



**LUCAPA DIAMOND COMPANY LIMITED (ASX: LOM)
QUARTERLY REPORT FOR PERIOD ENDED 28 FEBRUARY 2013**

HIGHLIGHTS

Lulo Diamond Concession, Angola

- **First gem-quality diamond from a kimberlite source recovered from Lulo. 0.6 carat diamond found in Se019, where processing of kimberlite sample is continuing**
- **Three large alluvial diamonds from Lulo, including 131.4 carat stone, confirmed as being Type IIa, which are the rarest and most valuable tier of diamonds in the world**
- **Agreement reached with Endiama to sell alluvial diamonds from Lulo without a Mining Licence**
- **New airborne geophysical survey to commence mid-April 2013 will seek to define additional priority kimberlite targets near where Type IIa alluvial diamonds recovered**
- **Remainder of new 50 tonne per hour DMS diamond plant being shipped to Angola. New plant expected to significantly improve throughput and efficiency of kimberlite and alluvial diamond sampling operations at Lulo**



OVERVIEW

Lucapa Diamond Company (ASX: LOM) is the operator of the Lulo Diamond Concession in Angola. Lulo covers an area of 3,000km² and is located in the Cuango River Basin within Angola's Lunda Norte Province.

Lulo hosts a major kimberlite field identified within the concession and extensive diamond-bearing alluvials occurring along the Caculo and Lulo Rivers.

Lulo is surrounded by concessions held by some of the world's biggest diamond miners and is located about 150km west of the world-class Catoca diamond mine operated by Russia's Alrosa.

After more than four years of regional exploration and surface sampling, Lucapa commenced the most critical exploration phase at Lulo in late 2012. This phase involves the drilling, excavating and bulk sampling of more than 60 priority kimberlite targets to find the source, or sources, of the alluvial diamonds recovered to date from Lulo, including the rare Type IIa gems.

This kimberlite exploration program has reached an important milestone with the recovery of the first commercial-sized diamond from a kimberlite source. Weighing 0.6 carats, the gem-quality diamond (Figure 1) was recovered from the Se019 kimberlite target, where the processing of sample through Lucapa's Dense Media Separation (DMS) diamond plant is continuing.



Figure 1: First kimberlite diamond recovered from Lulo – 0.6 carat stone from Se019 (prior to acid washing)

The Lulo Project is operated as a joint venture between Lucapa and the Government-owned diamond company Endiama, which is the exclusive concessionary for Angolan diamond mining rights. Under the joint venture arrangement, Lucapa holds a 40 per cent interest in the concession relating to alluvials (39 per cent for kimberlites), with Endiama and private Angolan interests holding the balance. Lucapa is the manager and operator on the concession and funds all exploration activities.

In March 2013, Lucapa announced that the alluvial licence for the Lulo concession had been renewed for a further two years until December 2014. Lucapa anticipates that during the coming months, the kimberlite exploration licence also will be renewed by a further two years until June 2015.

The current quarter shapes as a positive period for the Company. Apart from the ongoing kimberlite drilling program, Lucapa also looks forward to the sale of the alluvial diamonds recovered to date from Lulo, the arrival of the new 50 tonne per hour DMS diamond plant and the completion of a new aeromagnetic survey which could expand the number of priority kimberlite targets to be drill tested at Lulo.

DIAMOND VALUATION AND SALES

In September 2012, Independent Diamond Valuers Pty Ltd (IDV) completed a valuation of a parcel of diamonds recovered from the alluvial sampling program at Lulo. The IDV valuation ascribed a total value of \$US3.91 million to 292 diamonds, weighing 495.7 carats.

IDV noted that the biggest of the alluvial diamonds received from Lulo, the 131.4 carat stone, was potentially a Type IIa diamond. Type IIa diamonds are considered the rarest and most sought after in the world, accounting for less than 1% of global diamond production. All of the world's most famous large white flawless diamonds are Type IIa, including the Cullinan, Star of Sierra Leone, Centenary, Millennium and Lesotho Promise.

