



**QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE 2015
LUCAPA POISED FOR FURTHER GROWTH IN CASH FLOW
AS DIAMOND PRODUCTION RAMPED UP**

HIGHLIGHTS

- **Gross revenues of A\$3.7 million generated from the sale of Lulo diamonds in the June Quarter for an exceptional overall average sales price of A\$2,500 per carat from all diamond sales**
- **Alluvial diamond mining operations at Lulo generate positive net operating cash flow in the June Quarter. Current diamond inventory exceeds 1,600 carats**
- **Phase 1 alluvial diamond mining target of 10,000 bulk cubic metres (bcm)/month successfully achieved in June month**
- **New fleet of Caterpillar equipment procured under favourable A\$4.5 million financing deal will enable doubling of mining operations to 20,000bcm/month**
- **Lucapa achieves listing on Frankfurt Stock Exchange**



Lulo diamonds in inventory for next diamond sale

For personal use only

- **Subsequent to June Quarter end:**
 - **Diamond mining operations resume at BLK_08 and other high grade diamond areas**
 - **Site works commenced to test the high-priority L46 kimberlite pipe**
 - **\$4 million share placement completed to further increase cash flows through processing plant modifications which will allow continuous operations at 20,000bcm/month throughout the wet season**

INTRODUCTION

Lucapa Diamond Company Limited (ASX: LOM) (“Lucapa” or the “Company”) is a miner of world-class diamonds. Lucapa is the operator of the 3,000km² Lulo Diamond Concession in Angola’s Lunda Norte Province. Lulo is located within 150km of Catoca, the world’s fourth biggest kimberlite diamond mine, and on the same favourable geological trend (Lucapa Graben).

Lucapa operates Lulo in partnership with Endiama, the Angolan Government’s diamond concessionary, and private group, Rosas & Petalas.

Lucapa and its partners commenced commercial alluvial diamond mining operations at Lulo in January 2015 under a 35-year mining licence awarded in November 2014.

Significant advancements have also been made to locate the sources of these exceptional alluvial diamonds within the concession. Lucapa and its partners have identified 296 kimberlite targets at Lulo, of which 96 have so far been classified as proven or probable kimberlites and four confirmed as diamond-bearing pipes.



Alluvial diamond mining operations at Lulo during the June Quarter

DIAMOND SALES

During the Quarter, Lucapa sold two parcels of Lulo diamonds totalling 2,989 carats for total gross proceeds of approximately A\$3.7 million. The diamonds were sold in April and May in a sales process conducted by the Angolan Government diamond marketing arm SODIAM.

The sale parcels included eight Specials (diamonds weighing more than 10.8 carats) in the April sale and 14 Specials in the May sale. The largest diamond included in the two sale parcels was the 63.05 carat Type IIa white D-colour gem recovered in April from mining area 31 at Lulo.

The June Quarter sales took the gross proceeds from the sale of all four parcels of Lulo diamonds to approximately A\$9.7 million for an average sale price of more than A\$2,500 per carat, illustrating the exceptional quality and premium value of Lulo diamonds.

Lucapa and its partners had scheduled for the fifth parcel of Lulo diamonds to be offered for sale in June/July 2015. However, the Board has resolved to defer this fifth diamond sale to late August or early September 2015 when the diamond market conditions are expected to be stronger.

The current unsold inventory of Lulo diamonds stands at more than 1,600 carats.



Select fancy coloured diamonds from June Quarter production at Lulo to be sold in the next sale, scheduled for later in third quarter 2015

For personal use only

ALLUVIAL DIAMOND MINING

As announced to the ASX on 6 July 2015, the Lulo Diamond project successfully achieved its Phase 1 monthly target of processing 10,000bcm through the 150 tonne per hour (tph) diamond processing plant for the month of June.

This enabled Lucapa and its partners to achieve their target of generating positive net operating cash flow from diamond mining operations in the June Quarter. This was achieved despite the deferral of the fifth diamond sale referred to earlier in the Diamond Sales section of this report.

The June Quarter total of 17,264 bcm was 33% up on the March quarter total of 12,912 bcm (Table 1). However the June Quarter totals were below target due to two main reasons. The first factor impacting processing rates was the reduced fleet availability in the months of April and May 2015, when some of the earth moving fleet was out of commission for repairs. The Lulo partners have since increased their inventory of spare parts for the Caterpillar fleet.

