatory requirements, including requirements relating to the production, handling and disposal of hazardous materials, pollution controls and health and safety. Any failure to comply with the requirements could result in substantial fines, delays in production, or the withdrawal of the Company's mining licenses.

Foreign Operations Risk

The Company's current significant projects are located in Botswana and Lesotho. Each of these countries exposes the Company to risks that may not otherwise be experienced if its operations were domestic. The risks include, but are not limited to, environmental protection, land use, water use, health safety, labor, restrictions on production, price controls, currency remittance, and maintenance of mineral tenure and expropriation of property. For example, changes to regulations in Botswana and Lesotho relating to royalties, allowable production, importing and exporting of diamonds and environmental protection, may result in the Company not receiving an adequate return on investment capital.

Although the operating environments in Botswana and Lesotho are considered favorable compared to those in other developing countries, there are still political risks. These risks include, but are not limited to terrorism, hostage taking, military repression, expropriation, extreme fluctuations in currency exchange rates, high rates of inflation and labor unrest. Changes in mining or investment policies or shifts in political attitudes in these countries may also adversely affect the Company's business. In addition, there may be greater exposure to a risk of corruption and bribery (including possible prosecution under the federal Corruption of Foreign Public Officials Act).

Also, in the event of a dispute arising in foreign operations, the Company may be subject to the exclusive jurisdiction of foreign courts and may be hindered or prevented from enforcing its rights.

There is no assurance that future changes in taxes in any of the countries in which the Company operates will not adversely affect the Company's operations.

Mineral Exploration and Development

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

Title Matters

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

Infrastructure

The Karowe Mine and the Mothae Project are located in remote areas and the availability of adequate infrastructure is critical. Reliable roads, bridges, power and water supply are important determinants which affect capital and operating costs. Infrastructure failures as well as sabotage, government or other interference in the maintenance of provision of such infrastructure could adversely affect activities and profitability of the Company.

Rehabilitation Funds and Mine Closure Costs

Changes in environmental laws and regulations can create uncertainty with regards to future rehabilitation costs and affect the funding requirements. Closing a mine can have significant impact on local communities and site remediation activities may not be supported by local stakeholders. Actual costs realized in satisfaction of mine closure obligations may vary materially from management's estimates.

Community Relations

The Company's relationships with the communities in which it operates and other stakeholders are critical to ensure the future success of its existing operations and the construction and development of its projects. There is an increasing level of public concern relating to the perceived effect of mining activities on the environment and on communities impacted by such activities. Publicity adverse to the Company's operations, or the mining industry generally, could have an adverse effect on the Company and may impact relationships with the communities in which the Company operates and other stakeholders. While the Company is committed to operating in a socially responsible manner, there can be no assurance that its efforts in this respect will mitigate this potential risk.

Uninsured Risks and Insurance Coverage

The mining business is subject to a number of risks and hazards that may not be insured including, but not limited to, environmental hazards, industrial accidents, labor disputes, encountering unusual or unexpected geologic formations or other geological or grade problems, encountering unanticipated ground or water conditions, cave-ins, pit wall failures, flooding, rock bursts, periodic interruptions due to inclement or hazardous weather conditions

and other acts of God. Such risks could result in damage to mineral properties or facilities, personal injury or death, environmental damage, delays in exploration, development or mining, monetary losses and possible legal liability.

The Company maintains insurance against certain risks that are associated with its business in amounts that it believes to be reasonable at the current stage of operations. There can be no assurance that such insurance will continue to be available at economically acceptable premiums or will be adequate to cover any future claim.

Competition

The mining industry is intensely competitive in all its phases and the Company competes with other companies that have greater financial resources and technical capacity. The Company continues to compete with a number of companies for the acquisition of mineral properties. The ability for the Company to replace or increase its mineral reserves and mineral resources in the future will depend on its ability to develop its present properties and also to select and acquire economic producing properties or prospects for diamond extraction.

Legal Proceedings

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

Conflicts of Interest

The Company's directors and officers may serve as directors or officers, or may be associated with other public companies or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding terms respecting the transactions.

If a conflict of interest arises, directors and officers are subject to the Company's Code of Business Conduct and Ethics and applicable corporate legislation. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith and in the best interests of the Company.

Personnel

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

In addition, due to the remoteness of the Company's Karowe Mine, there is competition for personnel. The degree to which the Company is not successful in retaining and developing employees at its mine sites could lead to a lack of knowledge, skills and experience required to operate the mine effectively.

