



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2021

Lucapa Diamond Company Limited (ASX: **LOM**) (“Lucapa” or “the Company”) presents its activities report for the Quarter ending 31 March 2021 (the “Quarter” or “Q1 2021”).

Record performances across both operating mines, with an improved re-balancing of the entire diamond industry providing a robust pricing environment for both rough and polished diamonds, has led to a particularly strong Quarter for the Group.

Highlights include:



Group

- US\$3.5m (A\$4.6m) EBITDA¹ generated for the group - US\$4.1m (A\$5.4m) Adjusted EBITDA²
- US\$9.3m (A\$12.2m) held in cash and diamond sales receivables
- US\$2.0m (A\$2.6m) inter-group development loan repayment received
- Diamond industry continued to strengthen, notably for larger better-quality diamonds

Lulo

- Record five +100 carat diamonds recovered – 133, 131, 118, 114 and 104 carat stones
- Three large pink coloured diamonds recovered – a record 54 carat stone and 40 and 27 carat stones
- Record volumes mined and processed (~47% improvement on previous processing high)
- 35% increase in Lulo JORC inferred resource to a new high of 135,900 carats
- US\$1.6m (A\$2.1m) EBITDA¹ generated
- Record diamond revenues forecast for first six months of 2021

Mothae

- One +100 carat diamond recovered – 213 carat stone is Mothae’s largest Type Ila white diamond
- Daily production records for tonnes and carats
- Record diamond revenues and average diamond prices
- Record US\$3.9m (A\$5.1m) EBITDA¹ generated
- Record diamond revenues for first six months of 2021 – with three sales still planned
- Completion of construction works for 45% capacity expansion

Managing Director, Stephen Wetherall commented “After a testing 2020, the recovery in the diamond sector has continued its momentum, resulting in strongly supported prices across the diamond industry. This together with the stellar performances at our mining operations has resulted in record recoveries, mining volumes and diamond revenues delivering outstanding quarterly operating profits and cash flows.”

¹ EBITDA is a non-IFRS measure

² Adjusted EBITDA is the sum of EBITDA for the group (on a consolidated basis) and 40% of SML’s EBITDA (ownership attributable to Lucapa)



LULO, ANGOLA

ALLUVIAL MINE

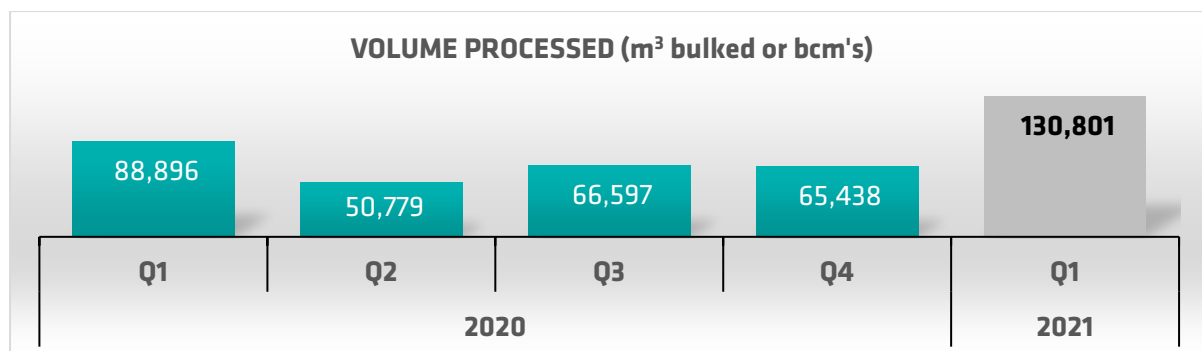
(conducted by Sociedade Mineira Do Lulo (“SML” or “Lulo”) - Lucapa 40% associate, Endiama 32% and Rosas & Petalas 28%)

SML generated an EBITDA of US\$1.6m (A\$2.1m) for the Quarter and holds a significant inventory balance as noted below.

Mining operations

During Q1 2021 and as part of the wet season mine plan, gravels were sourced from the higher lying terraces of the Mining Blocks (“MB’s”), primarily MB46, MB08 and MB06E.

With the expanded mining fleet at Lulo now fully operational following the lifting of certain Covid restrictions in Angola, volumes processed (130,801 bcm’s) during the Quarter were 47% ahead of the prior comparative period (Table 1). This is a **new quarterly processing record** surpassing the previous record by ~40,000 bcm’s.