On 19 March 2013, Lucapa announced the Company had received confirmation that the 131.4 carat stone was a Type IIa diamond. In addition, two other large stones recovered from Lulo – weighing 53.2 carats and 22.13 carats – were also confirmed as being Type IIa diamonds by independent Johannesburg-based firm G2 Squared Diamond Consultants.



Figure 2: Diamonds from Lulo, including the 131.4 carat Type IIa diamond

While the joint venture with Endiama stipulates that Lucapa must secure a Mining Licence before selling any of the diamonds recovered from Lulo, Lucapa was able to negotiate a revenue-sharing agreement with Endiama which will enable the diamonds, including the rare Type Ila gems, to be offered for sale.

This sale is scheduled to take place in the Angolan capital of Luanda in April 2013.

Under the profit sharing-agreement, Lucapa expects to be entitled at least 60% of the gross proceeds from any diamond sales.

KIMBERLITE DIAMOND PROGRAM

Lucapa's kimberlite evaluation program, which began in late 2012, involves the use of a Bauer drilling rig imported from South Africa to test more than 60 priority kimberlite targets at Lulo. This list could increase once Lucapa completes a new aeromagnetic survey scheduled to be flown in April 2013 and reviews other magnetic targets near where the Type Ila alluvial diamonds have been recovered (See Review of Priority Kimberlite Targets section).

Bauer's Prakla drill is a multi-purpose rig that can drill both narrow-diameter core (or diamond) holes and wide-diameter reverse circulation holes. The core holes are designed to locate the kimberlite, while wide-diameter RC holes are drilled to collect small bulk samples of the kimberlite to test for diamonds through the Company's DMS plant.

This program aims to find the kimberlite source, or sources, of the alluvial diamonds recovered from the Lulo concession, including the rare Type Ila gems.

While a particularly heavy wet season hampered exploration progress at Lulo during the Quarter, Lucapa achieved another significant milestone with the recovery of the first commercial-sized diamond from a kimberlite source.

Weighing 0.6 carats, the diamond was recovered from the Se019 kimberlite target, where the processing of sample through Lucapa's DMS diamond plant is continuing.

Apart from slowing general field operations, the wet weather forced Lucapa to modify its drilling and sampling operations to focus on magnetic targets which were accessible from the main all-weather road constructed by the Company.

Work on the higher priority kimberlite targets, which were previously inaccessible due to adverse ground conditions, is expected to re-commence during the current quarter.

During the Quarter, Lucapa's kimberlite exploration program focused on targets Se220, Se223, Se002, Se018 and Se019. A complete summary of work completed on all kimberlite targets showing results to date is presented as Table 1, with the locations of the targets shown in Figure 4.

Se018 is located close to the main sealed road that traverses the Lulo concession. An initial core hole intersected kimberlite and two wide-diameter RC holes were drilled to sample the kimberlite. Material from the wide-diameter holes was processed through the company's DMS plant, but no diamonds were recovered.

Se019 – where the 0.6 carat diamond was recovered - is located 800m south of Se018. Surface pitting over the target identified kimberlite at shallow depths. A single core hole was drilled into the target to examine the kimberlite at depth. A surface sample was excavated (Figure 3) and 98.4m³ was trucked to the Company’s DMS plant for processing.

The 0.6 carat diamond from Se019 (Figure 5) is the first commercial-sized diamond recovered from Lucapa’s kimberlite sampling program. The full significance of this discovery will be evaluated when processing of the Se019 sample through the DMS plant is complete.

Single core holes into the Se220, Se223, and Se002 targets failed to intersect kimberlite. In each instance the Bauer rig was moved onto the next target without a bulk sample being collected. These targets are being reviewed and additional drilling may be undertaken later in the program.

Se223 lies within an area that is to be re-flown during the upcoming aeromagnetic survey. Se223 is located within the alluvial evaluation area and very close to the diamond-rich bulk samples. Because of its highly prospective location, it was decided to prioritise the target despite the poor quality of the supporting aeromagnetic data. This area will be reviewed when the new aeromagnetic data becomes available.

