



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2016

Highlights

Kimberlite Exploration

- Priority kimberlite drilling program underway to identify diamond sources
- Application to extend the kimberlite exploration licence for three years ratified by Lulo partners and submitted to Angolan Ministry of Geology & Mines

Alluvial Diamond Mining

- Continued large diamond recoveries including 30 Specials (diamonds >10.8 carats)
- Mining returned to Mining Block 8 following the wet season, where Angola's biggest recorded diamond, a 404 carat gem named "4th February Stone" was recovered
- Significant capital deployed to enhance revenues and efficiencies, including new earth moving fleet, wet front end, XRT diamond recovery technology, diamond deep boiling facility and camp improvements
- Incorporation of Lulo alluvial mining company Sociedade Mineira do Lulo, Limitada ("SML")



Cash Position

Lucapa Diamond Company Limited

- A\$14.5 million raised from LOMOB option conversions
- A\$8.4 million capital invested in Lulo project development
- A\$14.4 million (excluding cash held by SML) closing cash balance
- Lulo and Orapa development and exploration programs well funded

SML (Lucapa owns 40% and is the operator)

- A\$4.1 million in gross diamond revenues generated to fund alluvial operations
- A\$2.7 million closing cash balance
- Closing diamond inventory of 1,219 carats

INTRODUCTION

Lucapa Diamond Company Limited (ASX: **LOM**) (“Lucapa” or “the Company”) operates the Lulo Diamond Project (“Lulo”), a 3,000km² concession in Angola’s Lunda Norte diamond heartland located within 150km of Catoca, the world’s fourth biggest diamond mine.

Lulo generates strong cash flows from alluvial mining operations where it recovers large premium-value diamonds of up to 404 carats. Special diamonds account for more than 90% of overall diamond revenues, underlining the unique large diamond nature of the resource and its future potential.

Lucapa and its partners, Endiama and Rosas & Petalas, are advanced in their search to identify the primary kimberlite source or sources of these exceptional alluvial diamonds, with a priority kimberlite drilling program commencing at the end of the June 2016 Quarter (“Quarter”).



Selection of smaller diamonds recovered during the Quarter, including pinks and yellows

Lucapa has a strong balance sheet. The Company’s significant cash balance and revenue generating ability leave it ideally-positioned to advance and grow the Lulo project while assessing other diamond opportunities.

Lucapa has a primary listing on the ASX with a secondary listing on the Frankfurt Stock Exchange. The Company has appointed Panmure Gordon & Co as its UK financial adviser with a view to considering a possible listing on the AIM Market in London.

ALLUVIAL DIAMOND SALES

During the Quarter, the Lulo partners completed the sale of two parcels of alluvial diamonds weighing a total of 2,670 carats (See ASX announcements 18 May 2016 and 27 June 2016).

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	Q2 15	H1 15	Q2 16	H1 16	Var Q2 16 to Q2 15	Var H1 16 to H1 15
Actual Sales (carats)	2,989	2,989	2,670	4,601	-11%	54%
Actual Sales (A\$)	3,666,929	3,666,929	4,127,454	36,627,370	13%	899%
Actual Price per Carat (A\$)	1,227	1,227	1,546	7,960	26%	549%
Actual Sales (US\$)	2,917,510	2,917,510	3,022,250	26,160,899	4%	797%
Actual Price per Carat (US\$)	976	976	1,132	5,686	16%	483%
Diamond Inventory (carats)	855	855	1,219	1,219	43%	43%

Table 1: Quarter and year to date diamond sales and average prices

The diamonds from the two sales achieved gross proceeds of A\$4.1 million (US\$3.0 million), representing an average price of A\$1,546 per carat (US\$1,132). The 2016 half year diamond sales of A\$36.6 million (US\$26.2 million) represented an average price of A\$7,960 per carat (US\$5,686), underlining the premium quality of the Lulo diamond production (Refer Table 1). The average price excluding the 404 carat “4th February Stone” recovered in the first quarter of 2016 is still an exceptional A\$3,374 per carat (US\$2,421).