	Q1 2020	Q1 2021	Variance
Volume processed (m³ bulked or bcm's)	88,896	130,801	47%
Carats recovered	4,891	4,655	-5%
Grade recovered (cphm³)	5.5	3.6	-35%
+4.8 carat diamonds recovered	136	136	0%
+10.8 carat diamonds (Specials) recovered	42	65	55%

Notwithstanding the lower grade of MB46, the coarser and higher-value diamond content of MB46 results in a comparatively higher US\$ revenue/ bcm treated metric. Consequentially, the mine plan focussed on this higher lying terrace at MB46 from where ~56% of the gravels processed were sourced, contributing to a lower overall grade being reported for the Quarter.

The record mining and processing volumes offset the lower grades with 4,655 carats being recovered during the Quarter. Recoveries for the Quarter included 136 diamonds greater than 4.8 carats, which in turn included 65 Specials.

The coarse nature of MB46 impacted positively on the frequency of recovery of large stones. This, combined with the record volumes processed, led to a **record five +100 carat stones being recovered** during the Quarter, all from MB46. Notably, **three large pink coloured diamonds were also recovered**

from MB46 during the Quarter - a new record 54 carat stone and two additional 40 carat and 27 carat diamonds.

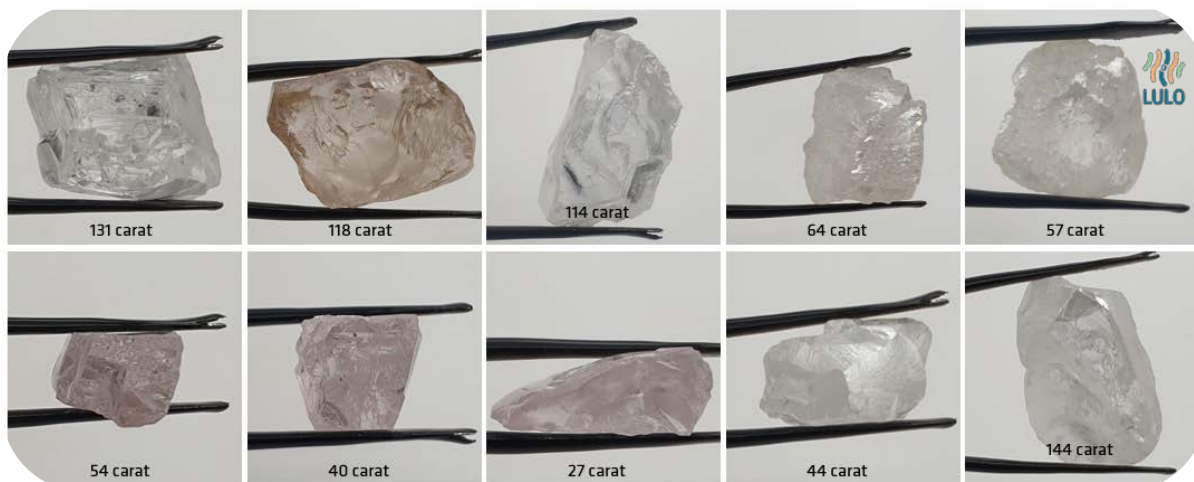
The Canguige catchment and adjacent priority kimberlites are already the focus of the *Project Lulo JV* primary source kimberlite exploration program, and the continued frequent recovery of large and high-value diamonds from MB46, which is adjacent and downstream, underpins the prospectivity of this area. To date, more than 70 Special diamonds have been recovered from MB46, six of which are greater than 100 carats.

Diamond sales

TABLE 2: SML SALES RESULTS AND INVENTORY			
	Q1 2020	Q1 2021	Variance
Rough carats sold	2,818	5,313	89%
Rough diamond sales (US\$m)	7.8	9.5	22%
Rough price/ carat (US\$)	2,758	1,796	-35%
Closing diamond inventories (carats)	3,037	3,652	20%

SML completed two run-of-mine sales of Lulo diamonds during the Quarter totalling 5,313 carats for gross revenues of US\$9.5m (A\$12.3m) achieving an average price/ carat of US\$1,796 (A\$2,314) (Table 2).

As at the end of the Quarter, SML has 3,652 carats in inventory, including 4 +100 carat diamonds and three large pink coloured diamonds. As a result of the overall quality of the diamonds contained in inventory at the end of the Quarter and those subsequently recovered, with the sale of these diamonds in the second quarter, **SML is forecast to achieve record revenues for the first six months of 2021 (“H1 2021”)**.



