



**QUARTERLY ACTIVITIES REPORT
FOR THE PERIOD ENDED 30 SEPTEMBER 2017**

LULO DIAMOND PROJECT, ANGOLA

Sociedade Mineira Do Lulo ("SML") (Lucapa 40% and operator)

Alluvial production and exploration

- Continued production of large and premium-value diamonds including 68 Specials (>10.8 carats)
- Specials included two 83 carat diamonds and eight other +50 carat stones
- Treatment volumes of 60,092 bcm leave Lulo on track to achieve record annual production of 240,000 bcm
- Diamond production of 5,278 carats takes year to date recoveries to 13,580 carats
- Ongoing pitting programs at Mining Blocks 6 and 8 to expand alluvial resources in the high-value diamond areas

Continued Cash Generation

- US\$8.8m gross diamond revenues take year to date sales to US\$24.3m at US\$1,640 per carat
- US\$9.4m SML 30 September 2017 cash balance plus 1,710 carats held in diamond inventory

Projecto Lulo

Kimberlite Exploration

- Results from 8,566km helicopter-borne Time Domain Electromagnetic survey guide systematic kimberlite drilling program, utilising three drill rigs
- Kimberlite drill core extracted from multiple targets for laboratory analysis
- Recent drilling focus on priority targets in tributaries draining into the prolific alluvial Mining Block 8 area

MOTHAE KIMBERLITE PROJECT, LESOTHO

Mothae Diamonds (Pty) Ltd ("Mothae") (Lucapa 70%)

- Mine plan optimised to significantly increase diamond production, revenues and mine life
- Multiple development programs progressed and completed to commission Phase 1 in early H2 2018

OTHER EXPLORATION PROJECTS

- Brooking diamond project in Western Australia's Ellendale lamproite field - 19-hole core drilling program set to commence
- Orapa Area F project in Botswana's Orapa diamond field - Government approvals awaited for five-hole drilling program

LUCAPA, AUSTRALIA - CORPORATE

- US\$7.0m (A\$8.9m) Lucapa cash balance which excludes US\$3.7m from post-Quarter LOMOA option conversions
- Further US\$1.3m in funding currently set aside in Angola for ongoing kimberlite exploration and drilling program

Introduction

Lucapa Diamond Company Limited (ASX: **LOM**) (“Lucapa” or “the Company”) is a growing diamond company with a portfolio of high-quality production, development and exploration assets in Angola, Lesotho, Botswana and Australia.

Lucapa’s flagship asset is the Lulo Diamond Project (“Lulo”) – a 3,000km² concession in Angola’s Lunda Norte diamond heartland. Lucapa operates Lulo in partnership with Empresa Nacional da Diamantes E.P. (“Endiama”) and Rosas & Petalas.

Lulo, through mining company SML, generates strong cash flows mining large and premium-value alluvial diamonds. Lulo has produced Angola’s two largest diamonds on record, weighing 404 carats and 227 carats.



Selected Lulo diamonds recovered during the Quarter including Type IIa gems weighing 83 carats and 58 carats and fancy yellow and fancy pink gems

Lucapa and its partners continue to advance their search for the primary kimberlite source(s) of the exceptional alluvial diamonds, with three rigs available to drill an upgraded list of priority kimberlite targets as part of a systematic program.

As part of Lucapa’s strategy to focus on production which complements the high-value production from Lulo, the Company is advancing development of the high-value Mothae kimberlite project in Lesotho, southern Africa. Mothae is similar to Lulo in that it is also known to contain large and premium-value diamonds. It is situated in the heart of the highest \$ per carat cluster of kimberlite diamond producing mines in the world, within 5km of Letšeng, the world’s highest \$ per carat kimberlite diamond mine.

Lucapa is advancing drilling programs at two early-stage exploration projects - Brooking in the West Kimberley lamproite province in Western Australia and Orapa Area F in Botswana's prolific Orapa diamond field.

Lucapa has a primary listing on the ASX and is included in the All Ordinaries Index.

Alluvial Diamond Mining

Lulo alluvial diamond mining company, SML (Lucapa 40% owner and operator), produced 5,278 carats of diamonds during the Quarter from its 1,500 km² mining licence area, taking year to date production to 13,580 carats (Table 1).

Lulo continued to regularly produce large and premium-value diamonds throughout the Quarter, including 68 Specials weighing a total of 1,925 carats. These Specials included two 83 carat diamonds and eight other +50 carat stones.