Se220 is a large, but quite subtle ring structure. The initial drill hole was drilled in the centre of the anomaly and encountered horizontally bedded siltstones and fine sandstones; a possible fine breccia was also noted. The drill data is consistent with a thick lake sediment sequence. One or more core holes will be drilled near the margins of the pipe to try and locate coarser kimberlitic material suitable for bulk sampling.

Se002 is a relatively strong magnetic feature and the core hole appears to have encountered crater lake sediments overlying a kimberlite. Lucapa are reviewing the magnetic data to try and locate coarser kimberlite for bulk sampling.

Anomaly	Core Drilling Status	Bulk Sampling Status
Se012	One hole drilled - Confirmed kimberlite	3 LDD holes for 22.1m ³ . Processed - no diamonds recovered.
Se222	Three holes drilled - Confirmed kimberlite	Surface bulk sample from south rim of pipe 31.2m ³ . Processed - no diamonds recovered.
Se223	One hole completed - no kimberlite identified	-
Se002	One hole completed - Thick crater lake sediment overlying kimberlite. Additional drilling planned	-
Se220	One hole completed - Thick crater lake sediment overlying kimberlite. Additional drilling planned	-
Se018	One hole drilled - Confirmed kimberlite	2 LDD holes for 25m ³ . Processed - no diamonds recovered.
Se019	One hole drilled - Confirmed kimberlite	Surface sample of 98.4m ³ . Processing - at this stage one diamond weighing 0.6ct recovered.