The second factor was the trucking distances between the 150tph diamond plant and BLK_08 mining area – the area which produced high-grade and quality diamonds during the initial bulk sampling phases at Lulo. These haulage distances, coupled with soft ground conditions, resulted in increased wear on the earth moving equipment as well as increased dilution of gravels from BLK_08. This prompted the decision in late May to return to mining area 31 and a lower-grade mining area 22 which are closer to the diamond processing plant in order to achieve the Phase 1 target of 10,000bcm/month.



Alluvial diamond mining operations at Lulo during the June Quarter

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 30 JUNE 2015

The change in the mining plan resulted in a reduction in the average overall diamond grade to 8.3 carats per 100 cubic metres (cphm³) for the June Quarter and 9.2cphm³ for the June half (Table 1). The grades achieved during mining were in line with those achieved during the preliminary bulk sampling in the same areas.

The stripping ratio averaged 4.3: 1 for the June Quarter and 5.8: 1 for the June half (Table 1).

	Q1 2015	Q2 2015	H1 2015
Stripping Ratio	8.1	4.3	5.8
Actual Treated m ³	12,912	17,264	30,176
Actual Carats	1,335	1,430	2,765
Actual Grade (cphm ³)	10.3	8.3	9.2
Actual No of Stones	1,317	1,818	3,135
Actual Avg Stone size	1.0	0.8	0.9

Table 1: Mining and production for the March and June Quarters



Lulo diamonds mined during the June Quarter in the diamond inventory

A total of 1,818 diamonds were recovered in the June Quarter weighing 1,430 carats for an average stone size of 0.8 carats. These recoveries included 3 diamonds > 10.8ct with the 63.05ct D-colour white Type IIa being the largest diamond recovered and sold during the period. The reduction in average stone size was a direct result of the move to mining area 22.

For personal use only



5.15 carat fancy vivid yellow Lulo diamond recovered in the June Quarter

Mining is now set to resume at BLK_08 following an improvement in ground conditions and the arrival on site at Lulo of a new fleet of Caterpillar earth moving equipment (See New Caterpillar Equipment Fleet section below). Mining in higher-grade areas such as BLK_08 is expected to lead to an increase in diamond grades and average stone size in the September 2015 quarter.

NEW CATERPILLAR EQUIPMENT FLEET

During the Quarter, Lucapa finalised a A\$4.5 million 12-month financing deal with Caterpillar dealer Barloworld Equipment to secure a fleet of new earth moving equipment, including three 740B trucks, a 374F LR excavator, a 140M grader and a D8R bulldozer.

Significantly, at the time of our discussions, this equipment was available ex-stock from the Angolan capital of Luanda.

The first of the new earth moving equipment was delivered to site at Lulo from Luanda in late June 2015 and the remainder of the Caterpillar fleet has now all been delivered.

For personal use only



CAT 740B dump truck – part of the new Caterpillar fleet which has all been delivered to Lulo

Securing the new fleet will enable Lucapa and its partners to double alluvial diamond production to 20,000bcm/month, thereby accelerating the generation of operational cash flows earlier than originally planned. Lucapa expects to be operating at the new 20,000bcm/month target rate by the end of the September 2015 quarter.

The financing deal with Barloworld also provides scope for Lucapa and its partners to source the additional earth moving fleet required to ultimately scale up diamond mining operations to 40,000bcm/month at the end of the current 12-month arrangement.

KIMBERLITE EXPLORATION

The reduced fleet availability during the June Quarter noted above caused delays in certain elements of the kimberlite exploration program, with the operational earth moving equipment being required to meet the alluvial diamond mining and cash flow targets.

However, the arrival of the new fleet of Caterpillar earth moving equipment at the end of the June Quarter will now enable Lucapa and its partners to advance the Lulo kimberlite exploration program more effectively in tandem with the alluvial diamond mining operations.

Site works have now commenced for bulk sampling of the priority L46 kimberlite pipe at Lulo, which is considered a potential source of the high-grade diamonds recovered in previous bulk sampling work carried out in the E46 alluvial area (Figure 1).

