



**LUCAPA DIAMOND COMPANY LIMITED (ASX: LOM)
QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2015**

HIGHLIGHTS

Lulo Diamond Concession, Angola

- **Alluvial diamond mining operations on track to generate positive operating cash flows by the end of June 2015 after March 2015 Quarter diamond mining and processing targets exceeded**
- **Recovery of an exceptional 63.05 carat Type IIa D-colour diamond outside the historic higher grade and larger stone areas provides further confidence that the large exceptional diamonds are not localised at Lulo but widespread throughout the concession**
- **Diamond mining scheduled to commence in the first of the known higher grade areas at Lulo in early May 2015 following pre-stripping activities at BLK_08, where the largest and most valuable Lulo diamond (131.4 carats) was recovered during bulk sampling**
- **New 24-month kimberlite exploration plan launched to build on the positive kimberlite exploration results achieved to date. Preparations underway to commence the new bulk sampling phase at the four diamond-bearing kimberlite pipes discovered at Lulo**
- **Continued cash flow generation with the sale of a third parcel of Lulo diamonds, with few special stones, for A\$780,000. Fourth diamond sale proposed for May 2015 to include the exceptional 63.05 carat D-colour diamond and other large special stones in inventory**
- **\$4.8 million capital raising achieved and operational and technical due diligence completed by bridging financier for US\$15 million debt facility to accelerate the scaling up of mining operations**



Figure 1: 63.05 carat Type IIa D-colour diamond recovered from mining operations at Lulo

For personal use only

OVERVIEW

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.

In November 2014, Lucapa and its partners signed a 35 year mining licence agreement to mine the exceptional alluvial diamonds at Lulo within a 218km² area which includes more than 50km of the Caculo River, its valley and terraces.

Significant advancements have also been made at Lulo to locate the sources of these exceptional alluvial diamonds.

Lucapa and its partners have identified 296 kimberlite targets at Lulo, of which 96 have been classified as proven or probable kimberlites with four confirmed as diamond-bearing pipes.

ALLUVIAL DIAMOND MINING

During the Quarter, Lucapa and its partners achieved another significant milestone at Lulo with the commencement of Phase 1 alluvial diamond mining operations in January 2015.

The Company exceeded its mining and processing targets for the Quarter despite mining operations being restricted to river terraces and other areas north of the 150 tonne per hour (tph) diamond treatment plant due to the Angolan wet season.

In the three months to the end of March 2015, the mining team exceeded its overburden stripping targets to expose 12,912 bulk cubic metres (bcm) of diamond bearing gravels for transportation and processing through the diamond treatment plant. This exceeded the March 2015 Quarter processing target of 12,000 bcm.

These gravels produced 1,317 diamonds weighing 1,335 carats for an average stone size of 1.01 carats.



Figure 2: Lulo diamonds weighing 26.7 carats, 20.35 carats and 11.55 carats from March Quarter alluvial mining

Consistent with previous bulk sampling recoveries, the diamonds recovered during the Quarter included 11 special stones (diamonds weighing >10.8 carats) totalling 174.2 carats. As with previous recoveries, several of these special stones were confirmed as rare Type IIa gems.

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2015

The recovered diamond grade of 10.34 carats per 100 cubic metres (cphm³) achieved during the Quarter was consistent with the average bulk sampling results from the areas mined and management estimates.

Significantly, mining during the June 2015 quarter will include the first gravels from the higher grade BLK_08 and BLK_06 & 19 areas, south of the diamond plant, where the largest and most valuable diamonds were recovered during the alluvial bulk sampling phase.

Lucapa commenced the overburden pre-stripping activities at BLK_08 during April and expects to truck the first gravels from this higher grade area for processing through the diamond plant in early May 2015.

Previous bulk sampling programs at the BLK_08 and BLK_06 & 19 areas produced individual diamonds weighing 131.4 carats, 95.4 carats, 53.2 carats, 38.4 carats, 32.2 carats and 24.4 carats.