Table 1: Work completed on kimberlite targets at Lulo



Figure 3: Bulk sample pit at Se019, showing weathered kimberlite

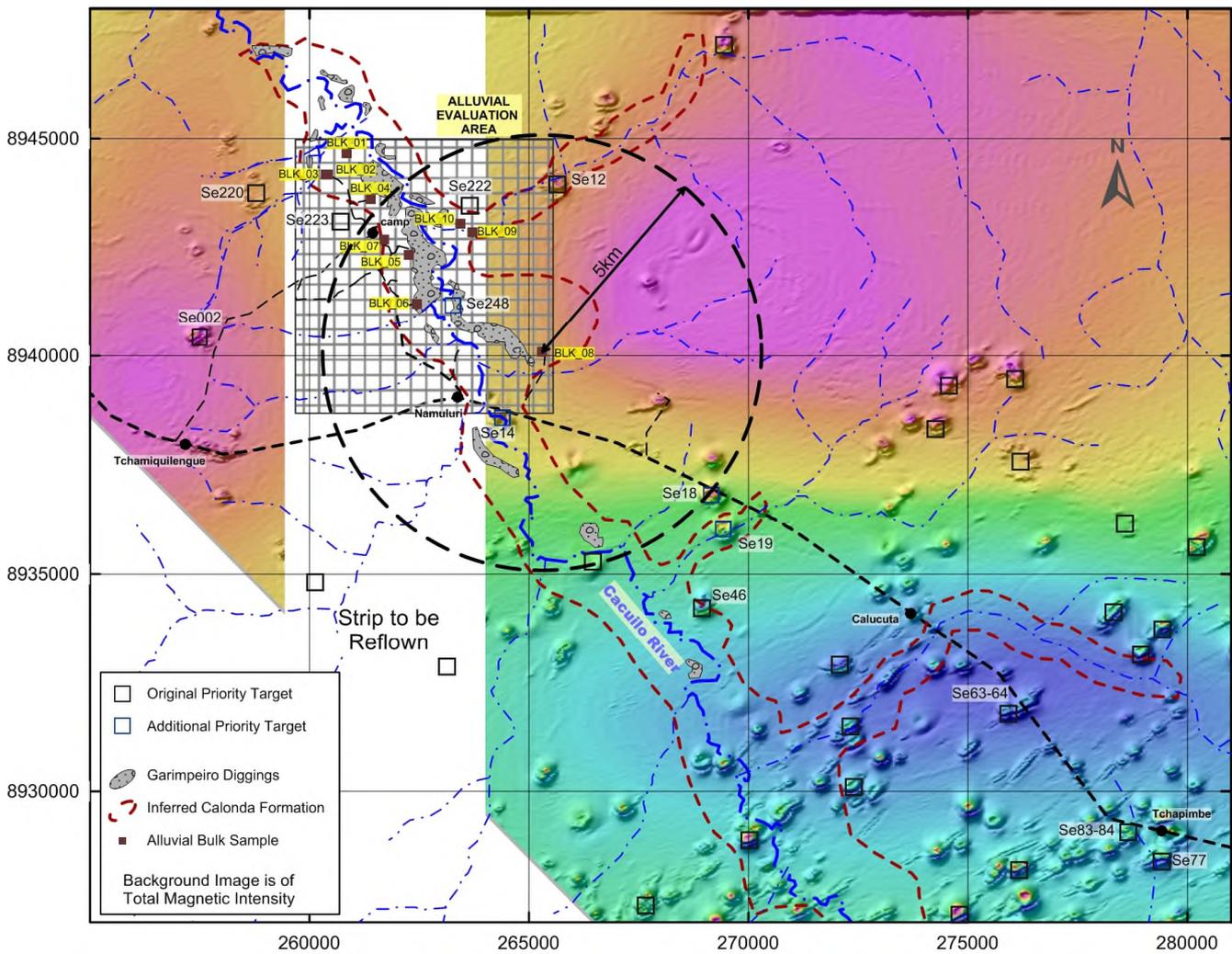


Figure 4: Location of targets examined during the Quarter

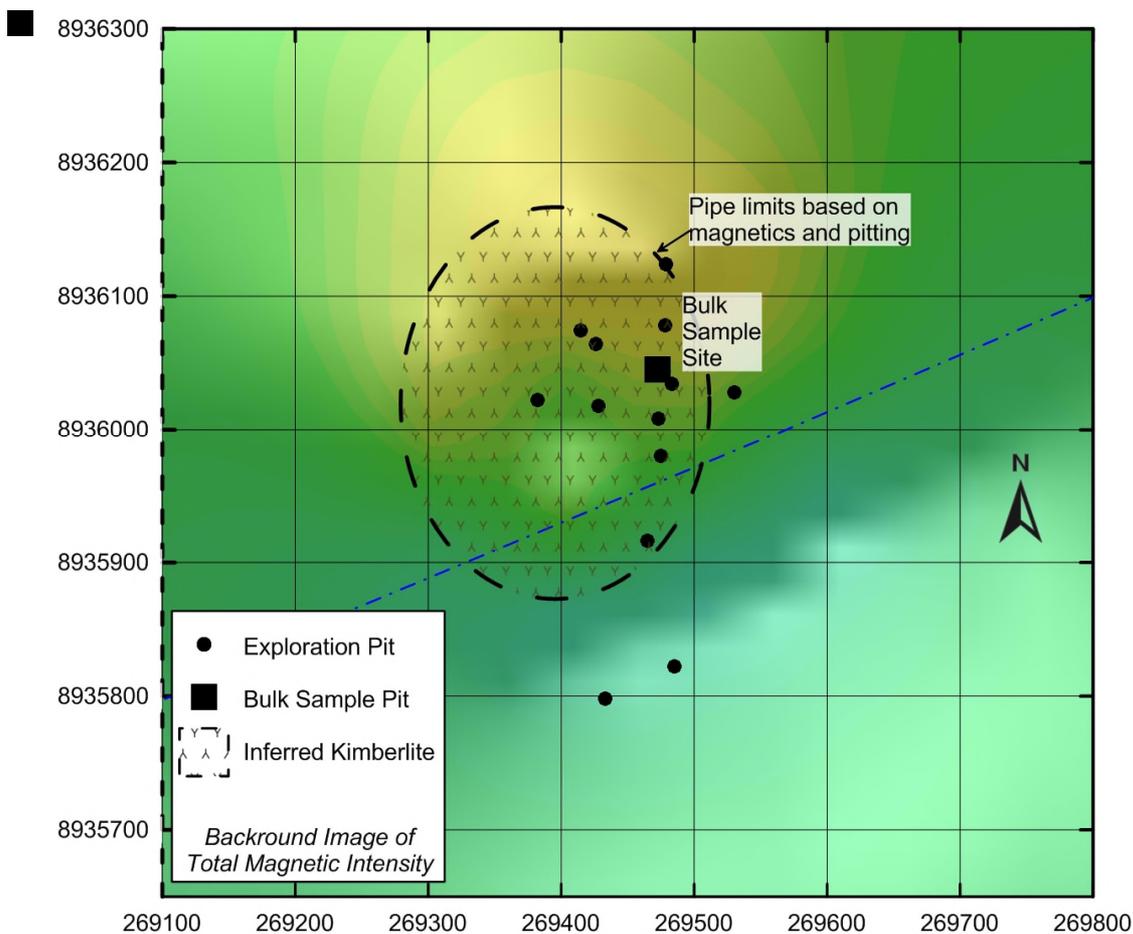


Figure 5: Se019 kimberlite – prospecting and sampling

The Bauer drill is currently working on the Se083-84 target (Figure 4) where kimberlite has been identified in the first core hole.

From here the rig will move to Se046 (Figure 4), where shallow pitting has identified kimberlite. During the pitting program at Se046 an apparently extensive area of Calonda gravels was recognised. In addition to a kimberlite sample, it is expected that an alluvial sample will also be collected from this site.

REVIEW OF PRIORITY KIMBERLITE TARGETS

The confirmation that some of the larger stones recovered from the Lulo alluvial evaluation area are Type IIa diamonds has added impetus to Lucapa’s review of its priority kimberlite targets. The two largest diamonds so far recovered by Lucapa, the 131.4 carat stone (recovered from bulk sample BLK_08) and the 53.2 carat stone (BLK_06) have both been classified as Type IIa.

Diamonds of this size are rarely transported far from their source and it is probable that the source (or sources) of these diamonds lies within a few kilometres of where they were recovered. For indicative purposes, Figures 4 and 6 indicate the area within a 5km radius of BLK_08.

In the one-third section of the Lulo concession flown in the 2008 aeromagnetic survey, ~250 magnetic targets were identified. The garimpeiro diggings at Lulo provided an indication of where shallow alluvial diamonds had been recovered, but the alluvial field was relatively new and centered on the main road access into the area. The Company considers it likely that additional alluvial diamond areas will be discovered along the Cacuilo River valley when better access into these areas is available.

