



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Lucapa Diamond Company Limited (ASX: LOM) (“Lucapa” or “the Company”) continued its growth as a global producer of high-value diamonds in the September 2019 Quarter (“the Quarter”), delivering record quarterly diamond production from the Lulo and Mothae mines, while also building on the cutting & polishing strategy to generate additional margins beyond the mine gate.

The results leave the Lucapa group on track to achieve the 2020 production target of 60,000 carats of high-value diamonds from both the Mothae and Lulo mines (on a 100% basis).

Lulo and Mothae continued to underline their status as large stone resources during the Quarter, with combined recoveries of 432 +4.8 carat diamonds, including 136 Specials (+10.8 carat diamonds).

Against a backdrop of challenging global diamond market conditions, Mothae and Lulo achieved year to date to September 2019 (“YTD”) sales of US\$38.2 million, with a further US\$10.4 million in sales already booked post Quarter-end. Total sales in 2019 have been achieved at an overall average price of US\$1,249 per carat.

DIAMOND PRODUCTION AND SALES SEPTEMBER 2019 QUARTER & YTD				
	Mothae¹	Lulo²	Q3 Total	Q3 YTD
Tonnes treated	298,726	122,518*	421,244	1,210,858
Carats recovered	7,007	7,603	14,610	35,113
+4.8 carat diamonds recovered	135	297	432	877
+10.8 carat diamonds recovered	39	97	136	272
Sales (US\$m)	2.1	6.7	8.8	38.2
Price per carat (US\$)	476	1,143	856	1,330
Closing diamond inventories	6,378	4,903	11,281	11,281

¹70% subsidiary; ²40% associate. * Converted from bulk cubic metres to tonnes

Mothae - Q3 2019 v Plan:

- Tonnes treated up 11%
- Carats recovered up 30%
- Recovered diamond grade up 17%
- Cash operating costs per carat reduced by 21%

Lulo - Q3 2019 v Q3 2018:

- Volumes treated down 11%
- Carats recovered up 67%
- Recovered diamond grade up 88%
- Cash operating costs per carat reduced by 46%

Managing Director Stephen Wetherall commented: *“Our continued focus on operational and productivity improvements and reductions in operating costs at Mothae and Lulo have enabled Lucapa to deliver robust results, including record production of premium-quality diamonds, in the face of global headwinds in the diamond sector.”*

“The decline in global rough diamond demand throughout 2019 brought about by factors including macroeconomic uncertainty, rising inventories and liquidity issues in the midstream has impacted the revenues of all diamond producers and industry sentiment. However, in line with the more recent tender results reported by other producers, we were encouraged to see a distinct uplift in competitive bidding in our most recent Mothae tender, which was reflected in the prices achieved.”

MOTHAE KIMBERLITE MINE, LESOTHO

(Mothae Diamonds (Pty) Ltd - Lucapa 70%; Government of the Kingdom of Lesotho 30%)

Operations

Mining and treatment operations continued to perform ahead of plan in Mothae’s third quarter of commercial operations, keeping the mine on track to exceed the treatment plant’s 1.1 million tonne per annum nameplate capacity.

Mothae recovered 7,007 carats in the Quarter, which was 30% ahead of plan. Tonnes treated and the recovered diamond grade were also ahead of plan by 11% and 17% respectively (Refer Table 1). In addition, management’s focus on productivity initiatives and cost savings saw a 21% reduction in cash operating costs per carat to plan.

MOTHAE DIAMOND PRODUCTION					
	2019				
	Q1	Q2	Q3	Q3 Var to Plan	Q3 YTD
Tonnes treated	283,042	265,408	298,726	11%	847,176
Carats recovered	6,918	6,349	7,007	30%	20,273
Recovered grade (cpht)	2.44	2.39	2.35	17%	2.39
+4.8 carat diamonds recovered	138	91	135	-	364
+10.8 carat diamonds	42	18	39	-	99
Closing diamond inventories	4,552	3,855	6,378	-	6,378

Table 1: Mothae treatment and recovery results

Mothae continued to underline its status as a large stone resource during the Quarter, producing 135 +4.8 carat diamonds, including 39 Specials.

Mining transitioned completely to the higher grade and margin southern pit on schedule during the Quarter (Figure 1) as further good progress was made raising the new Dam 4 wall in the June 2019 quarter. This enabled the water being stored in the southern pit to be pumped for storage into the new dam, which when completed will have a 500,000m³ capacity. This will ensure the Mothae treatment plant has sufficient water to continue operating in excess of its nameplate capacity.