Type IIa Lulo diamonds recovered during the Quarter weighing 83 carats, 68 carats and 58 carats

Treatment volumes of 60,092 bulk cubic metres ("bcm") were processed during the Quarter for a year to date total of 188,342 bcm. This leaves the Lulo partners well on track to achieve record targeted annual production of 240,000 bcm for calendar 2017.

As set out in Table 1, the results for the Quarter were down on the previous corresponding period in 2016 - which was an exceptional quarter in which recoveries included two 100 carat diamonds (172 carat and 104 carat D-colour gems) and a 39 carat fancy pink.

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Diamond mining activities at Mining Block 8 during the Quarter

Despite production during the Quarter being adversely impacted by maintenance downtime with certain of the Lulo earth moving fleet, the 60,000 bcm target was achieved. The breakdowns on the excavators have since been fixed and mining is now running ahead of plant processing at Lulo.

	Q3 15	YTD Q3 15	Q3 16	YTD Q3 16	Q3 17	YTD Q3 17	Var Q3 2017 to Q3 2016	Var YTD 2017 to YTD 2016
Treated m³ (bulked)	44,009	74,185	64,746	138,984	60,092	188,342	-7%	36%
Carats Recovered	3,479	6,243	8,851	14,519	5,278	13,580	-40%	-6%
Grade Recovered (cphm³)	7.9	8.4	13.7	10.4	8.8	7.2	-36%	-31%
No. of Stones Recovered	2,896	6,031	4,561	8,871	3,187	10,067	-30%	13%
Avg Stone Size Recovered	1.2	1.0	1.9	1.6	1.7	1.3	-15%	-18%
No. of Specials Recovered	43	58	137	190	68	163	-50%	-14%
Specials Carat Weight	1,030	1,320	3,210	5,178	1,925	4,252	-40%	-18%
Diamond Inventory (carats)	1,779	1,779	2,284	2,284	1,710	1,710	-25%	-25%

Table 1: SML physicals and recoveries for the Quarter and year to date, including prior year comparatives.

Note: Previous corresponding 2016 quarter included exceptional recoveries including 172 carat and 104 carat D-colour gems and a 39 carat fancy pink

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Alluvial Diamond Sales

During the Quarter, SML generated gross revenues of US\$8.8m from two sales of Lulo alluvial diamonds at an average price per carat of US\$1,676. This took year to date gross sales revenues to US\$24.3 million at an average price per carat of US\$1,640 (Table 2).

SML finished the Quarter with a cash balance of US\$9.4m (See Corporate section), net of the purchase cost of additional vehicles/fleet.

In addition, SML held a diamond inventory of 1,710 carats at 30 September 2017, which will be included in the next diamond sale scheduled for November 2017.

	Q3 15	YTD Q3 15	Q3 16	YTD Q3 16	Q3 17	YTD Q3 17	Var Q3 2017 to Q3 2016	Var YTD 2017 to YTD 2016
Actual Sales (Carats)	2,559	5,548	7,837	12,438	5,284	14,815	-33%	19%
Actual Sales (US\$)	716,551	3,634,061	10,339,762	36,500,661	8,854,690	24,299,497	-14%	-33%
Actual Price per Carat (US\$)	280	655	1,319	2,935	1,676	1,640	27%	-44%
Actual Sales (A\$)	1,023,644	4,690,573	13,654,897	50,282,267	11,052,920	31,369,651	-19%	-38%
Actual Price per Carat (A\$)	400	845	1,742	4,042	2,092	2,117	20%	-48%

Table 2: Lulo diamond sales and average prices for the Quarter and comparative periods

During the Quarter, the unique nature of the diamond production from Lulo was highlighted when a 163 carat giant Lulo gem described by auctioneer Christie's as the largest flawless cut diamond ever put up for auction was unveiled in Hong Kong.

A 163 carat Type IIa D-colour diamond is the largest diamond cut from the 404 carat 4th February Stone recovered by Lucapa and its Lulo partners in February 2016.

The spectacular 163 carat Lulo diamond took 11 months to cut and polish and is featured in a necklace designed by de Grisogono. It will be auctioned in Geneva in November 2017 after also being showcased in London, Dubai and New York.



The Art of de Grisogono necklace featuring the giant 163 carat Type IIa D flawless diamond cut and polished from the 404 carat Type IIa D colour Lulo gem

Alluvial Exploration

During the Quarter, the Lulo partners also undertook alluvial exploration programs designed to expand the diamond resources and thus continue the targeted four-year rolling inferred resource of the Lulo alluvial diamond mining operations.