Figure 3: Alluvial diamond mining operations at Lulo during the March Quarter

Factoring in the mining of these higher grade areas, Lucapa and its partners are targeting an overall average grade of 15 cphm³ for the Phase 1 alluvial diamond mining plan.

Lucapa remains on track to achieve its Phase 1 mining throughput target of between 10,000 to 14,000 bcm/month by June 2015. The Phase 1 plan involves the progressive scaling up of throughput of alluvial gravels from 3,500 bcm/month in January 2015 to 10,000 bcm/month in June 2015 – at which stage, based on current assumptions, alluvial diamond mining operations are scheduled to generate positive operating cash flows.

The step-up to 14,000 bcm/month will be achieved via the sourcing of additional earthmoving equipment, which Lucapa is in discussions to procure.

The Phase 2 mining plan targets throughput of 40,000 bcm/month at a targeted average diamond grade of 10 cphm³. This step-up in scale will be achieved via additional earthmoving fleet and in-field screening plants to wash and screen alluvial gravels at source to create a concentrated feed for trucking to the diamond treatment plant.

Subsequent to the Quarter, and as announced to the ASX on 16 April 2015, Lucapa recovered a 63.05 carat Type IIa diamond from mining area 31, which is north of the diamond plant and not previously identified as a high grade area from previous bulk sampling.

After acid washing, this 63.05 carat diamond was confirmed as a D-colour gem (Figures 1 and 4. Also refer Diamond Sales section).



Figure 4: The 63.05 carat Type IIa D-colour diamond

The 63.05 carat gem is the third largest diamond recovered at Lulo behind the 131.4 carat and 95.4 carat stones recovered from previous alluvial bulk sampling activities south of the diamond plant and the biggest diamond recovered to date from alluvial mining operations.

Lucapa believes the recovery of the 63.05 carat gem north of the treatment plant is further evidence that the large exceptional diamonds are not localised at Lulo and should continue to be recovered as mining operations are scaled up.

DIAMOND SALES

As announced to the ASX on 22 April 2015, Lucapa sold a third parcel of Lulo alluvial diamonds through Angolan Government diamond marketing agency SODIAM for gross proceeds of A\$790,000.

The parcel comprised 1,450.16 carats which achieved an average sale price of A\$544/carats (US\$420/carats).

For personal use only

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 MARCH 2015

The sale brought to A\$6.8 million the gross proceeds generated from the sale of three parcels of Lulo alluvial diamonds weighing a total of 2,317.71 carats. This represents an exceptional average price of almost A\$3,000 per carat across the three diamond sales (See Figure 5: Canaccord Genuity modelling).

Unlike the first two parcels, the third parcel of Lulo diamonds did not comprise many large premium-value special diamonds. Large special diamonds have in previous sales achieved prices in excess of \$US20,000/carats and positively influenced the average \$ per carat sale price.

Excluding the premium value specials, the remainder of the Lulo diamond production has averaged approximately US\$400/carats, which is well above the global average sales price of ~US\$120/carats and further highlights the uniqueness of the Lulo diamond field.

The 1,450.16 carat parcel sold included mining production up until the end of January 2015.

The next parcel of >1,000 carats of Lulo diamonds to be sold is expected to include production from February and March 2015 (See ASX announcement 8 April 2015) and most of April 2015 production.

As announced on 22 April 2015, Lucapa will propose to the Lulo Board to hold this fourth diamond sale in May 2015. In line with previous guidance, Lucapa and its partners will hold diamond sales on a more regular basis, generating ongoing cash flows, as alluvial mining operations are scaled up.

This fourth parcel of Lulo diamonds is also expected to include the 63.05 carat Type Ila D-colour diamond recovered in April 2015 and other special gems recovered from mining operations since the end of January 2015.