Figure 1: Mining in the southern pit during the Quarter

The move to the southern pit met with early success, with recoveries including an exceptional 64 carat D-colour Type IIa gem (Figure 2) – which subsequently became the first commercially produced diamond from Mothae to achieve a sale price in excess of US\$1 million (Refer Diamond Sales section).

Mothae held a Quarter-end diamond inventory of 6,378 carats – the majority of which was sold post Quarter-end (Refer Diamond Sales section and ASX announcement 10 October 2019).



Figure 2: Exceptional 64 carat D-colour Type IIa Mothae gem with yellow and pink diamonds

Diamond Sales

The third run of mine tender of Mothae diamonds was completed in Antwerp during the Quarter. The parcel of 4,376 carats realised gross proceeds of US\$1.8 million (A\$2.5 million) representing an average price per carat of US\$400 (A\$579) and US\$475 (A\$688) for diamonds in the +11 sieve size fraction¹.

A 36 carat D-colour diamond was withdrawn from the above tender. This exceptional diamond was subsequently sold in September 2019 into a cutting and polishing partnership with a leading international diamantaire. Additional margins are expected to be generated when the resultant polished is sold in the December 2019 quarter. Progress to date with the manufacturing of this diamond is illustrated below.

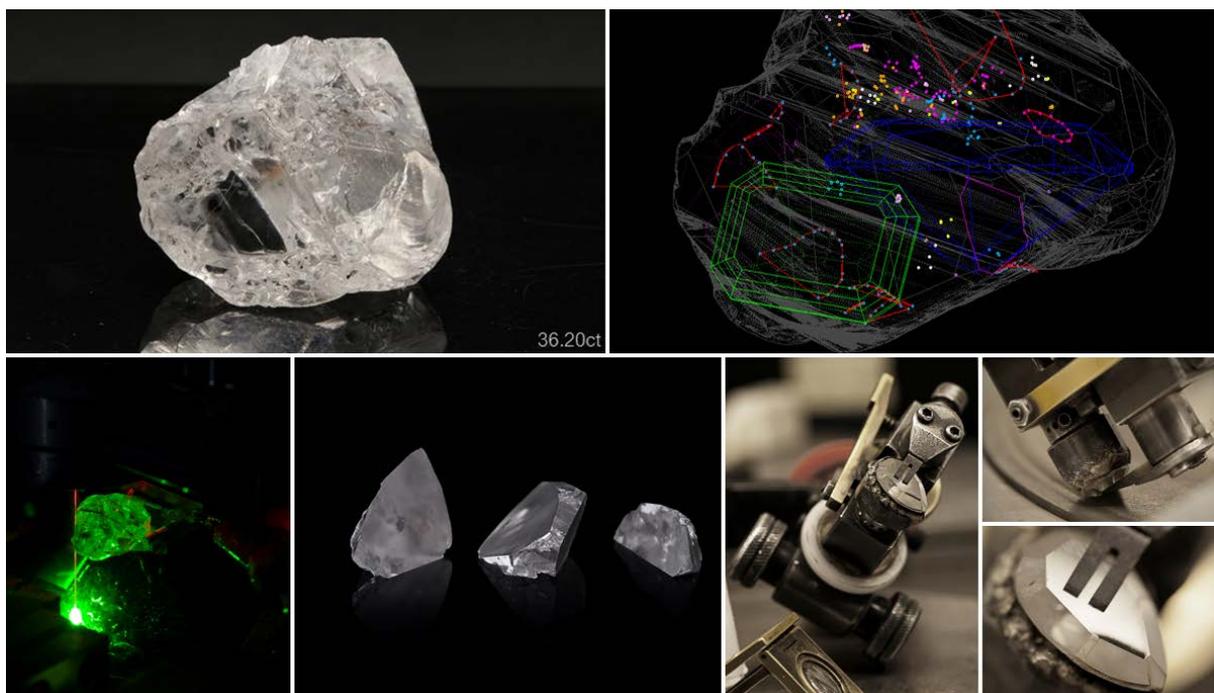


Figure 3: 36 carat D-colour Type IIa Mothae diamond progressing through the manufacturing process under polishing partnership

MOTHAË DIAMOND SALES					
	2019				
	Q1	Q2	Q3	Q3 YTD	Q3 YTD Adjusted*
Carats sold	5,411	7,008	4,412	16,832	22,103
Sales (US\$m)	3.8	3.5	2.1	9.4	13.5
Price per carat (US\$)	707	495	476	558	610

Table 2: SML diamond sales * Includes the post Quarter-end sale

Mothae diamonds exported for sale to Antwerp late in the Quarter were included in a fourth tender concluded post Quarter-end (Refer ASX announcement 10 October 2019). These diamonds, together with the sale of the 36 carat stone into the partnership noted above, totalled 5,307 carats and realised gross proceeds of US\$4.4 million (A\$6.6 million). This represented an average price per carat of US\$837 (A\$1,239) and US\$1,031 (A\$1,526) per carat for diamonds in the +11 sieve size fraction¹.