These exploration programs included pitting and auger drilling in and around the highest-value diamond areas at Lulo, alluvial Mining Blocks 6 and 8. Bulk sampling of alluvial gravels identified in these areas is planned to ascertain diamond content and grade.

These programs are ongoing and Lucapa will update the market once the programs are completed.

Kimberlite Exploration

The Lulo partners continued to advance kimberlite drilling and exploration programs during the Quarter in parallel with the alluvial mining and exploration operations, with the aim of locating the primary hard-rock source(s) of the exceptional Lulo diamonds within the Lulo 3,000km² concession.

On 24 July 2017, Lucapa announced that the list of priority kimberlite targets at Lulo had been upgraded and reclassified following interpretation of the results of an 8,566 line km Time Domain Electromagnetic (“TDEM”) survey flown over the entire Caculo River valley area within the Lulo concession (Figure 1).

These upgraded targets are the subject of a systematic ongoing drilling program, utilising three drilling rigs available to Lulo to extract core for subsequent mineral chemistry analysis.

On 11 September 2017, Lucapa announced that a total of 19 of the upgraded kimberlite targets had been drilled (Figure 1), leaving the Lulo partners on track to drill the majority of the priority targets by the end of calendar 2017.

The 19 kimberlite targets included seven from which core is undergoing laboratory analysis in Cape Town, South Africa. Of the other 12 targets referred to in the 11 September 2017 ASX announcement, kimberlite core was extracted from seven (Figure 1).

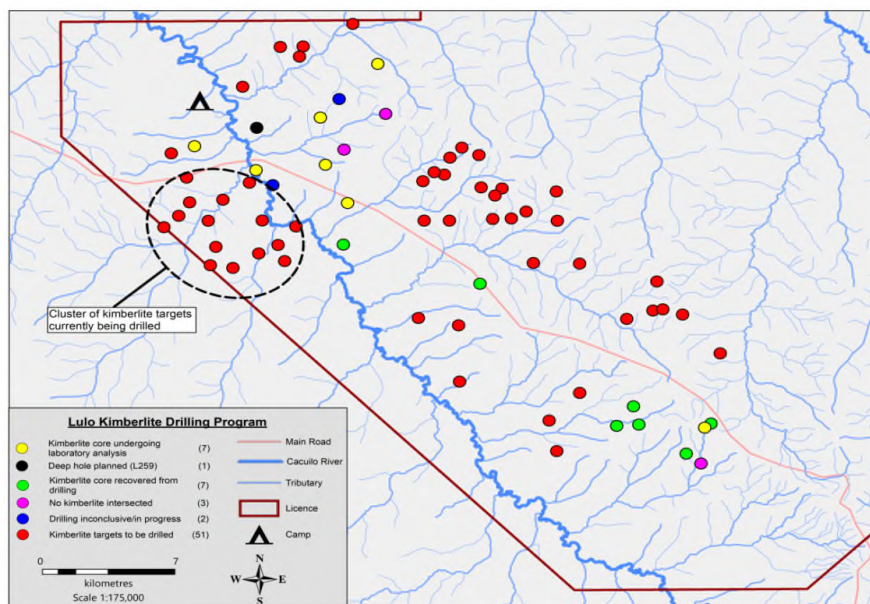


Figure 1: Upgraded kimberlite target list, showing progress of the drilling program as at 11 September 2017 and highlighting the cluster of kimberlite targets on drainage systems feeding into Mining Block 8 which are the focus of drilling

As set out in the ASX announcement of 11 September 2017, drilling is ongoing and focused on the cluster of kimberlite targets identified in the drainage systems feeding into the prolific Mining Block 8 alluvial area (Figure 1).

Lucapa expects to provide a further update on the ongoing Lulo kimberlite drilling program this quarter as the kimberlite drill core is logged.

As previously advised, the laboratory analysis process involves crushing the drill core and extracting kimberlite indicator minerals (including garnet, ilmenite, chrome spinel, chrome diopside and zircon) from heavy liquid concentrates. These indicator minerals are then analysed using an electron micro-probe to determine their mineral chemistry.

Once received, the mineral chemistry results are in turn used to prioritise kimberlites for follow up work, including further drilling and possible bulk sampling.

As previously advised, Lucapa had expected to receive the laboratory results from Cape Town from the first batch of kimberlite core this month. The Company has been advised by independent consultants Remote Exploration Services (formerly part of MSA) that due to technical matters out of their control there is a delay with the final electron micro-probing process referred to above.