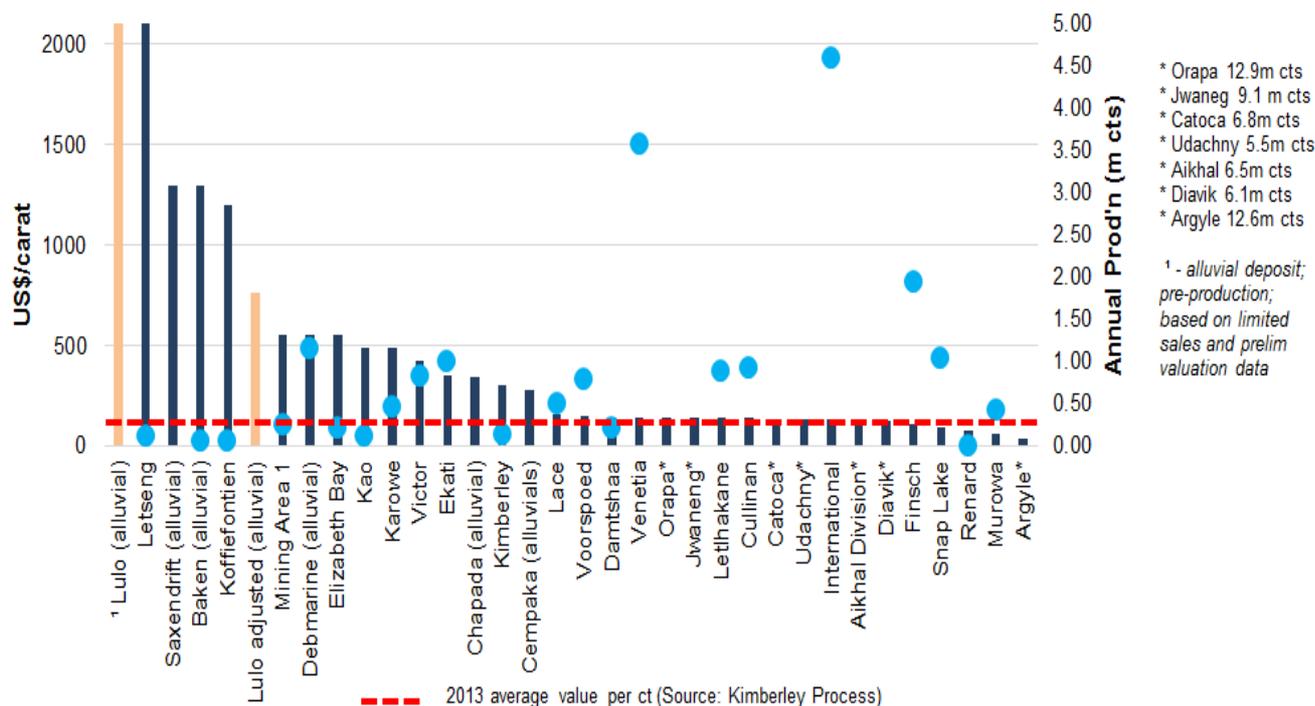


Figure 5: Modelling by Canaccord Genuity (Australia) Limited based on Lulo average sales, including adjusted average after excluding the 131.4 and 95.4 carat diamonds

KIMBERLITE EXPLORATION PROGRAM

During the Quarter, Lucapa announced the next significant phase of the Company's kimberlite exploration program, which aims to build on the positive exploration results achieved to date at Lulo (See ASX announcement 23 March 2015).

The recently launched kimberlite program was designed following a review of all geological and exploration data from the 296 kimberlite targets discovered to date at Lulo, of which 96 have been classified as confirmed and probable kimberlites and four confirmed as diamond-bearing pipes.

The exploration program, which included input from independent consultants and the Lulo geological team, is divided into two stages over a period of 24 months. It includes further evaluation work on the four diamond-bearing pipes already identified at Lulo (Figure 7) and the testing of 48 priority targets considered potential sources of the exceptional alluvial diamonds being recovered at Lulo (Figure 9).

The focus of the program will be to prove up large diamondiferous kimberlite pipes (>10ha surface area), with enhanced economics due to the premium value being achieved for Lulo diamonds and the near-surface formation of the Lulo kimberlite pipes.