The initial selection of priority kimberlite targets was made prior to the discovery of the 131.4 carat diamond in August 2012. The target selection process was heavily influenced by the size of the magnetic features. This was because in many (if not most) diamond provinces, the larger pipes often contain higher diamond grades. In addition, the larger pipes provide better mining targets as they contain a higher tonnage of diamondiferous material.

With the identification of very large, high quality and value diamonds in the relatively small tonnages of alluvial material processed, all of the kimberlite targets in this vicinity must be considered potential sources for these diamonds. During the original aeromagnetic survey a 70km² strip covering much of the current alluvial sampling area (Figures 4 and 6) was not adequately covered, and contained data considered unreliable.

Lucapa has commissioned Fugro Airborne Surveys to fly a new aeromagnetic survey that will cover the remaining parts of the concession not flown in 2008 and to re-fly the critical 70km² strip. Fugro will fly this strip first and provide Lucapa with the magnetic data as soon as it is available.

Fugro has notified the Company they received the permit from INAVIC (Angolan CAA) for the survey aircraft to enter Angola on Wednesday 27 March 2013. The survey will be able to commence once the aircraft has been inspected and customs clearances have been received. This should occur before mid-April.

Lucapa will complete its review of its priority kimberlite list when results of the new aeromagnetic survey become available.

In addition, based on ongoing field work, a number of new kimberlite targets have already been flagged as being of particular significance. These include Se014 (Figure 4) which, due to its swampy location, was not included on the list of 61 priority targets because of access issues. Se248 (Figure 4) occurs close to the Cacuilo River but is situated less than 1km from BLK_06 and 2km from BLK_08. The site lies within an area of garimpeiro diggings and is known as "Satawa" by the diggers.