For personal use only

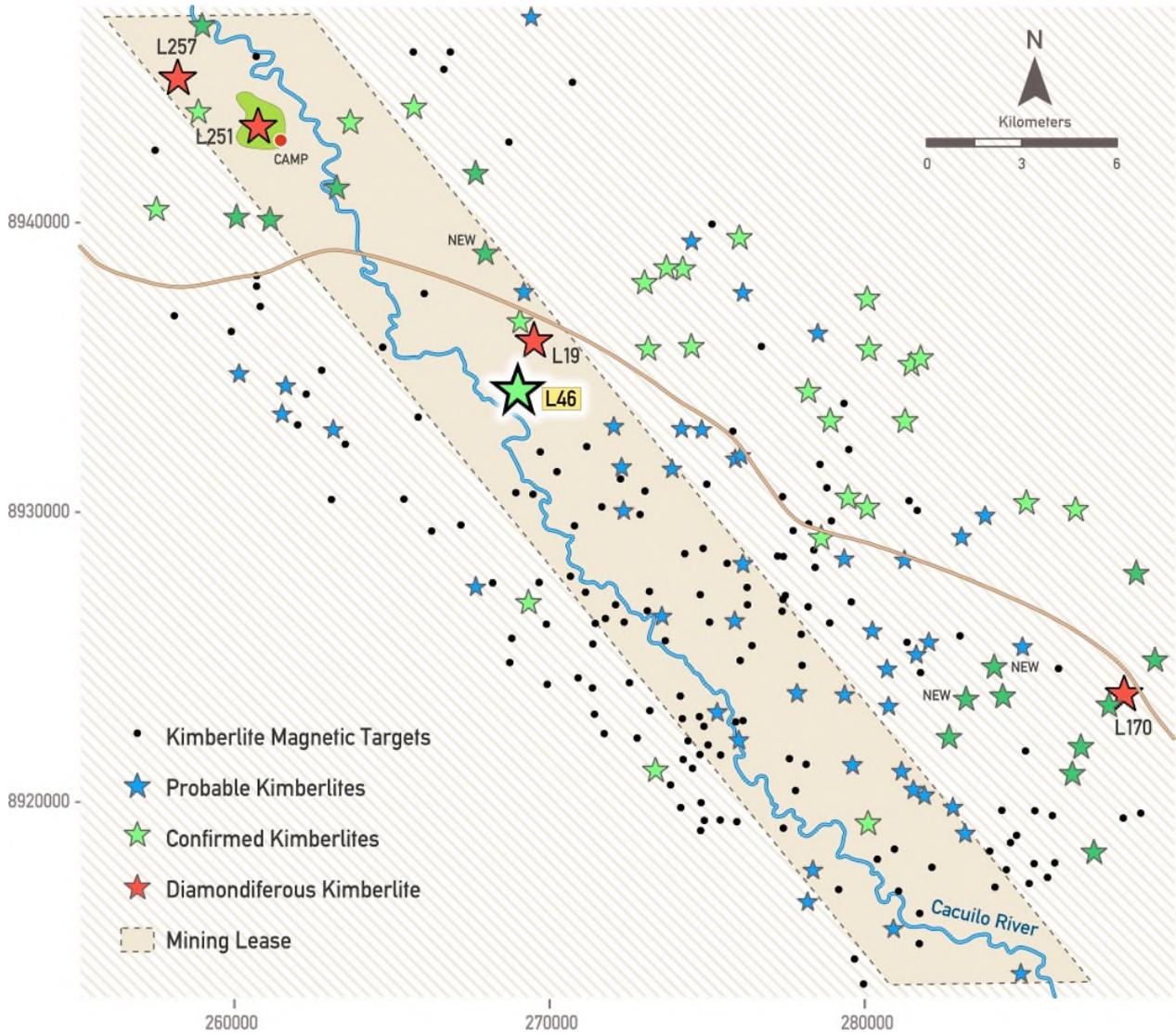


Figure 1: Location of the priority L46 kimberlite and other proximal kimberlite pipes in the alluvial diamond mining area

Lucapa and its partners had originally envisaged processing bulk samples from the kimberlite exploration program through the original 10tph pilot plant at Lulo. However, the scale of the bulk sampling proposed for L46 and expediting these results before the end of August 2015 means this sample will be treated through the larger 150tph diamond plant used for alluvial processing. The first bulk sample from L46 is expected to be processed next month.