Lucapa's confidence in proving up an economic kimberlite pipe at Lulo is supported by a range of factors including:

- Lulo lies within the ideal tectonic and stratigraphic setting where the Lucapa Graben crosses Angola's most diamond rich Cuango basin. The Lucapa Graben is the same geological belt hosting most of Angola's producing kimberlite mines, including neighbouring Catoca, the world's fourth largest diamond mine
- The existence of two large kimberlite provinces at Lulo with 296 targets already identified
- The widespread discovery of alluvial diamonds within the concession
- Diamonds recovered include large high-quality gems occurring with smaller stones of lower quality, indicating proximity to the source of the larger diamonds and possible multiple sources
- The Lulo diamonds (specifically the large diamonds) are irregular shaped and have jagged edges, indicating they have not travelled far from the source
- Surface texture studies of all Lulo diamonds show very little sign of abrasion, which also points to a proximal source
- Certain size frequency distribution curve graphs of alluvial diamonds recovered are more akin to kimberlite curves i.e. flatter and poorly sorted
- Lulo kimberlite targets have positive mineral chemistry; including recovery of G3D, G4D and G10D garnets amongst other indicator minerals

Lucapa will utilise the original and smaller 10tph diamond sampling plant at Lulo to process kimberlitic sample from the new kimberlite program, enabling the main and larger 150tph treatment plant to be used for continuous alluvial diamond mining operations. The existing earthmoving fleet will be scheduled between the alluvial mining operations and kimberlite program, until additional earthmoving fleet is sourced to expand mining capacity.