As with all previous Lulo diamond sales, the sales were conducted in Luanda by SODIAM, the Angolan Government’s diamond marketing division.



Selection of Special diamonds recovered during the Quarter

The Lulo partners expect to conduct at least two diamond sales in the September 2016 quarter. The unsold Lulo diamond inventory stood at 1,219 carats as at 30 June 2016 (Table 1).

ALLUVIAL DIAMOND MINING

Alluvial diamond mining was mainly focused on Mining Block 6 with significant trial mining of the E46 area also continuing during the Quarter. Late in the Quarter, the Lulo partners gained access to, and resumed mining in, the Mining Block 8 area, where the record 404 carat diamond was recovered in the previous quarter.

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Mining Blocks 8 and 6 are expected to be the focus of mining activities in the current September 2016 quarter.

	Q2 15	H1 15	Q2 16	YTD H1 16	Var Q2 16 to Q2 15	Var H1 16 to H1 15
Actual Treated m ³ (bulked)	17,264	30,176	36,753	73,961	113%	145%
Actual Carats Recovered	1,430	2,765	2,581	5,668	80%	105%
Actual Grade Recovered (cphm ³)	8.3	9.2	7.0	7.7	-15%	-16%
Actual No of Stones Recovered	1,818	3,135	2,051	4,311	13%	38%
Actual Avg Stone Size Recovered	0.8	0.9	1.3	1.3	60%	49%
Specials Recovered	3	15	30	53	900%	253%

Table 2: Quarter and year to date alluvial diamond mining physicals

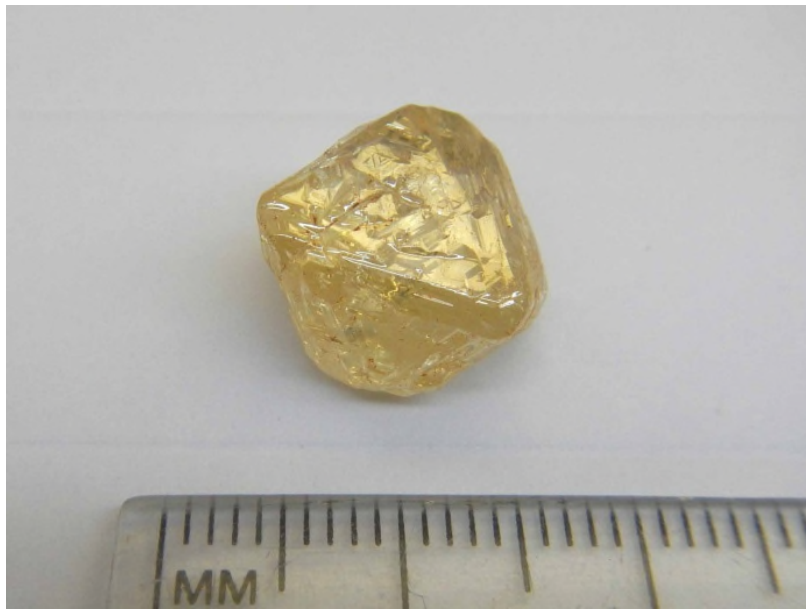
The physicals table above illustrates the significant value added to the Lulo alluvial diamond mining operations from the additional investment in earth moving fleet in the second half of 2015. This investment allowed Lulo to increase total mining capacity above 20,000 bulk cubic metres (bcm) per month during the dry mining months. Mining capacity during the traditional wet-season months averages 12,000 bcm per month. Notwithstanding the expected reduction in mining capacity and recoveries during the wet season, the strategy to deliver quality versus quantity resulted in A\$36.3 million (US\$25.9 million) in revenue being generated in sales from wet season mining.

A total of 36,753 bcm of alluvial gravels were treated through the 150 tonne per hour (“tph”) diamond plant during the Quarter, representing a 113% increase in throughput compared to the previous year’s quarter.