Natural Disasters

The occurrence of one or more natural disasters such as a pandemic outbreak or unusually adverse weather conditions could disrupt mining operations and have a material adverse effect on the Company.

Share Price Volatility and Future Sales by Existing Shareholders

In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies or early stage production companies without a proven history of sustainable cash flow, have experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of the Company's securities. Also, subject to compliance with applicable securities laws, the Company's officers, directors, significant shareholders may sell some or all of their common shares in the future. No prediction can be made as to the effect, if any, such future sales of common shares will have on the market price of the Company's securities. The future sale of a substantial number of common shares by the Company's officers, directors, principal shareholders and their affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Company's securities.

ITEM 6 DESCRIPTION OF SHARE CAPITAL

6.1 General Description of Capital Structure

The authorized share capital of the Company consists of an unlimited number of common shares without par value. As at the date of this AIF a total of 379,382,412 common shares were issued and outstanding.

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

6.2 Dividends

The Company announced in February 2014 approval of a dividend policy providing for the payment of semi-annual dividends and from time to time, payment of a special dividend based on revenues generated from exceptional stone tenders, subject to the Company's overall financial position and other factors existing at the time under consideration. The Company declared in:

- May 2014 a semi-annual dividend of CDN\$0.02 per share for payment in June 2014
- November 2014 a semi-annual dividend of CDN\$0.02 per share and a special dividend of CDN\$0.04 per share for payment in December 2014

Payment of any cash dividend under the policy is subject to the Board's determination at the appropriate time that the declaration of a dividend is in the best interests of Lucara and Lucara's shareholders and is in compliance with all laws and agreements of Lucara applicable to the declaration and payment of cash dividends.

ITEM 7 MARKET FOR SECURITIES

7.1 Exchange Listing

Lucara's common shares are traded under the symbol "LUC" in Canada on the TSX, in Botswana on the Botswana Stock Exchange and in Sweden on the Nasdaq Stockholm Exchange.

7.2 Trading Price and Volume

The following table provides information as to the monthly high and low trading prices and respective aggregate monthly volumes of the Common Shares traded on the TSX during 2014:

Month	High (CDN\$)	Low(CDN\$)	Volume
January	1.77	1.45	12,951,815
February	1.74	1.42	12,503,699
March	1.82	1.55	12,447,637
April	1.98	1.79	13,156,342
May	2.04	1.87	11,547,379
June	2.61	1.99	19,981,790
July	2.80	2.51	16,834,598
August	2.88	2.35	18,938,868
September	2.45	2.10	19,021,548
October	2.40	1.89	16,014,730
November	2.45	2.16	20,726,572
December	2.31	1.88	14,411,930

7.3 Escrowed Securities

There are no securities held in escrow.

ITEM 8 DIRECTORS AND OFFICERS

8.1 Name and Occupation of Directors and Officers

Directors

The Board of Directors of the Company is currently comprised of seven directors who are elected annually. Each director holds office until the next annual meeting of shareholders or until a successor is duly elected or appointed. The next annual meeting of the Company is scheduled to be held on May 13, 2015. The following table provides the names and residence of each of the directors, the date they commenced serving on the Board, their principal occupation as of March 19, 2015 and for the preceding five years.

Director	Principal Occupation or Employment For Past 5 Years	Served as director since
Richard P. Clark British Columbia, Canada	<ul style="list-style-type: none"> October 2011 to present – President & Chief Executive Officer, RB Energy Inc. (resource company) 2002 to September 2010 – President & Chief Executive Officer, Red Back Mining Inc. (resource company) 	February 19, 2010
Paul K. Conibear British Columbia, Canada	<ul style="list-style-type: none"> July 2011 to present – President & Chief Executive Officer, Lundin Mining Corp. (resource company) July 2007 to June 2011 – Senior Vice President, Corporate Development, Lundin Mining Corp. 	April 5, 2007
Brian D. Edgar British Columbia, Canada	<ul style="list-style-type: none"> 2010 to present – Board Chair, Silver Bull Resources Inc. (resource company) 2005 to 2010 – President & Chief Executive Officer, Dome Ventures Corporation (resource company) 	April 5, 2007
Marie Inkster Ontario, Canada	<ul style="list-style-type: none"> May 2009 to present – Chief Financial Officer, Lundin Mining Corp. 	June 9, 2014
William Lamb British Columbia, Canada	<ul style="list-style-type: none"> May 2011 to present - President & Chief Executive Officer of the Company July 2009 to May 2011 - President & Chief Operating Officer of the Company 	February 19, 2010
Lukas H. Lundin Geneva, Switzerland	<ul style="list-style-type: none"> Mining Executive, Board Chair of numerous resource based companies April 2007 to present – Board Chair of the Company 	April 5, 2007
Eira M. Thomas British Columbia, Canada	<ul style="list-style-type: none"> March 1, 2013 to present – President & Chief Executive Officer, Kaminak Gold Corporation (resource company) August 2011 to March 2013 - Corporate Director and Geologist 2009 to August 2011 - Board Chair, Stornoway Diamond Corporation (resource company) 	August 4, 2009