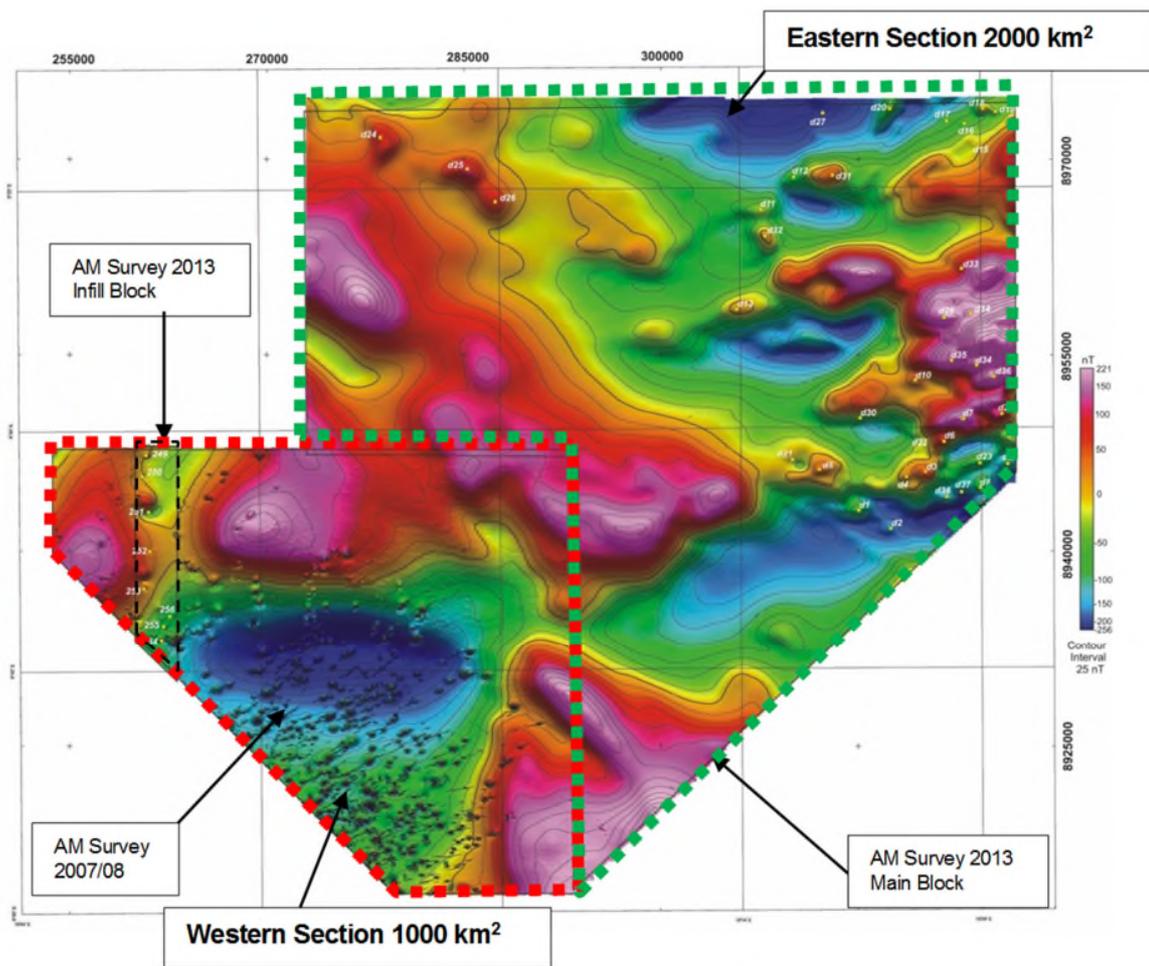


Figure 6: Location of the western and eastern kimberlite provinces within the 3,000km² Lulo concession, containing 296 kimberlite targets

Kimberlite Program - Stage One

Stage one of the new kimberlite exploration program will commence in the June 2015 quarter and will include work in both kimberlite clusters discovered at Lulo – the main western kimberlite province (where Lucapa and its partners have been recovered the exceptional alluvial diamonds) and the new eastern kimberlite province (Figures 6 and 8).

This initial stage will include excavating more extensive bulk samples to further evaluate and prove up the four diamond-bearing pipes already identified at Lulo – L251, L257, L19 and L170 (Figure 7).

As announced to the ASX on 1 August 2014, Lucapa recovered a total of 14 diamonds from preliminary sampling of the L251, L257 and L19 kimberlite pipes, along with a micro diamond from the L170 pipe.

The largest of these kimberlite diamonds weighed 1.6 carats, with a significant proportion of the kimberlite diamonds later confirmed to be Type IIa gems, one of the rarest categories of diamonds.