As referred to in the Operations section above, the 64 carat D-colour Type IIa stone included in the fourth tender became the first commercially recovered diamond sold for in excess of US\$1 million.

The fourth tender took total Mothae 2019 sales to date to US\$13.5 million (A\$19.5 million) at an average price per carat of US\$610 (A\$881) and US\$750 (A\$1,082) for diamonds in the +11 sieve fraction¹ (Table 2).

¹As detailed in the ASX announcement of 27 February 2019, the efficiency of the new Mothae plant in treating the near surface weathered material has resulted in the liberation of additional diamonds, primarily small stones below the plant's 3mm bottom cut-off screen size. These additional diamonds are in the -11 and below sieve size fractions. While these diamonds generate additional value, they also reduce the overall average US\$ per carat price.

LULO ALLUVIAL MINE, ANGOLA

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

Operations

Management continued its focus on productivity and cost efficiencies during the Quarter, which resulted in a 46% reduction in cash operating costs per carat compared to the corresponding 2018 quarter.

SML produced 7,603 carats during the Quarter, a 67% increase over the previous corresponding quarter. This was primarily due to an 88% increase in the recovered diamond grade of 10.5 carats per 100 cubic metres ("cphm") as more material was processed from the new higher-grade flood plain Mining Blocks 19 and 31 (Refer ASX announcement 3 September 2019 and Figure 4).

LULO DIAMOND PRODUCTION						
	2018	2019				
	Q3	Q1	Q2	Q3	Q3 Var to 18	Q3 YTD
M³ treated (bulked)	81,117	73,257	68,604	72,069	-11%	213,930
Carats recovered	4,561	3,369	3,868	7,603	67%	14,839
Recovered grade (cphm)	5.62	4.60	5.64	10.55	88%	6.94
+4.8 carat diamonds recovered	125	92	124	297	138%	513
+10.8 carat diamonds	46	31	45	97	111%	173
Closing diamond inventories	2,272	4,871	3,147	4,903	116%	4,903

Table 3: SML treatment and recovery results

This also resulted in a significant increase in the recovery of large diamonds, with the number of +4.8 carat stones produced up 138% to 297. This included a 111% increase in the number of Specials recovered to 97 (Refer Table 3).

During the Quarter, the remainder of the new fleet of Volvo and Caterpillar earthmoving equipment arrived on site at Lulo. This new fleet, comprising six excavators, eight trucks, two tracked dozers and a wheel dozer, is designed to expand diamond production, revenues and alluvial resources at Lulo.



Figure 4: Selection of Specials recovered from new flood plain Mining Block 19 during the Quarter

SML held a diamond inventory of 4,903 carats at the end of the Quarter – a large portion of which was sold post Quarter-end (Refer Diamond Sales section and ASX announcement 10 October 2019).

Diamond Sales

SML completed the sale of 5,839 carats of run of mine Lulo diamonds during the Quarter for gross revenues of US\$6.7 million (A\$9.7 million). This represented an average price per carat of US\$1,143 (A\$1,658) (Refer Table 4).

LULO DIAMOND SALES						
	2018		2019			
	Q3	Q1	Q2	Q3	Q3 Var to 18	Q3 YTD Adjusted*
Sales (carats)	5,058	451	5,573	5,839	15%	15,052
Sales (US\$m)	4.5	12.1	10.0	6.7	49%	32.4
Price per carat (US\$)	893	26,754	1,800	1,143	28%	2,155

Table 4: SML diamond sales * Includes the first post Quarter-end sale

Another two parcels totalling 4,924 carats of Lulo diamonds exported sold for US\$6.3 million (A\$9.4 million) post Quarter-end (Refer ASX announcements 10 October 2019 and 17 October 2019), representing an average price per carat of US\$1,284 (A\$1,913).

This took total sales of Lulo diamonds to date in 2019 to US\$35.1 million (A\$50.2 million) at an average price per carat of US\$2,090 (A\$2,991).