*Selected diamonds recovered and currently held in inventory by SML
144 carat recovered post Quarter end (refer ASX announcement 6 April 2021)*

Cutting & polishing partnership

Under the partnership agreement with Safdico International (“Safdico”), for diamonds sold into the partnership, SML is paid the full market value of the rough diamonds upfront and subsequently shares in a significant portion of all margins generated thereafter.

During the Quarter, SML sold a further 1,040 carats into the cutting & polishing partnership. As noted in the 2020 Annual Report (refer ASX announcement 26 March 2021), the pandemic materially impacted the global diamond manufacturing sector in 2020 and delayed the manufacturing and timely onward sale of all diamond production sold into the cutting & polishing partnership. Therefore,

most of the partnership margins that were initially scheduled to be received during 2020 will now be received in 2021. As a consequence, the 2021 cutting & polishing partnership returns for SML will be abnormal.

Alluvial resource

The auger drilling and pitting program has continued to delineate additional alluvial diamond-bearing gravels in the terraces along the Cacuilu River. During the Quarter, a total of 1,823 auger holes were completed for a combined length of 11,988m and 174 exploration pits were excavated to assist gravel delineation.

The JORC Classified Inferred Alluvial Diamond Resource (“Lulo Diamond Resource”) was also updated and published during the Quarter (refer ASX announcement 23 March 2021), which resulted in an **increase in the in-situ resource carats to ~136,000 carats, a 35% increase from the previous year** (Table 3).

TABLE 3: LULO JORC CLASSIFIED INFERRED ALLUVIAL DIAMOND RESOURCE 31 DECEMBER 2020 LUCAPA 40% ATTRIBUTABLE							
Inferred	Area (m²)	Diluted volume (m³)	Carats per stone	Stones	Carats	Diluted grade (cphm³)	Modelled value* (US\$/carat)
31 Dec 20	1,979,200	1,980,000	1.23	110,300	135,900	6.86	\$1,440
<i>31 Dec 19</i>	<i>1,586,000</i>	<i>1,151,200</i>	<i>1.27</i>	<i>79,000</i>	<i>100,700</i>	<i>8.75</i>	<i>\$1,620</i>
Notes: i. m ² = square metres; m ³ = in-situ cubic metres; cphm ³ = carats per in-situ 100 cubic metres; ii. Diluted volumes have been estimated based on historical mining production data to better reflect recoverable volumes and grades. Dilution values have been increased for this estimate; iii. Bottom cut off screen size: effective 1.5mm; and * Special stones are not excluded in the modelling stage, in terms of size or assortment.							

The total diluted volume of gravel available for mining in the updated Lulo Diamond Resource increased to 2.0Mm³. This equates to a minimum of four years throughput at current processing rates. As per prior updates, the Lulo Diamond Resource is continually being added to, as the alluvial exploration drilling and pitting program continues in the areas yet to be explored.

KIMBERLITE EXPLORATION

(conducted by Project Lulo Joint Venture (“Project Lulo JV”) – Lucapa 39%, Endiama 51% and Rosas & Petalas 10%)

During the Quarter, Lucapa resumed discussions with its Angolan partners to secure a majority stake in the *Project Lulo JV*. Lucapa believes that securing a majority stake in the 3,000km² kimberlite exploration licence will open up opportunities to expedite the programs aiming to identify the primary hard-rock sources of the exceptional alluvial diamonds being mined by SML at Lulo.

Clearing of the haul road to access the priority kimberlites in the Canguige catchment is complete and final capping of the road will be done using kimberlite sample overburden as sample excavation gets underway following the end of the wet season.