Officers

The following table provides the names, provinces and countries of residence of each of Lucara's Executive Officers, their current position with the Company and their principal occupation(s) within the last five years. Mr. Lamb, the President and Chief Executive Officer of the Company, is discussed under "Directors" above.

The information in the table is as of March 19, 2015. During 2014, Mr. Anthony George was also an Executive Officer of the Company in the role of Senior Vice-President, Development. On December 31, 2014, Mr. George resigned from Lucara.

Officer	Principal Occupation or Employment for Past 5 Years
John Armstrong, Vice President, Mineral Resources British Columbia, Canada	<ul style="list-style-type: none"> Assumed current position September 2013 2005 to September 2013 - Senior Geologist Stornoway Diamond Corporation (resource company)
Paul Day, Chief Operating Officer, Gaborone, Botswana	<ul style="list-style-type: none"> Assumed current position March 2013 2008 to March 2013 - Operations Director, Areva Resources (resource company)
Glenn Kondo Chief Financial Officer London, United Kingdom	<ul style="list-style-type: none"> Assumed current position October 2011 2008 to October 2011 - Chief Financial Officer, Lend Lease Europe (construction management services company)
Jennifer Lecour Vice-President Legal and Corporate Secretary Ontario, Canada	<ul style="list-style-type: none"> Assumed current position December 2014 2011 to November 2012 Corporate Secretary of the Company April 2009 to November 2011 - Corporate Director

8.2 Shareholdings of Directors and Officers

As at March 19, 2015, the directors and officers of the Company held, as a group, a total of 13,238,833 common shares, representing approximately 3.5% of the number of common shares issued and outstanding.

8.3 Committees of the Board

The following table lists the committees of the Board and their members as at March 19, 2015.

Committee	Members
Audit	Marie Inkster (Chair) Brian D. Edgar Eira M. Thomas
Compensation	Paul K. Conibear (Chair) Richard P. Clark Brian D. Edgar
Corporate Governance and Nominating	Brian D. Edgar (Chair) Paul K. Conibear Eira M. Thomas
Safety, Health, Environment and Community Relations	Eira M. Thomas (Chair) Richard P. Clark William Lamb

8.4 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders

Except as noted below, no director or executive officer of the Company is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including Lucara), that:

(a) was subject to: (i) a cease trade order; (ii) an order similar to a cease trade order; or (iii) an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (collectively, an “order”) that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or

(b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

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

Mr. Clark is a director, President and CEO of RB Energy Inc. (“RBI”) and held such positions when the TSX delisted the common shares of RBI at the close of business on November 24, 2014, for failure to meet the continued listing requirements of the TSX. RBI’s common shares remain suspended from trading.

Bankruptcies

Except as noted below, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company:

a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Lucara) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, state the fact; or

b) has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

On October 13, 2014, the then Board of Directors of RBI, a company formed on January 31, 2014 pursuant to the amalgamation of Canada Lithium Corp. (“Canada Lithium”) and Sirocco Mining Inc. (“Sirocco Mining”), approved the application for the filing of an Initial Order (the “Order”) for creditor protection under the Companies’ Creditors Arrangement Act (the “CCAA”). The Quebec Superior Court issued the requested Order in respect of RBI and its Canadian subsidiaries on October 14, 2014, as amended by an Amended and Restated Order on October 15, 2014. KPMG LLP has been appointed monitor under the Order.