The sales figures do not include the 46 carat Lulo pink diamond, which has been exported by SML to Antwerp and is being studied for polishing (Figure 5).

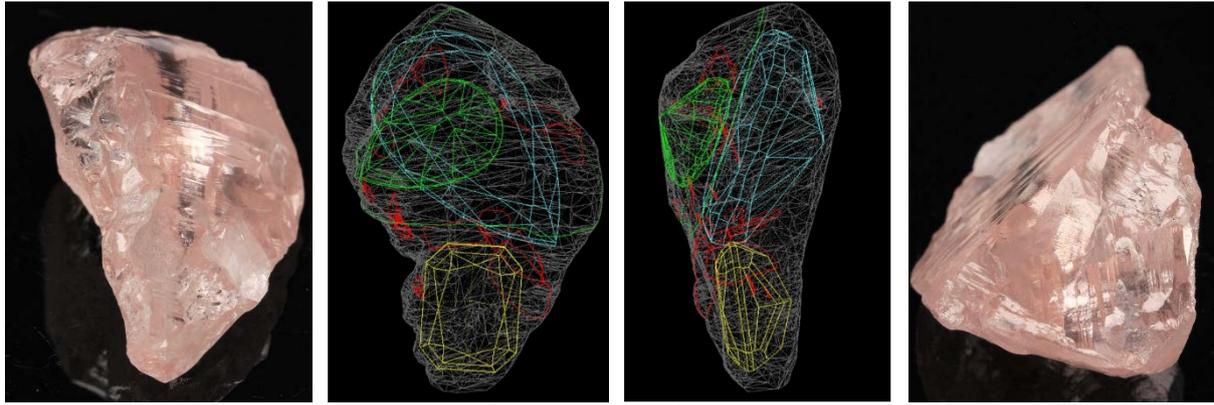


Figure 5: 46 carat Lulo pink diamond (far left and right) and potential polished solutions (centre)

Kimberlite exploration

(Project Lulo – Lucapa 39% JV partner and operator)

The Project Lulo partners launched a new 12-month kimberlite exploration program during the previous quarter, based on the recommendations of a technical review of all previous results which included input from some of the world’s leading independent diamond consultants.

In line with this program, stream bulk sampling programs were undertaken during the Quarter focussing on six major tributaries feeding from high-interest kimberlite areas into the Caculo River upstream of the prolific alluvial Mining Blocks 8 and 6 (Figure 6).

Drilling and pitting was carried out in four of the six tributaries to identify sufficient gravel resources for bulk sampling through the SML alluvial treatment plant. A total of 577 auger holes were drilled and 42 pits excavated.

The majority of the auger drilling and pitting was located within the Canguige tributary, where sufficient gravels were identified to commence sampling. Excavation of these gravel samples is scheduled to commence in November 2019 for testing through the treatment plant.

Gravels were also identified within the Xangando tributary, where drilling and pitting is continuing to define sufficient material for sampling.

A delineation drilling program targeting 16 kimberlite pipes rated in the technical review as the most prospective continued during the Quarter. A total of 10 core holes (1,159 metres) were completed at L014, L015 and L219, with kimberlite material intersected in all holes. In addition, volcanoclastic kimberlite was intersected in L017, which will be sampled and submitted for laboratory analysis.

Two stratigraphic holes (652m) were drilled in the Xinge area to map the full background stratigraphic sequence to assist in understanding the erosional and depositional history of the project area. The core is being reviewed, with detailed logging and sampling to be undertaken by a Karoo stratigraphy specialist.

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 Richard Price MAusIMM who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Price is an employee of Lucapa Diamond Company Limited. Mr Price 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 Price 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.

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SCHEDULE OF TENEMENTS AS AT 30 SEPTEMBER 2019					
Country	Type	Size (km²)	Period	Interest (%)	End date
Angola	Exploration (primary) Kimberlite	3,000	5 years	39	Apr-23
Angola	Mining (secondary) and Exploration Alluvial	1,500	10 years	40	Jul-25
Lesotho	Mining Licence	47 ²	10 years	70	Jan-27
Botswana	Reconnaissance	8	2 years	100	Sep-20
Australia	Exploration Licence	72	5 years	80	Dec-20
Australia	Exploration Licence	13	5 years	80	Mar-24
Australia	Exploration Licence	29	5 years	80	Jun-22
Australia	Exploration Licence	3	5 years	80	Jun-23

Table 5: Schedule of tenements

² Area includes the protection area and production area