Lucapa will update the market as soon as these results are received. The second batch of kimberlite drill core is expected to be dispatched to Cape Town for laboratory analysis this quarter.

Mothae Kimberlite Project, Lesotho

As previously announced, Lucapa acquired a 70% interest in the advanced, high-value Mothae kimberlite project in January 2017 through an international tender process run by the Government of the Kingdom of Lesotho, which has retained a 30% interest.

Mothae is considered complementary to Lulo in that Mothae is also known to host large and premium-value diamonds, a sector of the diamond industry where pricing remains robust. Mothae is located at the heart of the highest value cluster of kimberlite mines in the world and within 5km of the Letseng mine, the world's highest \$ per carat kimberlite diamond mine.

The high-value nature of Mothae is also reflected in the independent JORC resource estimate for the project of more than 1 million carats of diamonds at a modelled average diamond value of US\$1,063 per carat (at a 2mm bottom cut-off size) – this is the second highest average price per carat of any kimberlite resource in the world¹. While the JORC classified resource has been estimated to a depth of 300m, independent modelling of the Mothae kimberlite pipe extends to 500m (See ASX announcement 24 March 2017¹).

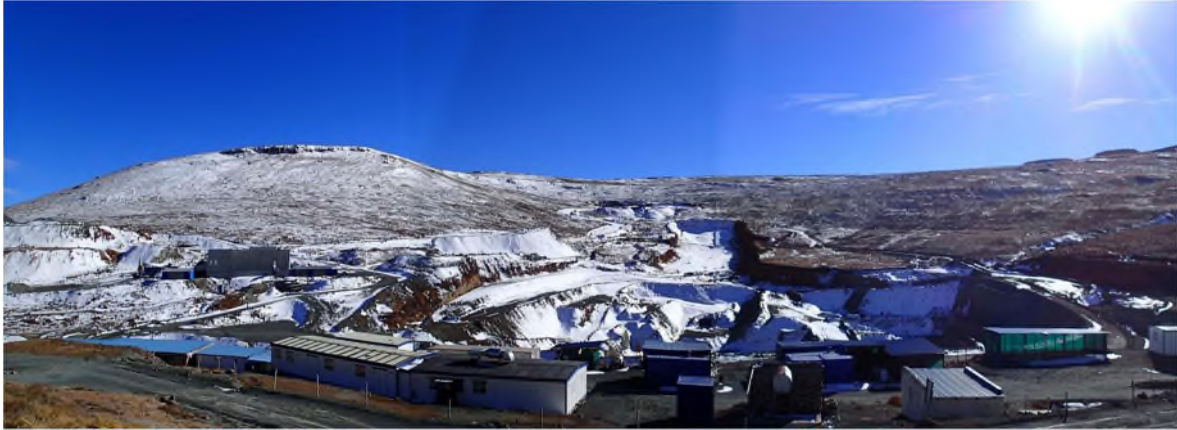
¹The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mothae resource estimate in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

During the Quarter, the main work streams at Mothae included a comprehensive optimisation study to determine a more definitive mine plan. The study was aimed at further enhancing the economics of the Mothae development by increasing diamond production, revenues, mine life and therefore cash flows.

Lucapa expects to announce the results of the optimised Mothae mine plan to the ASX shortly.

As previously advised, the general election held in the Kingdom of Lesotho in June 2017 resulted in a new Government and Ministers being sworn in. During the Quarter, Lucapa hosted the new Lesotho Minister of Mining, the Honourable Keketso Sello, in Perth for the Africa Down Under resources conference, where Minister Sello showcased Lesotho as having the highest \$ per carat kimberlite diamond production in the world.

The new Board of Mothae held its first meeting during the Quarter in Lesotho to advance planning for the Phase 1 mine development.



The Mothae kimberlite project, Lesotho

Other work streams undertaken at Mothae during the Quarter included:

- Optimisation of the process plant design
- Conducted tender for plant construction
- Completion of an Environmental Audit and drafting of the Construction Environmental Management Plan
- Progression of infrastructure planning and surveys for slimes dam and water dams with consultant SRK
- Completion of pit dewatering and clean-up
- Upgrading of surface-water drainage
- Compilation of an independent Competent Person's Report
- Completion of platforms for camp infrastructure
- Upgrading of access roads
- Upgrading of the fuel depot

Brooking Diamond Project, Western Australia

Lucapa's 80% owned Brooking diamond exploration project is located in the Ellendale lamproite province in Western Australia within 40km of the closed Ellendale mine, which was formerly the world's leading producer of fancy yellow diamonds.