Messrs. Lundin and Conibear resigned as directors of Sirocco Mining on January 31, 2014 at which time Sirocco Mining was financially solvent. Messrs. Lundin and Conibear have never been directors, officers or control persons of RBI. However, as a result of the legal effect of the amalgamation of Canada Lithium and Sirocco, and since Messrs. Lundin and Conibear were directors of one of the amalgamating companies that formed RBI, and as RBI filed for CCAA protection within 12 months after Messrs. Lundin and Conibear ceased to be directors of Sirocco Mining, Messrs. Lundin and Conibear are technically considered to have been directors of an issuer within the period of 12 months preceding its filing for CCAA protection.

Mr. Clark was at the time RBI filed for CCAA protection a director and officer of RBI and as noted above is currently a director, President and CEO of RBI.

Ms. Inkster was Vice President, Finance of GBS Gold International Inc. ("GBS") from September 2007 to June 2008. On September 15, 2008, GBS put its Australian group of subsidiaries into voluntary liquidation proceedings. In March 2009, GBS announced that it had agreed to transfer its remaining valued assets to the secured promissory note holders pursuant to the terms of a note indenture and general security deed entered into on May 27, 2008. The shares of GBS were suspended from trading on the NEX board and it ceased business.

In 2008 Mr. Kondo was an officer of Tamaya Resources Limited, a company incorporated under the laws of Australia and listed on the Australian Stock Exchange (ASX), which made a Voluntary Appointment of an Administrator as a result of a decision that the company was, or was likely going to become insolvent.

Penalties or Sanctions

No director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to:

- a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

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

8.5 Conflicts of Interest

Some of the directors of the Company serve as directors or officers or have significant shareholdings in other resource companies. This may result in conflicts of interest. In particular, other resource companies may participate in ventures in which Lucara may also participate. However, the Company is unaware of any such pending or existing conflicts.

In the event a conflict of interest does arise, the directors of Lucara are required by law to act honestly and in good faith with a view to the best interests of Lucara, to disclose any interest which they may have in any project or opportunity of Lucara, and to abstain from voting on such matter. Conflicts of interest that arise are subject to and governed by the procedures prescribed in the Company's Code of Business Conduct and Ethics and by the Business Corporations Act (BC).

ITEM 9 LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as described below, the Company is not currently a party to, nor was it a party to during the last financial year, and none of the Company's property is or was the subject of, any material legal proceedings, and the Company knows of no such legal proceedings that are contemplated. However, from time to time, the Company may become party to routine litigation incidental to its business.

Upon Lucara's completion of the purchase of African Diamonds Limited, which resulted in the Company holding an undivided 100% indirect ownership interest in the Karowe Mine, the Company retained certain liabilities related to legal proceedings initiated by two former directors of African Diamonds Limited, the plaintiffs, alleging entitlement to a 3% net smelter royalty on net diamond revenue or NSR on production from the Karowe Mine.

The Botswana High Court heard the matter in June, 2011 and dismissed the claim. The plaintiffs appealed and the appeal was heard in Botswana on January 21, 2014. On February 6, 2014, the Court of Appeals, the highest court in Botswana, upheld the previous ruling, dismissing the claim against African Diamonds Limited and awarding costs against the plaintiffs. The decision is final and there is no further recourse against African Diamonds Limited by the plaintiffs regarding the claim.

No penalties or sanctions were imposed by a court relating to securities legislation or by a securities regulatory authority during the Company's recently completed financial year, nor were there any other penalties or sanctions imposed by a court or regulatory body against the Company that would likely be considered important to a reasonable investor in making an investment decision, nor were any settlement agreements entered into before a court relating to securities legislation or with a securities regulatory authority during the Company's recently completed financial year.

ITEM 10 AUDIT COMMITTEE

10.1 Overview

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

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

10.2 Audit Committee Charter

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

10.3 Composition of the Audit Committee

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

Member Name	Independent ⁽¹⁾	Financially Literate ⁽²⁾	Education and Experience Relevant to Performance of Audit Committee Duties
Marie Inkster (Chair)	Yes	Yes	<ul style="list-style-type: none"> • Chartered Accountant and Chartered Professional Accountant • Currently Chief Financial Officer of a public company • Degree in Accounting • Served in executive finance positions with a number of public companies • Experience in public accounting with Deloitte Canada
Brian D. Edgar	Yes	Yes	<ul style="list-style-type: none"> • Law degree, with extensive corporate finance experience • Practiced securities and corporate law for over 17 years • Has served on public company boards and on audit committees for over 30 years • Currently Chair of a public company • Held position of President and Chief Executive Officer of a public company from 2005 to 2011
Eira M. Thomas	Yes	Yes	<ul style="list-style-type: none"> • Geologist with extensive corporate finance experience • Currently the President and Chief Executive of a public company • Held position of Chair of a public company from 2009 to 2011 after serving as its Chief Executive Officer for 6 years • Has served on audit committees of a number of public companies

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

have a material relationship under NI 52-110.