For personal use only

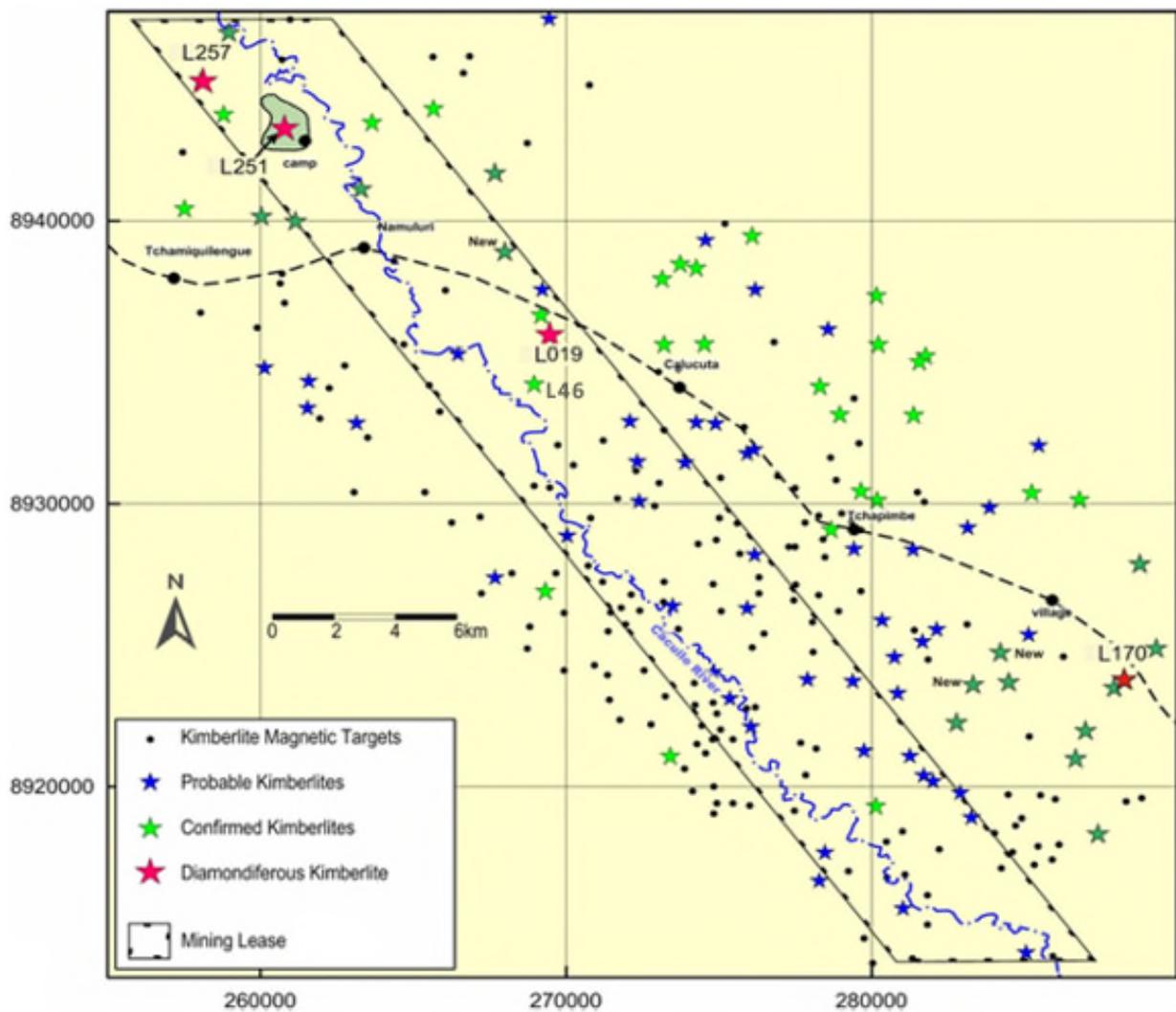


Figure 7: Location of four diamond-bearing kimberlites at the priority L46 target in the western kimberlite province at Lulo which will be bulk sampled in the June 2015 quarter

The Stage one program will also include:

- Processing of sample previously excavated from kimberlite L220
- Laboratory testing of existing drill core from kimberlite targets L2, L12, L18, L19, L46, L83-84, L220, L222 and L251 for kimberlitic indicator minerals
- Bulk sampling of priority kimberlite targets including L46 (Figure 7), which is considered a likely source of diamonds recovered from the high-grade E46 alluvial area
- The first systematic exploration of the kimberlite targets identified in the eastern kimberlite province (Figure 8) including reconnaissance sampling, stream sediment sampling and surface pitting.