As previously announced, Lucapa has defined a series of priority drilling targets at Brooking targeting lamproite, a host rock for diamonds.

This drilling will target conductors identified from detailed ground EM surveys in drainage basins where diamonds and lamproite indicator minerals were recovered from both Lucapa's sampling and previous field sampling programs.

During the Quarter, Lucapa submitted a program of work for a 19-hole (~1,425m) core drilling program at Brooking following the completion of a Heritage Survey. This drilling will focus on eight targets ranging in size of up to 50 hectares. The Brooking drilling program is expected to commence shortly.

Orapa Area F Diamond Project, Botswana

Lucapa's Orapa Area F project is located ~40km east of the prolific Orapa diamond mine in Botswana. Previous exploration programs at Orapa Area F – including ground magnetic, EM and gravity surveys – were successful in defining priority kimberlite drilling targets.

Lucapa is awaiting final environmental approvals for a five-hole core drilling program at two targets – AN01 and BK38. Drilling will commence as soon as these approvals are received.

Corporate

Lucapa and SML Cash Balances

At 30 September 2017, Lucapa held cash reserves of US\$7.0m (A\$8.9m). In addition, the Company received a further US\$3.7 million post-Quarter end from the conversion and/or underwriting of, listed LOMOA options which expired on 30 September 2017.

Lucapa also has a further US\$1.3m in Angola available to it to fund the ongoing Lulo kimberlite exploration program.

Lucapa's cash balance at Quarter end was after the Company paid US\$4.1m during the Quarter to the Government of the Kingdom of Lesotho, being the second consideration payment for the Company's 70% interest in Mothae. This amount was paid from a US\$4.3m bridging loan provided to Lucapa by First Class Securities out of Sydney, Australia (See ASX announcement 26 May 2017), that Lucapa is scheduled to repay this quarter.

During the Quarter, Lucapa also received the final portion of the US\$4m capital loan repayment repatriated from Lulo in Angola (See ASX announcement 7 September 2017).

In addition to Lucapa's cash reserves, Lulo alluvial mining company SML (Lucapa 40% owner and operator) held cash of US\$9.4m at 30 September 2017 (post additional vehicle/fleet payments). SML also had a 1,710 carat diamond inventory at Quarter end.

US\$15m Mothae Financing Facility

Subsequent to the Quarter end, Lucapa announced a US\$15m financing facility with private Singaporean company Equigold Pte Ltd, backed by resources entrepreneur Simon Lee AO, to develop Phase 1 of the Mothae kimberlite project (See ASX announcement 9 October 2017).

Expiry of LOMOA Options

As referred to above, Lucapa had 46.4m listed A\$0.20 options (ASX: **LOMOA**) which expired on 30 September 2017. The conversion of the LOMOA options was underwritten by Westar Capital Ltd ("Westar") as part of a funding package to acquire Mothae and advance development, as announced to the ASX on 26 May 2017.

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On 3 October 2017, Lucapa announced to the ASX that 42.2 million of the LOMOA options had been converted into ordinary Lucapa shares on or before the expiry date, raising gross proceeds of A\$8.4 million. Pursuant to the underwriting agreement, Westar took up the shortfall of 4.2 million Lucapa shares, for gross proceeds of A\$0.8 million, and was issued with 11.6 million unlisted A\$0.35 fee options expiring 30 September 2018 (See ASX announcement 9 October 2017).

New Director

On 4 September 2017, Lucapa announced that Mr Nick Selby had been appointed Executive Director, Operations. Mr Selby joined Lucapa in October 2014 as General Manager, Operations, and was appointed Chief Operating Officer in December 2014.

For and on behalf of the Lucapa Board.

STEPHEN WETHERALL MANAGING DIRECTOR

Schedule of Tenements as at 30 September 2017					
Country	Type	Size (km²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	5 years	39	*
Angola	Mining (secondary) and Exploration Alluvial	1,500	10 years	40	07/2025
Lesotho	Mining Licence	46.85	10 years	70	01/2027
Botswana	Reconnaissance	16.2	3 years	100	09/2018
Australia	Exploration Licence	120.99	5 years	80	12/2020
Australia	Exploration Licence	13.08	5 years	80	03/2019
Australia	Exploration Licence	29.44	5 years	80	06/2022

* 5-year licence extensions approved by the Angolan Minister of Geology & Mines in November 2016 and require the attaching Mining Investment Contract to be finalised. This is underway.

Competent Person's Statement

Information included in this announcement that relates to exploration results and resource estimates 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 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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