88 carat and 31 carat Type IIa diamonds recovered during the Quarter

A total of 2,581 carats were recovered during the Quarter at a slightly lower grade of 7.0 cphm³, including 30 specials of up to 88 carats and a 13 carat yellow diamond, representing an 80% increase in recoveries compared to the previous year’s quarter.



13 carat yellow diamond recovered during the Quarter

The average size of the diamonds recovered increased from 0.8 carats per stone to 1.3 carats. This increase in stone size is important considering the bottom cut off screen size in the plant of 1.5mm was unchanged.

Incorporation of Lulo Alluvial Diamond Mining Company

During the Quarter, Lucapa and its partners achieved another significant milestone when the documents were executed to formally incorporate Sociedade Mineira do Lulo, Limitada (“SML”), the new alluvial diamond mining company that will hold the alluvial mining title (See ASX announcement 16 May 2016).

Lucapa is a 40% shareholder in SML and the operator of the company.

KIMBERLITE EXPLORATION

The Lulo kimberlite exploration program aims to locate the primary source, or sources, of the large premium-quality alluvial diamonds being mined at Lulo.

To date, the Lulo partners have identified approximately 300 kimberlite targets in two provinces within the Lulo concession, of which ~100 have been classified as proven or probable kimberlites with five confirmed as diamond-bearing pipes through the recovery of macro and micro diamonds.

The area around Mining Blocks 8 and 6 remained the priority focus of the kimberlite exploration program during the Quarter after geophysical gravity and electromagnetic (“EM”) surveys conducted in the previous quarter at the L259 target successfully defined a 78-108 hectare body consistent with the near-surface expression of a kimberlite pipe, or its crater (Figure 1).

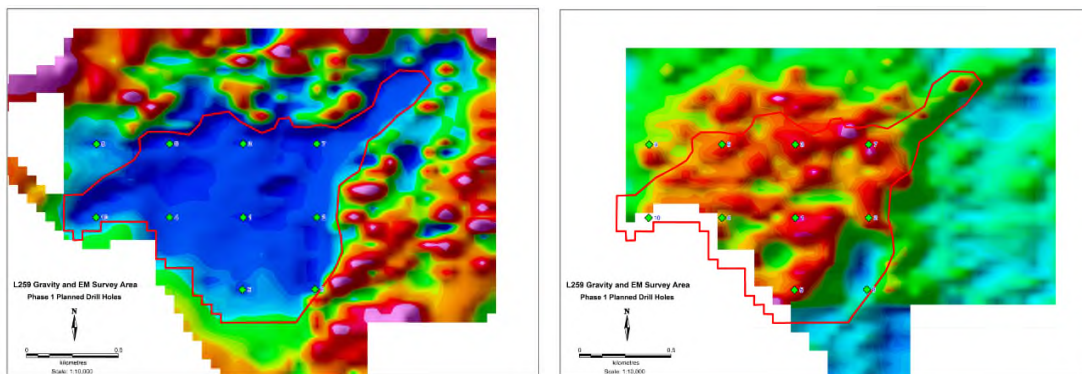


Figure 1: Gravity contour and EM conductivity maps with drill sites for the 10 scheduled drill holes at the L259 kimberlite target

L259 is located below Mining Block 8 and close to Mining Block 6 (Figure 2), which have been regular sources of large premium-quality diamonds.

Late in the Quarter, Lucapa and its partners commenced a kimberlite drilling program following the delayed arrival on site of a team of specialist drillers (See ASX announcement 27 June 2016).

Drill sites were prepared for 10 scheduled holes to be drilled at L259 in the initial drilling phase (Figure 1).

This drilling program commenced on L259 and will continue throughout 2016 on the high priority targets. Other kimberlite targets proximal to L259 scheduled to be drilled include L13, L15, E217 and L248 (Figure 2). Diamondiferous kimberlites L19 and L46 and proximal kimberlite L18 are also scheduled to be drilled.