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

10.4 Audit Committee Oversight

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

10.5 Pre-Approval Policies and Procedures

Consistent with Section 4(f) of the Charter, audit and non-audit services performed by the external auditor are pre-approved by the Audit Committee.

10.6 External Auditor Service Fees (By Category)

The following table discloses the fees billed to the Company by its external auditors, PricewaterhouseCoopers LLP ('PwC'), during the last two fiscal years.

Fiscal Year Ending	Audit Fees CDN\$ ⁽¹⁾	Audit-Related Fees CDN\$ ⁽²⁾	Tax Fees CDN\$ ⁽³⁾	All other Fees ⁽⁴⁾
December 31, 2014	193,958	122,000	110,008	Nil
December 31, 2013	206,000	10,200	59,755	Nil

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

⁽²⁾ Audit-related fees represent the aggregate fees billed for assurance and related services by the Company's auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and not disclosed in the Audit Fees column.

⁽³⁾ Tax fees represent the aggregate fees billed for professional services rendered by the Company's external auditor for tax compliance, tax advice and tax planning.

⁽⁴⁾ All other fees represent the aggregate of fees billed for products and services provided by the Company's auditors other than services reported under clauses (1), (2) and (3) above.

ITEM 11 INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

ITEM 12 TRANSFER AGENTS AND REGISTRARS

The transfer agent and registrar for Lucara's common shares is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia, Canada: 3rd floor, 510 Burrard, Vancouver, British Columbia, V6C 3B9.

ITEM 13 MATERIAL CONTRACTS

Lucara has not within the last financial year entered into any material contracts, nor are there any material contracts entered into before the last financial year that are still in effect, except for:

- (i) contracts entered into in the ordinary course of business; and
- (ii) On May 5, 2014, the Company entered into an agreement with the Bank of Nova Scotia to renew its revolving term credit facility for an increased limit of US\$50 million. The facility has a maturity date of May 5, 2017 with no scheduled repayments required before maturity. The facility is available to Lucara for general corporate purposes. Lucara may obtain credit from the facility by way of Base Rate Loans, LIBOR loans and letters of credit. The facility bears an interest rate margin, based upon the Company's leverage ratio above the Alternate Base Rate Canada or LIBOR, depending upon the type of loan it obtains. Lucara is required to comply with financial covenants, which are customary for a financing of this nature. At December 31, 2014 the facility was undrawn.

ITEM 14 INTERESTS OF EXPERTS

Lucara's auditor is PricewaterhouseCoopers LLP, Chartered Accountants, who have audited the Company's 2014 financial statements. PwC are independent within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of British Columbia.

The individuals who are qualified persons for the purposes of National Instrument 43-101 are listed in the technical reports referenced in Items 4.2.1.1 and 4.2.1.3 of this AIF. To the knowledge of the Company, no person or company named or referred to under this Item 14 beneficially owns, directly or indirectly, 1% or more of any class of the Company's outstanding securities.

ITEM 15 ADDITIONAL INFORMATION

Additional information regarding the Company is available on SEDAR website at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, if any, securities authorized for issuance under equity compensation plans and corporate governance practices using the disclosure requirements in National Instrument 58-101, *Disclosure of Corporate Governance Practices* is contained in the Company's Management Proxy Circular prepared in connection with the annual meeting of shareholders of the Company.

Additional financial information is provided in the audited consolidated financial statements of the Company and MD&A for Lucara's most recently completed financial year.

SCHEDULE "A"



Lucara Diamond Corp.
(the "Company")

AUDIT COMMITTEE CHARTER

1.0 Purpose of the Audit Committee

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

2.0 Members of the Audit Committee

2.1 The Board shall appoint annually the members of the Audit Committee from among its members at the first meeting of the Board following the annual meeting of the shareholders. The Audit Committee shall be composed of three (3) directors or such other number not less than three (3) as the Board may from time to time determine.