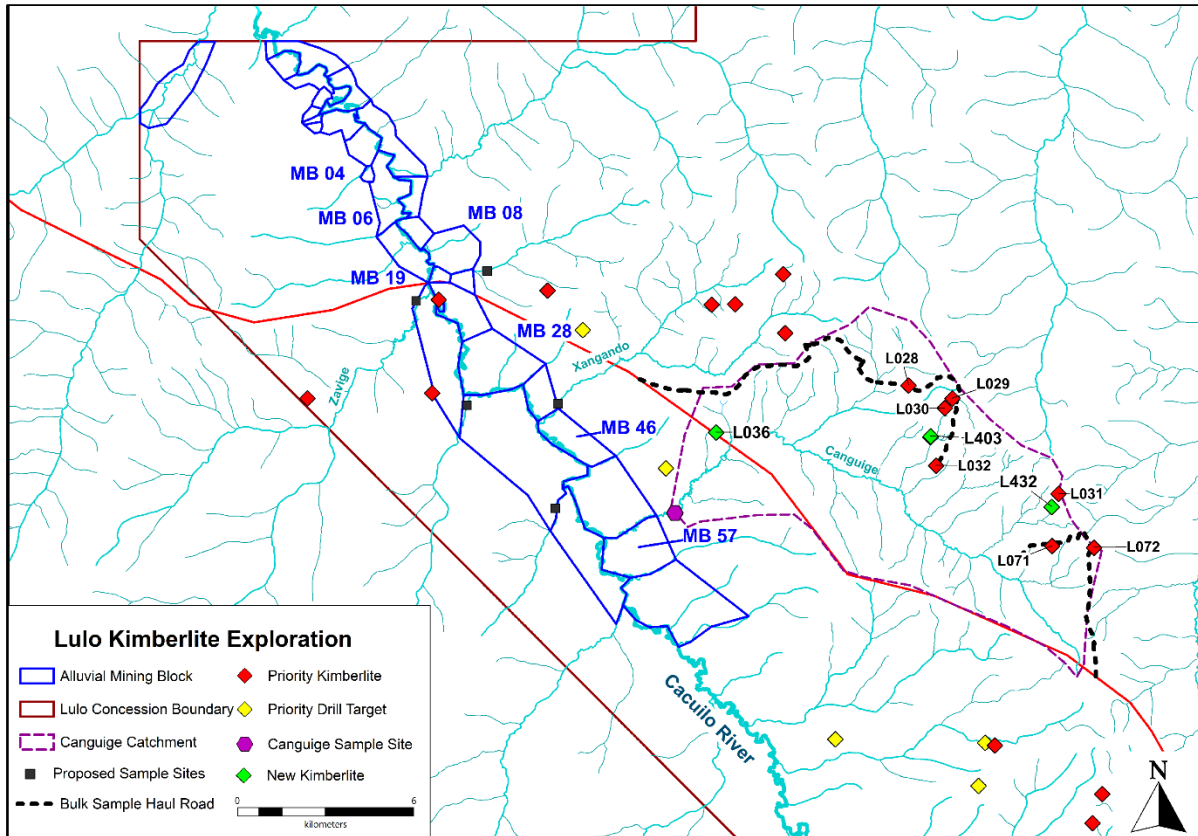


Figure 1: Location of the 18 priority kimberlites and additional targets in the Caculo valley and Canguige catchment area and recently constructed ~16km haul road

Bulk sampling of the prospective kimberlites within and adjacent to the Canguige catchment area and the remaining prospective kimberlites in the wider Caculo valley will commence following the end of the wet season and continue throughout 2021 (Figure 1).

In parallel to completing the haul road during the Quarter, kimberlite delineation drilling of the remaining high priority targets in the Canguige catchment area was completed. Twenty holes totalling 691 metres were drilled by Quarter end. One new kimberlite, L036, was discovered in the Canguige catchment area. Drilling is now continuing in the South East of the project area where a remote camp has been set up for the drilling crews.



**MOTHAE, LESOTHO
KIMBERLITE MINE**

(conducted by Mothae Diamonds (Pty) Ltd (“Mothae”) - Lucapa 70%; Government of Lesotho (“GoL”) 30%)

Mothae generated an EBITDA of US\$3.9m (A\$5.1m) for the Quarter.

Mining operations

As a result of the announced 14-day lockdown and suspension of mining operations (refer ASX announcements on 13 and 29 January 2021) and the planned two-week shutdown to tie in the constructions works for the 45% plant expansion project (refer ASX announcement 22 March 2021) tonnes processed was 36% lower than the comparative quarter (Table 4).

TABLE 4: MOTHAE PRODUCTION RESULTS AND RECOVERIES			
	Q1 2020	Q1 2021	Variance
Tonnes processed	289,012	185,497	-36%
Carats recovered	6,853	5,264	-23%
Grade recovered (cpht)	2.4	2.8	20%
+4.8ct diamonds recovered	137	96	-30%
+10.8ct diamonds (Specials) recovered	38	19	-50%



Select diamonds recovered at Mothae, including the 213 carat white diamond recovered in Q1 2021

The grade recovered improved 20% to 2.8cpht as a result of the mix of kimberlite ore sourced and processed. This higher-grade partially offset the four weeks production lost during the Quarter.