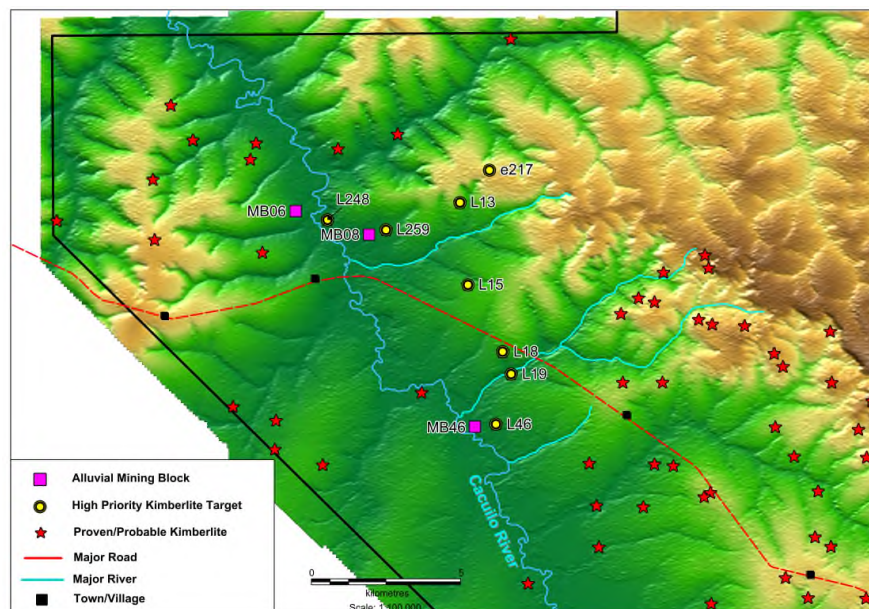


Figure 2: Location of high priority kimberlite targets scheduled to be drilled in the initial drilling phase

The Lulo kimberlite drilling program is being conducted using the mobile Sedidril rig. The diamond rig can drill 61mm diameter holes to extract core from a depth of up to 70 metres. The Sedidril rig also has auger drilling capacity to assist the Lulo geological team in expanding/ defining the alluvial resource areas.

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As detailed in the ASX announcements of 16 March 2016 and 13 April 2016, the potential aims of the initial kimberlite drilling program include:

1. To confirm the presence of kimberlite material in areas of coincident gravity and EM signatures and potentially beyond the survey limits;
2. To define pyroclastic kimberlite ("PK") material suitable for bulk sampling (using an excavator) and processing through the Lulo diamond plant;
3. To extract kimberlite core samples for detailed petrographic analysis and recovery of indicator minerals, as well as possible geochemical analysis; and
4. To assist in defining the internal geology of the kimberlite.

Lucapa and its partners are assessing options for a second drilling rig with a deeper and wider capability that would assist in expediting this kimberlite drilling program.

Lulo Kimberlite Exploration Licence

During the Quarter, Lucapa and its Lulo partners, Endiama and Rosas & Petalas, formally signed off on a new three-year kimberlite exploration program at Lulo. As such, an application for a three year extension to the kimberlite exploration licence has been submitted to the Angolan Ministry of Geology & Mines.

As foreshadowed in the ASX announcement of 16 May 2016, Lucapa and its partners will continue to advance the kimberlite exploration program, as allowed, while this licence renewal process takes place.

ALLUVIAL UPGRADE AND IMPROVEMENT PROGRAM

Lucapa continued to invest capital in upgrading and improving the alluvial mining operations and plant at Lulo during the Quarter. This will increase mining capacity, increase diamond recoveries (specifically the potential to recover diamonds larger than 295 carats) and improve diamond presentation and therefore sale values.

Installation of the wet front end-module on the 150 tph diamond plant was completed during the Quarter to reduce double handling, increase the feed rate of the plant, improve the efficiency of wet material handling and screening and thereby increase the capacity of the existing scrubber. The wet front end will be commissioned and fully functional in July 2016.



The new wet front end module at Lulo

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A state-of-the-art XRT large diamond recovery and sorting solution has been ordered and is scheduled to be commissioned during the September 2016 quarter. This XRT unit will process diamond bearing material between 18mm and 55mm in size, allowing the Lulo diamond plant to recover diamonds up to 1,100 carats in size. This screen size upgrade together with the XRT technology solution is a significant improvement to the plant process design. Additionally, the new XRT solution is better suited to the recovery of Type IIa diamonds that do not luminesce.