For personal use only

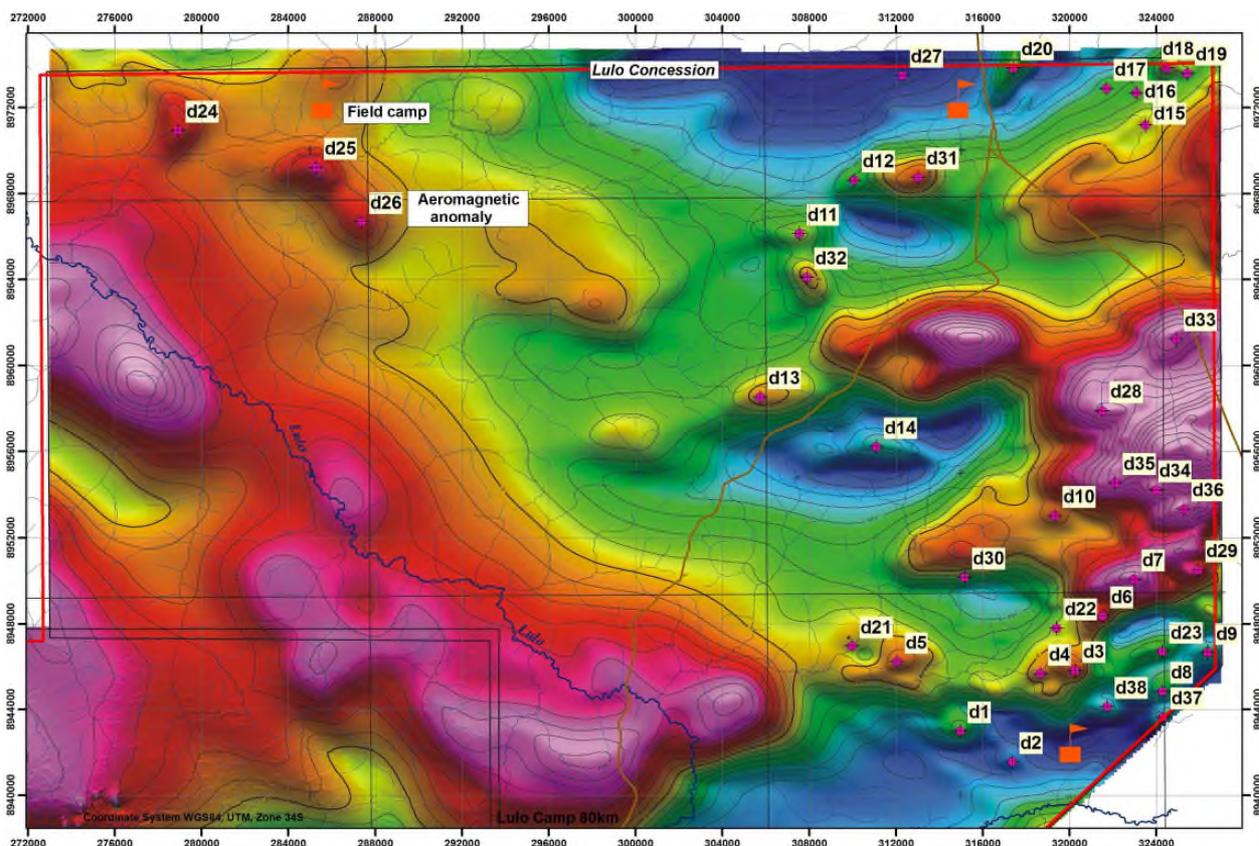


Figure 8: The 38 Kimberlite targets in the eastern kimberlite province at Lulo to be tested in Stage One of the new kimberlite exploration program

Kimberlite Program - Stage Two

The second stage of the new kimberlite program is scheduled to commence in the September 2015 quarter, subject to the results and outcomes of the Stage one program.

In preparation for the Stage two program, Lucapa and its partners have commenced the process of seeking an extension of the Lulo kimberlite exploration licence beyond its current May 2016 date (See ASX announcement 30 May 2014).

The centre-piece of the Stage two exploration phase is a core and reverse circulation (RC) drilling program to test 48 priority kimberlite targets in the main western kimberlite province (Figure 9). Lucapa is assessing cost-effective drilling options for this phase.

The 48 targets were prioritised on the basis of bulk sampling, visual inspection of kimberlite indicators (primarily un-abraded ilmenite, i.e. close to source), known pyroclastic kimberlite geology and surface area (>10ha).

For personal use only

In line with previous guidance, Lucapa remains confident these formalities, which are part of the 35 year Lulo alluvial mining licence signed in November 2014 (See ASX announcement 26 November 2014), can be satisfactorily achieved within the timeframe.

Also on 27 February 2015, Lucapa announced the Company had raised \$4.8 million, less fees, from a placement of 24 million ordinary fully paid Lucapa shares at an issue price of 20c per share, with an attached one-for-one listed option, exercisable at 30c on or before 29 August 2015, at no additional cost.

Far East Capital was lead manager to the issue.

For further information, please contact:

STEPHEN WETHERALL
CHIEF EXECUTIVE OFFICER

Tel+61 8 9489 9200

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 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.