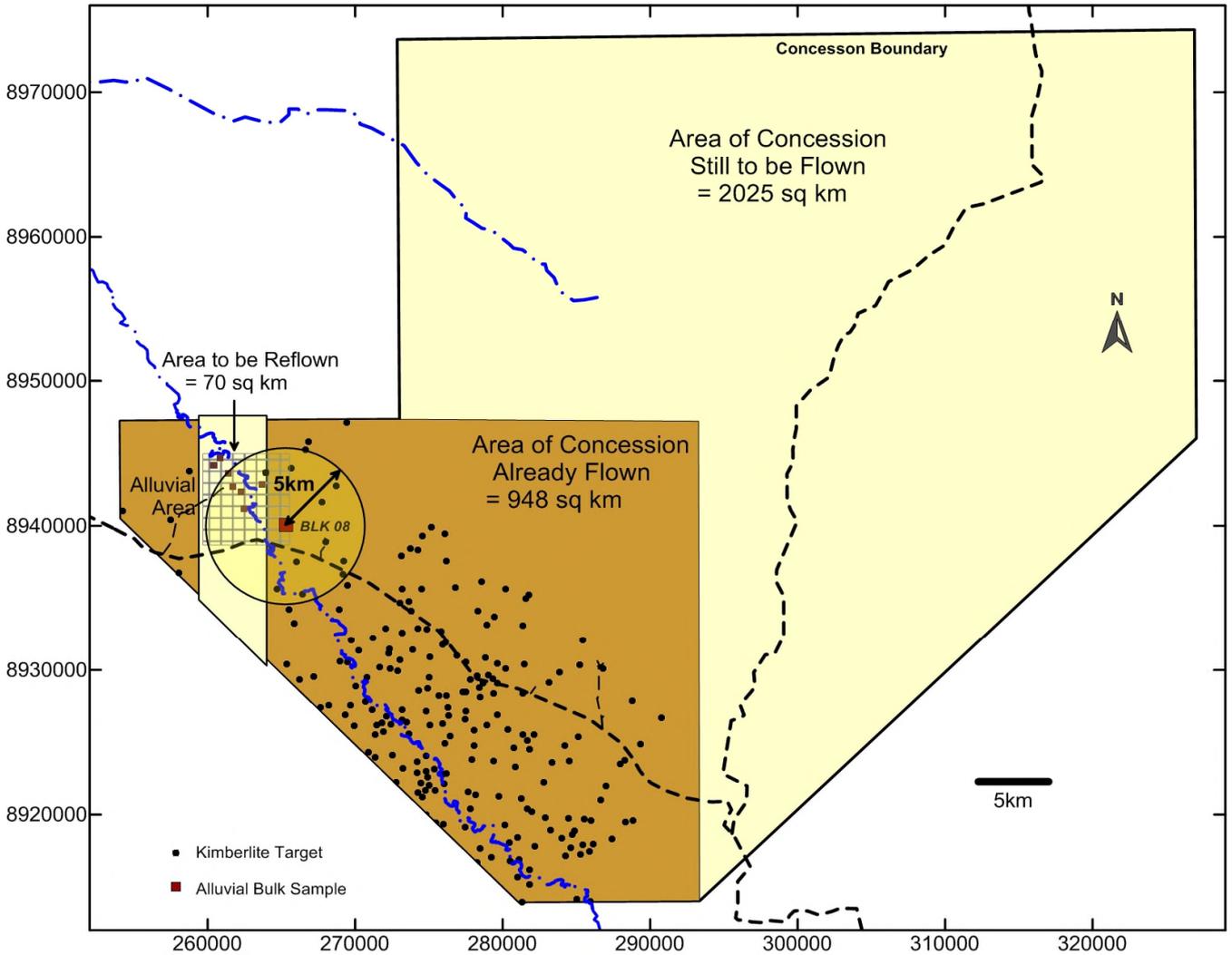


Figure 6: Fugro aeromagnetic areas

ALLUVIAL DIAMOND PROGRAM

While Lucapa continues to focus most of its resources on the kimberlite evaluation program at the Lulo concession, the Company continues to evaluate diamondiferous alluvial gravels within the valley of the Cacuilo River.