As previously announced, the Lulo partners have been stockpiling the oversize material (material > 32mm) since the recovery of the record 404 carat diamond in February 2016. This stockpiled material will be retreated once the XRT unit is installed.

A diamond deep boiling facility was also ordered during the Quarter. This facility is being fabricated and is also due for installation in the September 2016 quarter.

The earth moving fleet at Lulo has been expanded during the Quarter with 50% deposits being paid for the new Caterpillar equipment for both the alluvial diamond mining and kimberlite exploration programs. This new fleet comprises four trucks, an excavator, telehandler, front end loader and compactor. This equipment will be operational during the September 2016 quarter.

Capital has also been committed to make required camp and site improvements.

ORAPA AREA F - BOTSWANA

Orapa Area F is a 16.2km² kimberlite prospecting licence located ~40km east of the Orapa diamond mine in Botswana and within ~4km of the BK02 kimberlite being bulk sampled by TSX-listed Lucara Diamond Corp. It contains two known kimberlites and a larger magnetic anomaly. The recently approved work program will comprise ground magnetic, EM and gravity geophysical surveys followed by MMI geochem soil sampling.

DIAMOND OPPORTUNITIES

During the Quarter, Lucapa continued to assess opportunities in the diamond sector to position the Company for continued growth. Lucapa continues to assess various proposals.

CORPORATE

During the Quarter, 48.3 million listed 30c options (ASX: **LOMOB**) were converted on or before their 29 April 2016 expiry date. The conversion of these options generated cash of A\$14.5 million, further strengthening Lucapa's balance sheet.

These funds enabled Lucapa to commit to investing A\$8.4 million in capital expansion and improvements during the Quarter (See Alluvial Upgrade and Improvement Program section).

As at 30 June 2016, Lucapa's cash balance stood at A\$14.4 million.

Note: Lucapa's cash balance excludes the 30 June 2016 cash balance of A\$2.7 million held by alluvial mining company SML.



35 carat Type IIa D-colour gem and 13 carat fancy yellow in unsold diamond inventory

New Management Appointments

The Lulo partners continued to strengthen the management and technical teams during the Quarter.

Key appointments included Mr Richard Barnes as Lulo Mine General Manager, expert drillers and additional geologists. Lucapa also appointed Mr Johan van Wyk as its Finance Manager.

Performance Rights and Options

At the Annual General Meeting of 26 May 2016, Lucapa shareholders ratified the issue of performance rights and options to key management and directors under an incentive and retention plan. The terms and conditions of the incentive and retention plan, including the milestones for vesting of the performance rights and options, were set out in the AGM notice of meeting released to the ASX on 26 April 2016.

As announced on 8 June 2016, a total of 2,925,000 unlisted \$0.53 options expiring 2 June 2019 and 4,275,000 performance rights were issued under the incentive and retention plan.

For and behalf of the Board.

STEPHEN WETHERALL
CHIEF EXECUTIVE OFFICER

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Schedule of Tenements as at 30 June 2016					
Country	Type	Size (km ²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite *	3,000	2 years	39	05/2016
Angola	Exploration (secondary) Alluvial *	1,500	2 years	40	05/2016
Angola	Mining (secondary) Alluvial	1,500	10 years	40	07/2025
Botswana	Reconnaissance	16.2	3 years	75	09/2018

** 3 year extensions to the licences have been submitted to the Ministry of Geology and Mines in Angola*

Competent Person's Statement

Information included in this announcement that relates to previously released exploration data disclosed under JORC Code 2012. 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 FAusIMM (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 and consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

No New Information

To the extent that announcement contains references to prior exploration results and Mineral Resource estimates, which have been cross referenced to previous market announcements made by the Company, unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

Forward-Looking Statements

This announcement has been prepared by the Company. This document contains background information about the Company 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.

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