2.2 Any member of the Audit Committee may be removed or replaced at any time by the Board. Any member of the Audit Committee ceasing to be a director or ceasing to qualify under subsection 2.3 shall cease to be a member of the Audit Committee. Subject to the foregoing, each member of the Audit Committee shall hold office as such until the next annual appointment of members to the Audit Committee after his or her election. Any vacancy occurring in the Audit Committee shall be filled at the next meeting of the Board.

2.3 Each member of the Audit Committee shall:

- (a) be a member of the Board;
- (b) not be an officer or employee of the Company or any of its affiliates;
- (c) satisfy the independence requirement applicable to members of audit committees under Multilateral Instrument 52-110 – *Audit Committees* of the Canadian Securities Administrators ("MI 52-110") and any other applicable laws and regulations; and
- (d) satisfy the financial literacy requirements prescribed by MI 52-110 by having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of the accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

2.4 The Audit Committee shall elect annually a chairperson from among its members.

3.0 Meeting Requirements

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

3.2 Notice of every such meeting to be given to Audit Committee members in writing not less than five (5) days prior to the date fixed for the meeting and shall be also given to the auditors of the Company. A member may waive notice of a meeting and attendance at a meeting is a deemed waiver of notice of the meeting. Meetings shall be convened whenever requested by the auditors or any member of the Audit Committee.

3.3 As part of each meeting of the Audit Committee at which it recommends that the Board approve the financial statements of the Company, and at such other times as the Audit Committee deems appropriate, the Audit Committee shall meet separately with the auditor to discuss and review specific issues as appropriate.

3.4 A majority of the members of the Audit Committee shall constitute a quorum.

4.0 Duties and Responsibilities

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

- (a) be responsible for making recommendations with regard to the appointment, compensation, retention or discharge of the independent public accountants as auditors of the Company (the "auditors") who perform the annual audit in accordance with applicable securities laws, and who shall be ultimately accountable to the Board through the Audit Committee;
- (b) review with the auditors the scope of the audit and the results of the annual audit examination by the auditors, including any reports of the auditors prepared in connection with the annual audit;
- (c) review information, including written statements from the auditors, concerning any relationships between the auditors and the Company or any other relationships that may adversely affect the independence of the auditors and assess the independence of the auditors;
- (d) review and discuss with management and the auditors the Company's audited financial statements and accompanying Management's Discussion and Analysis of Financial Conditions ("MD&A"), including a discussion with the auditors of their judgments as to the quality of the Company's accounting principles and report on them to the Board;
- (e) review and discuss with management the Company's interim financial statements and interim MD&A and report on them to the Board;
- (f) pre-approve all auditing services and non-audit services provided to the Company by the auditors to the extent and in the manner required by applicable law or regulation. In no circumstances shall the auditors provide any non-audit services to the Company that are prohibited by applicable law or regulation;
- (g) evaluate the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board as to the auditor's compensation and nomination;

- (h) periodically review the adequacy of the Company's internal controls and ensure that such internal controls are effective;
- (i) review changes in the accounting policies of the Company and accounting and financial reporting proposals that are provided by the auditors that may have a significant impact on the Company's financial reports, and report on them to the Board;
- (j) oversee and annually review the Company's Code of Business Conduct and Ethics;
- (k) approve material contracts where the Board of Directors determines that it has a conflict;
- (l) establish procedures for the receipt, retention and treatment of complaints received by the Company regarding the audit or other accounting matters;
- (m) review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the current and former external auditor of the Company;
- (n) where unanimously considered necessary by the Audit Committee, engage independent counsel and/or other advisors at the Company's expense to advise on material issues affecting the Company which the Audit Committee considers are not appropriate for the full Board;
- (o) satisfy itself that management has put into place procedures that facilitate compliance with the provisions of applicable securities laws and regulation relating to insider trading, continuous disclosure and financial reporting;
- (p) review and monitor all related party transactions which may be entered into by the Company;
- (q) review and discuss with management the Company's Annual Information Form, including all financial information contained therein or incorporated by reference, and report on it to the Board; and
- (r) review annually the adequacy of its charter and recommend any changes thereto to the Board.

5.0 Miscellaneous

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

6 Effective Date

- 6.1 Adopted by the Board on October 1, 2007, as amended December 22, 2010 and March 22, 2012.

END OF SCHEDULE "A"