During the Quarter, Lucapa completed the processing of the BLK_10 alluvial sample through the DMS plant. This sample comprised Calonda-type gravels identified overlying the Se222 kimberlite (Figure 4).

A total of three diamonds weighing 2.65 carats were recovered from the 117m³ of gravel processed from BLK_10, with the largest weighing 2.1 carats (Figure 7).

Details of the all alluvial samples processed by Lucapa are presented in Table 2.

BULK SAMPLE NO.	Sample Type	Gravel Processed (m ³)	Size Distribution				Stones Recovered (total)	Diamond Weight (ct)	Sample Grade (ct/100m ³)	Largest Diamond (ct)
			<1ct	<1-2ct	<2-5ct	>5ct				
BLK_01	Laterite conglomerate	230	5	2	-	-	7	4.80	2.09	1.45
BLK_02	Calonda conglomerate	293	33	7	3	1	44	47.55	16.26	22.13
BLK_03	Calonda conglomerate	276	30	6	4	-	40	31.00	11.22	4.25
BLK_04	Calonda conglomerate	256	8	-	1	1	10	9.15	3.57	5.05
BLK_05	Calonda conglomerate	124	6	1	-	-	7	2.50	2.02	1.50
BLK_06	Calonda conglomerate	458	77	21	11	7	116	183.75	40.16	53.20
BLK_07	Laterite conglomerate	310	36	5	2	-	43	25.35	8.17	2.15
BLK_08	Calonda conglomerate	204	20	-	1	3	24	189.15	92.68	131.40
BLK_09	Steam sediment	66	2	-	-	-	2	0.45	0.68	<0.05
BLK_10	Calonda conglomerate	117	2	-	1	-	3	2.65	2.26	2.10
Totals:		2,334	219	42	23	12	296	496.35		

Notes:
 1) Lucapa is treating gravel in the +2mm-34mm size range
 2) Grade is quoted in carats per 100 cubic metres of gravel



Figure 7: 2.1 carat gem-quality diamond recovered from BLK_10

Lucapa’s alluvial exploration program has also been successful in locating several previously unrecognised gravel deposits, including near the Se046 (Figure 4) kimberlite target. Lucapa plans to sample these newly-recognised Calonda deposits as soon as resources become available.

Currently the main sample processing bottleneck is the capacity of the Company's DMS plant, which is a small second-hand unit which was re-commissioned on-site at Lulo in September 2010.

This problem will be rectified when the new 50 tonne per hour DMS plant is commissioned at Lulo. This will significantly increase the throughput and efficiency of Lucapa's kimberlite and alluvial diamond sampling operations.

Lucapa ordered the new 50tph DMS plant from Bond Industries in South Africa in 2012, with the front end section arriving at Lulo in November 2012, along with a fleet of additional Caterpillar earth moving equipment. The remainder of the new DMS plant is currently being shipped to Angola from South Africa.

CORPORATE

During the Quarter, Lucapa completed the issue of 636,873,485 fully paid ordinary shares in the Company's entitlements issue which raised \$5.73 million, less costs, at an issue price of \$0.009 per share. Indian Ocean Capital Pty Ltd was lead manager to the entitlements issue and received 60 million listed \$0.02 options expiring 2 December 2013 following shareholder approval at the Company's general meeting on 21 December 2012.

Lucapa also issued the second tranche of 62.5 million unlisted options, exercisable at \$0.019 on or before 25 September 2014, in accordance with the Company's Employee Option Plan and as approved by shareholders at the Company's general meeting on 21 December 2012.

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Competent Person's Statement

Information in this announcement that relates to exploration results, mineral resources or ore reserves is based on information compiled by David Jones BSc (Hons) MSc of Ascidian Prospecting Pty Ltd, who is a Corporate Member of the Australasian Institute of Mining and Metallurgy. Mr Jones is a director of Lucapa Diamond Company Limited. Mr Jones 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 2004 Edition of the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves. Mr Jones consents to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.