Mothae recovered 5,264 carats for the Quarter, including 96 diamonds of more than 4.8 carats and 19 Specials, including **the high-value 213 carat D-colour Type IIa white diamond** (refer ASX announcement 24 February 2021).

The 213 carat D-colour gem recovered is the fifth +100 carat diamond recovered since commercial production commenced in January 2019. It is the **largest gem quality diamond recovered to date at Mothae**.

Notably, **daily production records of 320 carats recovered and 4,609 tonnes processed** were achieved at Mothae during the Quarter.

Diamond sales

During the Quarter, Mothae completed two run-of-mine sales above US\$1,000/ carat, including a **record average sale price of US\$1,198/ carat** (A\$1,537/ carat) achieved for the first sale of 2021 (refer ASX announcement 11 January 2021).

TABLE 5: MOTHAE SALES RESULTS AND INVENTORY			
	Q1 2020	Q1 2021	Variance
Rough carats sold	6,306	10,295	63%
Rough diamond sales (US\$m)	2.1	11.5	547%
Rough price/ carat (US\$)	338	1,117	330%
Closing diamond inventories (carats)	4,780	2,259	-53%

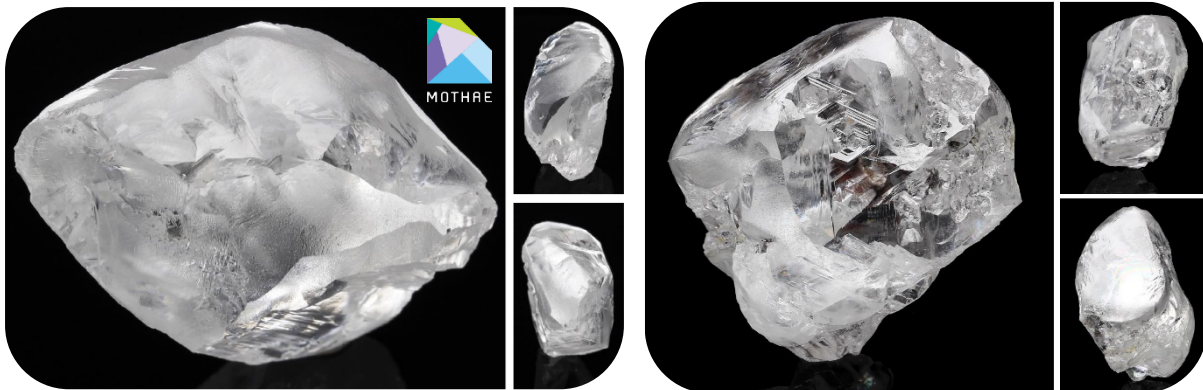
A total of 10,295 carats were sold during the Quarter for a **new quarterly record of ~US\$11.5m (A\$14.8m)** achieving an average price/ carat of US\$1,117 (A\$1,439)(Table 5).

The record sales for the Quarter are a direct result of the large high-quality diamonds recovered from Mothae in Q4 2020 and Q1 2021. We expect to see an increase in the frequency of recovery of these diamonds from the higher volumes following the completion of the 45% plant expansion project in early Q2 2021.

Notwithstanding three sales still planned for the period, Mothae has already **achieved record diamond revenues for the first six months of 2021 during the Quarter.**

Cutting & polishing partnership

The first two parcels during the Quarter were sold under the new diamond sale and purchase agreement including the cutting & polishing partnership with Safdico. These parcels included the exceptional 101 carat D-colour white gem recovered in December 2020 (refer ASX announcement 10 December 2020) and the 213 carat D-colour white gem recovered in February 2021 (refer ASX announcement 24 February 2021).



101 carat (left) and 213 carat D-colour Type Ila diamonds sold by Mothae Q1 2021

Mothae will receive its share of the polished margins achieved from the diamonds sold into the partnership throughout the remainder of 2021 and beyond.

The construction works for the 45% plant expansion were completed on time and on budget during the Quarter and the plant handed back to the production team (refer ASX announcement 22 March 2021). The plant has been commissioned back to 185 tonnes per hour (“tph”) and the ramp up to the new 215tph capacity is ongoing and will conclude early in Q2 2021.