The kimberlite sampling work at L46 should also enable Lucapa and its partners to conduct more sampling of the high-grade E46 alluvial gravels surrounding the kimberlite pipe to delineate the diamond gravels further in the area that produced such high bulk sampling results.

As part of our June Quarter plan, consultant geologists also selected existing drill core and soil/kimberlite samples on site for laboratory and micro probing analysis. Drill core from E251, 222, 220, 83/84 19, 18 and 12 as well as samples from E171, 169, 167 and 165 have been dispatched to Cape Town, South Africa, for this purpose. The results from this analysis are expected towards the end of September/early October 2015.

For personal use only

CORPORATE

During the Quarter, Lucapa completed a secondary listing of the Company's shares on the Frankfurt Stock Exchange under the symbol NHY (See ASX announcement 28 May 2015) following a company marketing roadshow in May 2015. The Frankfurt listing is in line with Lucapa's plan to broaden the Company's international market and investor base, particularly in the UK and Europe.

On 28 April 2015, Lucapa issued 3,750,000 unlisted options in accordance with the Company's Employee Option Plan. The options have an exercise price of \$0.30 and expire two years from the grant date (See ASX announcement 28 April 2015).

On 27 July 2015, Lucapa announced it had raised \$4.0 million through the placement of 22.2 million fully-paid ordinary shares at an issue price of \$0.18 per share, together with an attached one-for-one unlisted option exercisable at \$0.20 on or before 30 September 2017.

The use of the proceeds includes funding improvements to the 150tph diamond processing plant and additional equipment for increased wet season mining preparations which will allow mining and processing operations to operate at the increased rate of 20,000bcm/month continuously throughout the Angolan wet season.

For further information, please contact:

STEPHEN WETHERALL
CHIEF EXECUTIVE OFFICER

Tel+61 8 9489 9200

ABOUT ANGOLA

Angola is the world's fourth biggest producer of diamonds by value with forecast annual production of 10 million carats in 2014.

Angola introduced a new Mining Code in 2012 and is actively seeking foreign investment in its diamond industry.

Angola's potential for new diamond discoveries has been recognised by the world's two biggest diamond mining companies, Alrosa and De Beers.

Angola was appointed to chair the Kimberley Process Certification Scheme in 2015.

Competent Person's Statement

Information included in this announcement that relates to previously released exploration data disclosed under the JORC Code 2004 has not been updated to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported and is based on and fairly represents information and supporting documentation prepared and compiled by Albert Thamm MSc F.Aus.IMM (CP), who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr Thamm is a Director of Lucapa Diamond Company Limited. Mr Thamm has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Thamm consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Forward-Looking Statements

This announcement has been prepared by Lucapa Diamond Company Limited. This document contains background information about Lucapa Diamond Company Limited and its related entities current at the date of this announcement. This is in summary form and does not purport to be all inclusive or complete. Recipients should conduct their own investigations and perform their own analysis in order to satisfy themselves as to the accuracy and completeness of the information, statements and opinions contained in this announcement. This announcement is for information purposes only. Neither this document nor the information contained in it constitutes an offer, invitation, solicitation or recommendation in relation to the purchase or sale of shares in any jurisdiction.

This announcement may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction. This document does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this representation are not intended to represent recommendations of particular investments to particular investments to particular persons. Recipients should seek professional advice when deciding if an investment is appropriate. All securities transactions involve risks, which include (among others) the risk of adverse or unanticipated market, financial or political developments.

No responsibility for any errors or omissions from this document arising out of negligence or otherwise is accepted. This document does include forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are outside the control of Lucapa Diamond Company Limited. Actual values, results, outcomes or events may be materially different to those expressed or implied in this announcement. Given these uncertainties, recipients are cautioned not to place reliance on forward-looking statements.

Any forward-looking statements in this announcement speak only at the date of issue of this announcement. Subject to any continuing obligations under applicable law and ASX Listing Rules, Lucapa Diamond Company Limited does not undertake any obligation to update or revise any information or any of the forward-looking statements in this document or any changes in events, conditions or circumstances on which any such forward-looking statement is based.