New by-pass conveyor (left) constructed and primary jaw crusher (right) installed as part of the expansion project

OTHER PROJECTS

In December 2020 Lucapa announced its participation in the sale process being conducted by the liquidators of Merlin Diamonds Limited (“Merlin”) to acquire the Merlin assets and associated mining and exploration tenements located in the Northern Territory. Merlin is a multi-pit mine development opportunity with underground mining potential and was the source of Australia’s largest recovered diamond of 104 carats. Lucapa considers Merlin to be complementary to the Company’s vision and pipeline of projects and an opportunity that would significantly benefit from the proven capability of Lucapa’s experienced development and operational teams.

Lucapa will update the market as this process progresses. There can be no assurance that the acquisition will finally complete.

No work was undertaken at the Brooking Project or at the Orapa Area F kimberlite exploration project in Botswana during the Quarter.

CORPORATE

Record performances across both operating mines, with a supported pricing environment, has led to a particularly strong Quarter with the group **generating a consolidated EBITDA of US\$3.5m (A\$4.6m)** for the Quarter or an Adjusted EBITDA of US\$4.1m (A\$5.4m), which includes 40% of SML’s EBITDA (ownership attributable to Lucapa).

The **group’s cash and diamond sales receivables balance at Quarter end was US\$9.3m (A\$12.2m)** with 2,259 carats held in Mothae’s diamond inventory (Table 5). During the Quarter, **Lucapa received US\$2.0m (A\$2.6m)** from Mothae against the US\$38.5m inter-group loan advanced for the development of the mine. Post Quarter end, Mothae received US\$5.9m (A\$7.6m) in respect of the sale of 5,619 carats (refer ASX announcement 24 March 2021). Post Quarter end, Mothae repaid a further US\$2.0m (A\$2.6m) of the inter-group development loan to Lucapa.

SML associate held a cash balance of US\$5.2m (A\$6.8m) as well as a 3,652 carat diamond inventory at Quarter end (Table 2). As noted above, this diamond inventory is of significant value, and with the sale of current inventory in the second quarter of 2021, SML is forecast to achieve record revenues for the first six months of 2021.

In accordance with ASX Listing Rule 5.3.5, the Company advises that payments made to related parties and their associates during the period included US\$261k for Directors’ remuneration (including superannuation) and US\$32k in respect of office rent to an entity associated with Non-executive Chairman, Miles Kennedy. Net inter-group funding payments received from or made to subsidiaries during the Quarter amounted to US\$2.0m (A\$2.6m).

Authorised by the Lucapa Board.

STEPHEN WETHERALL
MANAGING DIRECTOR

ABOUT LUCAPA

Lucapa is a niche diamond producer with high-value mines in Angola (Lulo) and Lesotho (Mothae).

The 0.5 million bulk cubic metre per annum Lulo alluvial mine and 1.6 million tonnes per annum (“Mtpa”) Mothae kimberlite mine both produce large and high-value diamonds, with >75% of revenues generated from the recovery of +4.8 carat stones.

The Lulo mine has been mining commercially since 2015 and has produced 23 +100 carat diamonds to date, including a 404 carat D-colour Type IIa stone, and is one of the highest average US\$ per carat alluvial diamond producers in the world. Lucapa and its Project Lulo JV partners have also achieved highly encouraging results from their search to discover the primary hard-rock source of the high-value Lulo alluvial diamonds.

The Mothae mine in diamond-rich Lesotho commenced commercial mining in 2019 and has produced five +100 carat diamonds to date, including a 213 carat D-colour Type IIa stone. Lucapa has funded a ~45% expansion in the processing capacity of the Mothae mine, which when ramped up in early Q2 2021 will see capacity grow from 1.1 Mtpa to 1.6 Mtpa.

Lucapa’s Board, management team and strategic investors have decades of diamond industry experience across the globe and right through the diamond pipeline, particularly in extracting value from large and high-quality diamonds.

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 this 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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TABLE 6: SCHEDULE OF TENEMENTS AS AT 31 MARCH 2021					
Country	Type	Size (km²)	Period	Interest (%)	End date
Angola	Kimberlite (primary) exploration	3,000	5 years	39	May-24
Angola	Alluvial (secondary) mining and exploration	1,500	10 years	40	Jul-25
Lesotho	Mining Licence	47*	10 years	70	Jan-27
Botswana	Reconnaissance	8	2 years	100	Sep-20^
Australia	Exploration Licence	72	5 years	80	Dec-22^
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

* Area includes the protection and production area

^Applications for licence extensions have been submitted